

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

1. GENERAL

The Company is a public limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 34.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted, for the first time, a number of new or revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these new SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 4. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Certain comparative figures have been restated to conform with the current year's presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this adjustment is summarised in note 3.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 30th June, 2001 have been amended so that they are presented on a consistent basis.

Goodwill

In the current year, the Group adopted SSAP 30 "Business Combinations" and has elected to restate negative goodwill previously credited to reserves. Accordingly, the amount of such negative goodwill has been remeasured in accordance with the requirements of SSAP 30. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant associate and the date of adoption of SSAP 30 has been recognised retrospectively. Following restatement, negative goodwill will be released to income on a straight line basis over a period of 20 years. The effect of this adjustment is summarised in note 3.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

3. PRIOR PERIOD ADJUSTMENTS

The financial effects of the adoption of the new and revised SSAPs described in note 2 and the prior period adjustments are summarised below:

	THE GROUP	THE COMPANY
	Capital reserve	Retained profits
	<i>HK\$</i>	<i>HK\$</i>
		Retained profits
		<i>HK\$</i>
Balance at 1st July, 2000		
As originally stated	332,496,663	247,716,496
Derecognition of liability for final dividend for the year ended 30th June, 2000	—	7,761,193
Restatement of negative goodwill held in reserves with retrospective release to income	(42,059,973)	7,360,500
Restatement of the revalued amount of hotel properties of an associate held in reserves	(290,436,690)	—
	<u>—</u>	<u>256,483,304</u>
As restated	<u>—</u>	<u>262,838,189</u>

The effect of these changes in accounting policies on the results for the current and prior year of the Group is as follows:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Recognition of negative goodwill to income	<u>2,103,000</u>	<u>2,103,000</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost conversion, as modified for the revaluation of investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisition is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Negative goodwill *(Continued)*

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balances sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Revenue recognition

Income from operations of a hotel, a restaurant and a club are recognised when services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Rental income under operating leases is recognised on a straight line basis over the period of the respective leases.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

(i) *Hotel properties*

Hotel properties are stated at cost and no depreciation is provided on hotel properties held on leases of more than twenty years. It is the Group's practice to maintain the properties in a continual state of sound repair and maintenance, and accordingly, the Directors consider that depreciation is not necessary due to their high residual values. The related maintenance expenditure is dealt with in the income statement in the year of expenditure.

(ii) *Others*

Other assets include furniture and fixtures, and hotel and restaurant operating equipment and are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of other assets over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates per annum:

Furniture and fixtures	10% – 20%
Hotel and restaurant operating equipment	20%

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the year.

Hotel inventories

Hotel inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Deferred loan arrangement fees

Deferred loan arrangement fees represent expenses incurred in obtaining long-term secured bank loans facilities. Such expenses are deferred and amortised to the income statement over the repayment term of the loan on a straight line basis to provide a constant periodic rate of charge.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries and associates which are denominated in currencies other than the Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease terms.

5. TURNOVER

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Hotel operations	109,498,622	122,577,998
Restaurant and club operations	12,274,170	26,378,215
Dividend income from investments in listed securities	2,509,975	2,509,975
Hotel management fee and others	1,950,000	2,152,454
	<u>126,232,767</u>	<u>153,618,642</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into three operating divisions – hotel operations, restaurant and club operations and investment holding. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Hotel operations – operate a hotel
- Restaurant and club operations – operate a restaurant and a club
- Investment holding – investments in listed securities

Segment information about these businesses is presented below.

2002

	Hotel operations Year ended 30th June, 2002 HK\$	Restaurant and club operations Year ended 30th June, 2002 HK\$	Investment holding Year ended 30th June, 2002 HK\$	Others Year ended 30th June, 2002 HK\$	Consolidated Year ended 30th June, 2002 HK\$
TURNOVER	109,498,622	12,274,170	2,509,975	1,950,000	126,232,767
RESULT					
Segment result	21,121,101	(1,548,656)	2,504,548	1,950,000	24,026,993
Unallocated corporate expenses					(5,011,089)
Profit from operations					19,015,904
Finance income					6,132,770
Finance costs					(58,102,786)
Share of results of associates					91,317,555
Profit before taxation					58,363,443
Taxation					(8,520,076)
Net profit for the year					49,843,367

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

BALANCE SHEET

	Hotel operations At 30th June, 2002 HK\$	Restaurant and club operations At 30th June, 2002 HK\$	Investment holding At 30th June, 2002 HK\$	Consolidated At 30th June, 2002 HK\$
ASSETS				
Segment assets	1,981,479,555	2,820,831	181,980,857	2,166,281,243
Interests in associates				1,372,920,722
Unallocated corporate assets				411,627,319
				<u>3,950,829,284</u>
LIABILITIES				
Segment liabilities	15,102,938	946,208	6,000	16,055,146
Unallocated liabilities				1,407,178,816
				<u>1,423,233,962</u>

OTHER INFORMATION

	Hotel operations Year ended 30th June, 2002 HK\$	Restaurant and club operations Year ended 30th June, 2002 HK\$	Un-allocated Year ended 30th June, 2002 HK\$	Consolidated Year ended 30th June, 2002 HK\$
Capital additions	6,832,907	39,117	—	6,872,024
Depreciation	1,811,882	24,153	—	1,836,035
Amortisation of goodwill	—	—	4,259,100	4,259,100

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

2001

	Hotel operations Year ended 30th June, 2001 HK\$	Restaurant and club operations Year ended 30th June, 2001 HK\$	Investment holding Year ended 30th June, 2001 HK\$	Others Year ended 30th June, 2001 HK\$	Consolidated Year ended 30th June, 2001 HK\$
TURNOVER	122,577,998	26,378,215	2,509,975	2,152,454	153,618,642
RESULT					
Segment result	37,423,182	3,485,746	2,504,548	2,152,454	45,565,930
Unallocated corporate expenses					(1,794,380)
Profit from operations					43,771,550
Finance income					4,100,724
Finance costs					(98,898,411)
Share of results of associates					113,202,778
Profit before taxation					62,176,641
Taxation					(10,443,014)
Net profit for the year					51,733,627

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

BALANCE SHEET

	Hotel operations At 30th June, 2001 HK\$	Restaurant and club operations At 30th June, 2001 HK\$	Investment holding At 30th June, 2001 HK\$	Consolidated At 30th June, 2001 HK\$
ASSETS				
Segment assets	1,979,152,744	4,847,211	180,805,599	2,164,805,554
Interests in associates				1,744,797,927
Unallocated corporate assets				246,542,085
				<u>4,156,145,566</u>
LIABILITIES				
Segment liabilities	15,507,704	2,732,899	6,000	18,246,603
Unallocated liabilities				1,660,136,730
				<u>1,678,383,333</u>

OTHER INFORMATION

	Hotel operations Year ended 30th June, 2001 HK\$	Restaurant and club operations Year ended 30th June, 2001 HK\$	Consolidated Year ended 30th June, 2001 HK\$
Capital additions	1,748,911	20,142	1,769,053
Depreciation	1,180,067	137,395	1,317,462

(b) Geographical segments

All of the activities of the Group are based in Hong Kong and all of the Group's turnover, profit before taxation, assets and liabilities are derived from Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

7. PROFIT FROM OPERATIONS

	2002 HK\$	2001 HK\$
Profit from operations has been arrived at after charging:		
Directors' emoluments (note 10)	281,000	281,000
Other staff costs	46,096,597	49,111,557
Retirement benefits scheme contributions	1,286,770	2,062,811
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Total staff costs	47,664,367	51,455,368
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Amortisation of goodwill (included in other operating expenses)	4,259,100	—
Auditors' remuneration		
Current year	377,900	395,900
(Over)underprovision in prior years	(70,040)	65,600
Cost of hotel inventories recognised as an expense	8,856,857	13,442,902
Depreciation of property, plant and equipment	1,836,035	1,317,462
Loss on disposal of property, plant and equipment	298,247	2,355
Repairs and maintenance in respect of hotel properties	17,210,922	10,685,705
and after crediting:		
Recognition of negative goodwill to income (included in other operating expenses)	2,103,000	2,103,000
Rental income in respect of premises, less outgoings of HK\$23,682 (2001: Nil)	1,436,935	—
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8. FINANCE INCOME

	2002 HK\$	2001 HK\$
Interest income on:		
Advance to an associate	5,858,119	2,759,325
Bank deposits	274,651	1,341,399
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	6,132,770	4,100,724
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

9. FINANCE COSTS

	2002 HK\$	2001 HK\$
Interest on:		
Bank loans wholly repayable within five years	17,779,854	45,182,969
Other interest-bearing unsecured loans wholly repayable within five years	<u>38,562,819</u>	<u>52,317,744</u>
	56,342,673	97,500,713
Financing charges	<u>1,760,113</u>	<u>1,397,698</u>
	<u>58,102,786</u>	<u>98,898,411</u>

10. DIRECTORS' EMOLUMENTS

	2002 HK\$	2001 HK\$
Directors' fees		
Executive	143,000	143,000
Independent Non-Executive	138,000	138,000
Other emoluments	<u>—</u>	<u>—</u>
Total emoluments	<u>281,000</u>	<u>281,000</u>

The aggregate emoluments of each of the Directors during the year were within the emoluments band of less than HK\$1,000,000.

No Director waived any emoluments in the year ended 30th June, 2002 (2001: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none (2001: none) of them was Director of the Company. The emoluments of the five (2001: five) individuals were as follows:

	2002 HK\$	2001 HK\$
Salaries and other emoluments	2,793,488	2,507,888
Contributions to retirement benefits scheme	<u>106,493</u>	<u>101,029</u>
	<u>2,899,981</u>	<u>2,608,917</u>

The aggregate emoluments of each of the five highest paid individuals in the Group were within the emoluments band of less than HK\$1,000,000.

During the year, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

12. TAXATION

	THE GROUP	
	2002 HK\$	2001 HK\$
The charge comprises:		
Hong Kong Profits Tax calculated at 16% on the estimated assessable profit		
Current year	1,175,732	3,194,482
Underprovision in prior years	<u>186,094</u>	<u>8,532</u>
	<u>1,361,826</u>	<u>3,203,014</u>
Share of taxation attributable to associates	<u>7,158,250</u>	<u>7,240,000</u>
	<u>8,520,076</u>	<u>10,443,014</u>

Neither the Group nor the Company had any material unprovided deferred taxation for the year or at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

13. DIVIDENDS

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Final, paid – for the year ended 30th June, 2001: HK1 cent (for the year ended 30th June, 2000: HK1 cent) per share	7,891,396	7,761,193
Interim, paid – for the year ended 30th June, 2002: HK1 cent (for the year ended 30th June, 2001: HK1 cent) per share	7,972,552	7,822,921
	<u>15,863,948</u>	<u>15,584,114</u>

A final dividend of HK1 cent for the year ended 30th June, 2002 (2001: HK1 cent) per share has been proposed by the Directors and is subject to approval by the shareholders in annual general meeting.

14. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the year of HK\$49,843,367 (2001: HK\$51,733,627 as restated) and on the weighted average number of 794,110,871 (2001: 780,099,882) shares in issue during the year.

The adjustment to the comparative earnings per share, arising from the effect of adoption of new and revised SSAPs as shown in note 2 above, is as follows:

	<i>HK cents</i>
Reconciliation of 2001 earnings per share:	
Reported figure before adjustment	6.36
Adjustment arising from the adoption of SSAP 30	<u>0.27</u>
Restated figure	<u>6.63</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties in Hong Kong held under long leases <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP			
COST			
At 1st July, 2001	1,950,110,500	12,086,126	1,962,196,626
Additions	—	6,872,024	6,872,024
Disposals	—	(832,189)	(832,189)
At 30th June, 2002	<u>1,950,110,500</u>	<u>18,125,961</u>	<u>1,968,236,461</u>
DEPRECIATION			
At 1st July, 2001	—	6,509,213	6,509,213
Provided for the year	—	1,836,035	1,836,035
Eliminated on disposals	—	(530,140)	(530,140)
At 30th June, 2002	<u>—</u>	<u>7,815,108</u>	<u>7,815,108</u>
NET BOOK VALUES			
At 30th June, 2002	<u>1,950,110,500</u>	<u>10,310,853</u>	<u>1,960,421,353</u>
At 30th June, 2001	<u>1,950,110,500</u>	<u>5,576,913</u>	<u>1,955,687,413</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$	2001 HK\$
Unlisted shares, at cost	86	84
Advances to subsidiaries, less impairment loss	<u>2,949,696,769</u>	<u>3,122,576,887</u>
	<u>2,949,696,855</u>	<u>3,122,576,971</u>

Details of the principal subsidiaries at 30th June, 2002 are set out in note 34.

The advances to subsidiaries are unsecured and have no fixed repayment terms. The balances include an amount of HK\$615,829,087 (2001: HK\$698,761,598) which is interest bearing and the remaining balances are interest-free. In the opinion of the Directors, the amounts will not be received in the next twelve months of the balance sheet date and accordingly, the amounts are shown as non-current.

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$ (As restated)	2002 HK\$	2001 HK\$
Unlisted shares, at cost	—	—	25	25
Share of net assets	1,237,310,568	964,331,263	—	—
Goodwill (negative goodwill) (note)	135,610,154	(32,596,473)	—	—
Advances to associates	—	813,063,137	—	—
	<u>1,372,920,722</u>	<u>1,744,797,927</u>	<u>25</u>	<u>25</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

17. INTERESTS IN ASSOCIATES (Continued)

Note:

	Goodwill HK\$	Negative goodwill HK\$	Total HK\$ (As restated)
COST/GROSS AMOUNT			
At beginning of the year	—	(42,059,973)	(42,059,973)
Arising from issue of shares by an associate	170,362,727	—	170,362,727
At end of the year	170,362,727	(42,059,973)	128,302,754
RELEASED TO INCOME/AMORTISATION			
At beginning of the year	—	(9,463,500)	(9,463,500)
Release for the year	—	(2,103,000)	(2,103,000)
Charge for the year	4,259,100	—	4,259,100
At end of the year	4,259,100	(11,566,500)	(7,307,400)
CARRYING AMOUNT			
At end of the year	166,103,627	(30,493,473)	135,610,154
At beginning of the year	—	(32,596,473)	(32,596,473)

The amortisation period adopted for goodwill and negative goodwill is 20 years.

Details of the associates at 30th June, 2002 are as follows:

Name of company	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Principal activities
Asian Glory Limited	British Virgin Islands	Ordinary	25%	Investment holding
Bestown Property Limited	Hong Kong	Ordinary	25%	Hotel owner
Greenroll Limited	Hong Kong	Ordinary	50%	Hotel owner
Regent Step Investment Limited	Hong Kong	Ordinary	25%	Provision of financial services

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

17. INTERESTS IN ASSOCIATES (Continued)

Notes:

- (a) All associates are unlisted in Hong Kong.
- (b) The financial statements of Greenroll Limited are not audited by Deloitte Touche Tohmatsu.
- (c) Results and affairs of the Group's significant associates are set out in note 35.

18. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002 HK\$	2001 HK\$
Other securities:		
Equities securities listed in Hong Kong, at cost	379,514,424	379,514,424
Revaluation deficit (note 23)	(197,541,244)	(198,796,231)
Market value of listed securities	<u>181,973,180</u>	<u>180,718,193</u>

19. TRADE AND OTHER RECEIVABLES

The Group maintains a defined credit policy. An aged analysis of trade receivables is as follows:

	THE GROUP	
	2002 HK\$	2001 HK\$
Trade receivables		
0-30 days	3,494,035	2,997,333
31-60 days	443,030	491,062
61-90 days	3,730	385,332
Over 90 days	41,562	53,485
	<u>3,982,357</u>	<u>3,927,212</u>
Other receivables	2,452,609	3,140,043
	<u>6,434,966</u>	<u>7,067,255</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

20. BALANCES WITH ASSOCIATES

The amounts are unsecured and have no fixed repayment terms.

The balances due from associates include an amount of HK\$410,331,391 (2001: HK\$303,783,635 included in interests in associates) which is interest bearing and the remaining balances are interest-free. The amount due to an associate is interest-free.

21. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	THE GROUP	
	2002 HK\$	2001 HK\$
Trade payables		
0 – 30 days	2,980,780	4,895,712
31 – 60 days	—	87,620
61 – 90 days	—	4,531
Over 90 days	9,014	13,624
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	2,989,794	5,001,487
Other payables	11,135,571	12,789,403
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	14,125,365	17,790,890
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

22. SHARE CAPITAL

	Number of ordinary shares of HK\$1 each		Nominal value	
	2002	2001	2002 HK\$	2001 HK\$
Authorised:				
At beginning and end of the year	<u>3,000,000,000</u>	<u>3,000,000,000</u>	<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued and fully paid:				
At beginning of the year	789,139,626	776,119,328	789,139,626	776,119,328
Issued pursuant to scrip dividend scheme for final dividend in respect of year ended 30th June, 2001 and 2000	8,115,621	6,172,784	8,115,621	6,172,784
Issued pursuant to scrip dividend scheme for interim dividend in respect of year ended 30th June, 2002 and 2001	<u>5,798,952</u>	<u>6,847,514</u>	<u>5,798,952</u>	<u>6,847,514</u>
At end of the year	<u>803,054,199</u>	<u>789,139,626</u>	<u>803,054,199</u>	<u>789,139,626</u>

In December 2001, pursuant to a scrip dividend scheme, the Company issued and allotted a total of 8,115,621 shares of HK\$1 each in the Company at HK\$0.858 each to the shareholders who elected to receive shares in the Company in lieu of cash for the final dividend in respect of the year ended 30th June, 2001. These shares rank pari passu in all respects with the existing shares in issue. This resulted in a shortfall of HK\$1,152,418 between the par value of those shares and the amount payable in respect thereof under the scrip dividend scheme. This shortfall was paid in cash personally by the Company's substantial shareholder as a goodwill gesture to the Company.

In May 2002, pursuant to a scrip dividend scheme, the Company issued and allotted a total of 5,798,952 shares of HK\$1 each in the Company at HK\$1.22 each to the shareholders who elected to receive shares of the Company in lieu of cash for the interim dividend in respect of the year ended 30th June, 2002. These shares rank pari passu in all respects with the existing shares in issue.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

23. RESERVES

	Capital reserve HK\$	Investments revaluation reserve HK\$	Share premium HK\$	Distributable reserve HK\$	Retained profits HK\$	Total HK\$
THE GROUP						
At 1st July, 2000						
As previously stated	332,496,663	(152,361,696)	54,904,517	1,532,787,278	247,716,496	2,015,543,258
Prior period adjustments (note 3)	(332,496,663)	—	—	—	15,121,693	(317,374,970)
As restated	—	(152,361,696)	54,904,517	1,532,787,278	262,838,189	1,698,168,288
Movement on revaluation reserve	—	(46,434,535)	—	—	—	(46,434,535)
Shares issue at premium	—	—	883,283	—	—	883,283
Share issue expenses	—	—	(143,942)	—	—	(143,942)
Net profit for the year	—	—	—	—	51,733,627	51,733,627
Dividends paid	—	—	—	—	(15,584,114)	(15,584,114)
At 30th June, 2001 and 1st July, 2001	—	(198,796,231)	55,643,858	1,532,787,278	298,987,702	1,688,622,607
Movement on revaluation reserve	—	1,254,987	—	—	—	1,254,987
Shares issue at premium	—	—	1,275,770	—	—	1,275,770
Share issue expenses	—	—	(591,660)	—	—	(591,660)
Net profit for the year	—	—	—	—	49,843,367	49,843,367
Dividends paid	—	—	—	—	(15,863,948)	(15,863,948)
At 30th June, 2002	—	(197,541,244)	56,327,968	1,532,787,278	332,967,121	1,724,541,123
Attributable to:						
The Company and subsidiaries	—	(197,541,244)	56,327,968	1,532,787,278	94,103,082	1,485,677,084
Associates	—	—	—	—	238,864,039	238,864,039
	—	(197,541,244)	56,327,968	1,532,787,278	332,967,121	1,724,541,123

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

23. RESERVES (Continued)

	Capital reserve HK\$	Investments revaluation reserve HK\$	Share premium HK\$	Distributable reserve HK\$	Retained profits HK\$	Total HK\$
THE COMPANY						
At 1st Jul, 2000						
As previously stated	—	—	54,904,517	1,823,877,078	248,722,111	2,127,503,706
Prior period adjustments (note 3)	—	—	—	—	7,761,193	7,761,193
As restated	—	—	54,904,517	1,823,877,078	256,483,304	2,135,264,899
Shares issue at premium	—	—	883,283	—	—	883,283
Share issue expenses	—	—	(143,942)	—	—	(143,942)
Net loss for the year	—	—	—	—	(132,122,903)	(132,122,903)
Dividends paid	—	—	—	—	(15,584,114)	(15,584,114)
At 30th June, 2001 and at 1st July, 2001	—	—	55,643,858	1,823,877,078	108,776,287	1,988,297,223
Shares issue at premium	—	—	1,275,770	—	—	1,275,770
Share issue expenses	—	—	(591,660)	—	—	(591,660)
Net profit for the year	—	—	—	—	172,705,324	172,705,324
Dividends paid	—	—	—	—	(15,863,948)	(15,863,948)
At 30th June, 2002	—	—	56,327,968	1,823,877,078	265,617,663	2,145,822,709

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands and the provisions of the Company's Articles of Association, the share premium of the Company is available for distribution or paying dividends to the shareholders provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

The distributable reserve of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the share capital issued by the Company pursuant to a group reorganisation in 1995. Under the Companies Law (Revised) of the Cayman Islands, the distributable reserve is available for distribution to shareholders.

The reserve available for distribution to the shareholders by the Company as at 30th June, 2002 amounted to HK\$2,145,822,709 (2001: HK\$1,988,297,223 as restated).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

24. BANK LOANS AND OTHER BORROWINGS

	THE GROUP	
	2002 HK\$	2001 HK\$
Bank loans	502,967,042	524,831,447
Other interest-bearing unsecured loans	501,251,618	946,308,007
Bank overdrafts	617,795	811,284
	<u>1,004,836,455</u>	<u>1,471,950,738</u>
Represented:		
Secured	386,593,087	525,642,731
Unsecured	618,243,368	946,308,007
	<u>1,004,836,455</u>	<u>1,471,950,738</u>
The maturity of the above bank loans and other borrowings is as follows:		
On demand or within one year	184,669,212	526,304,496
More than one year, but not exceeding two years	524,526,618	946,308,007
More than two years, but not exceeding five years	299,250,000	—
	<u>1,008,445,830</u>	<u>1,472,612,503</u>
Less: Deferred loan arrangement fees <i>(note 25)</i>	<u>(3,609,375)</u>	<u>(661,765)</u>
	1,004,836,455	1,471,950,738
Less: Amount due within one year shown under current liabilities	<u>(184,669,212)</u>	<u>(525,642,731)</u>
Amount due after one year	<u>820,167,243</u>	<u>946,308,007</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

25. DEFERRED LOAN ARRANGEMENT FEES

	THE GROUP	
	2002 HK\$	2001 HK\$
COST		
At beginning of the year	2,250,000	2,250,000
Incurred during the year	4,125,000	—
Write-off of fully amortised amount	(2,250,000)	—
	<hr/>	<hr/>
At end of the year	4,125,000	2,250,000
	<hr/>	<hr/>
AMORTISATION		
At beginning of the year	1,588,235	794,117
Charge for the year	1,177,390	794,118
Eliminated on write-off of fully amortised amount	(2,250,000)	—
	<hr/>	<hr/>
At end of the year	515,625	1,588,235
	<hr/>	<hr/>
CARRYING VALUE	3,609,375	661,765
	<hr/>	<hr/>

26. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries of the Company are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the amounts will not be repaid within twelve months from the balance sheet date and, accordingly, the amounts are classified as non-current.

27. AMOUNT DUE TO AN ASSOCIATE

The amount due to an associate of the Group is unsecured, interest-bearing and has no fixed repayment terms. In the opinion of the Directors, the amount will not be repaid within twelve months from the balance sheet date and, accordingly, the amount is classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

28. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Profit before taxation	58,363,443	62,176,641
Share of results of associates	(91,317,555)	(113,202,778)
Depreciation of property, plant and equipment	1,836,035	1,317,462
Amortisation of goodwill	4,259,100	—
Recognition of negative goodwill to income	(2,103,000)	(2,103,000)
Amortisation of loan arrangement fees	1,177,390	794,118
Finance income	(6,132,770)	(4,100,724)
Finance costs	58,102,786	98,898,411
Loss on disposal of property, plant and equipment	298,247	2,355
Decrease in hotel inventories	714,067	11,162
Decrease in trade and other receivables	632,289	4,877,640
Decrease in amounts due from associates	242,765,265	193,404
(Decrease) increase in trade and other payables	(628,185)	4,253,368
Increase in amount due to an associate	16,779,694	—
	<hr/>	<hr/>
Net cash inflow from operating activities	284,746,806	53,118,059

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

29. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium <i>HK\$</i>	Other borrowings <i>HK\$</i>	Amount due to an associate <i>HK\$</i>	Bank loans <i>HK\$</i>
Balance at 1st July, 2000	831,023,845	855,831,474	111,451,476	720,259,551
Advance from an associate	—	—	73,226,978	—
New loans raised	—	735,476,533	—	—
Repayments	—	(645,000,000)	—	(196,222,222)
Issue of shares pursuant to scrip dividend scheme	13,903,581	—	—	—
Share issue expenses	(143,942)	—	—	—
Amortisation of deferred loan arrangement fees	—	—	—	794,118
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th June, 2001 and at 1st July, 2001	844,783,484	946,308,007	184,678,454	524,831,447
Advance from an associate	—	—	385,862,102	—
New loans raised	—	—	—	466,991,750
Repayments	—	(445,056,389)	(184,678,454)	(485,908,545)
Issue of shares pursuant to scrip dividend scheme	15,190,343	—	—	—
Share issue expenses	(591,660)	—	—	—
Addition to deferred loan arrangement fees	—	—	—	(4,125,000)
Amortisation of deferred loan arrangement fees	—	—	—	1,177,390
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th June, 2002	<u>859,382,167</u>	<u>501,251,618</u>	<u>385,862,102</u>	<u>502,967,042</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

30. PLEDGE OF ASSETS

- (a) The Group has pledged its hotel properties having a net book value of HK\$1,950,110,500 (2001: HK\$1,950,110,500), listed securities at market value of HK\$181,973,180 (2001: HK\$180,718,193) and other assets of HK\$29,836,756 (2001: HK\$1,265,980,160) to banks to secure long-term loan facilities granted to the Group;
- (b) The Group has pledged a time deposit of HK\$1,347,567 (2001: HK\$1,315,276) to secure a letter of guarantee issuance facilities;
- (c) At 30th June, 2001, the Group had pledged another time deposit of HK\$7,500,000 to a bank to secure the next interest and principal repayment of a bank loan granted by the bank. During the year, such bank loan was repaid and the said pledged time deposit has been released; and
- (d) The investments in certain subsidiaries of the Company have been pledged to banks or financial institutions to secure loan facilities granted to the Group.

31. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK\$1,460,617 (2001: Nil).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2002 HK\$	2001 HK\$
Within one year	2,058,142	—
In the second to fifth year inclusive	2,655,667	—
	<hr/>	<hr/>
	4,713,809	—
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

32. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had contingent liabilities as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Guarantees given to bankers, in respect of loan facilities utilised by:				
– subsidiaries	—	—	507,194,213	526,304,496
– an associate	138,750,000	152,000,000	138,750,000	152,000,000
	138,750,000	152,000,000	645,944,213	678,304,496

33. RELATED PARTY AND CONNECTED TRANSACTIONS

- (a) During the year, the Group entered into significant transactions with related and connected parties as follows:

	Notes	THE GROUP	
		2002 HK\$	2001 HK\$
Interest expenses paid to associates	(i)	12,262,537	12,137,501
Management fee paid to a connected party	(ii)	258,348	1,322,800
Interest income received from an associate	(iii)	5,858,119	2,759,325
Hotel management fee received from an associate	(iv)	1,000,000	1,000,000
Hotel management fee received from a connected party	(v)	950,000	994,831

Mr. Robert Ng Chee Siong was interested in these transactions as a Director of all the above mentioned related companies and Mr. Raymond Tong Kwok Tung was interested in these transactions as a Director of the above mentioned related companies in notes (i) to (iv).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

33. RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

Notes:

- (i) The interest expenses were chargeable at commercial rate.
 - (ii) The management fee was charged on a cost-plus-5% basis pursuant to the Administrative Services Agreement dated 24th July, 2000 between the Company and Sino Land Company Limited's wholly-owned subsidiary, Sino Administration Services Limited. Sino Land Company Limited is related to the Company by having a common substantial shareholder. Press announcement relating to the entering into the agreement by the parties was published on 25th July, 2000.
 - (iii) Interest income was calculated at the rate of cost of fund plus a margin of 1%.
 - (iv) The relevant management fee income was a fixed sum agreed by both parties.
 - (v) The management fee was charged at 2% of the quarterly hotel revenue subject to a maximum amount of HK\$950,000 per annum pursuant to the Hotel Management Agreement dated 24th May, 2002 between the Company and Wylan Limited. Wylan Limited is wholly-owned by the family members of the Company's substantial shareholder.
- (b) During the year, the Group made advances totalling HK\$106,547,756 to its 25% owned associate, Regent Step Investment Limited ("Regent Step"), to finance the loan on-lent to Bestown Property Limited ("Bestown"), which is the owner of the Royal Pacific Hotel. Both Regent Step and Bestown are of the same shareholding structure. The advances are unsecured, bear interest at cost of fund plus a margin and have no fixed repayment term. The advances made are proportional to the shareholding interest of the Group in Regent Step, the remaining share interests in which are held by a connected party to the Company by virtue of Mr. Ng Teng Fong being a substantial shareholder of the Company.
- (c) At the balance sheet date, the Group had the outstanding balances with related parties as follows:
- (i) Details of amounts with associates are set out in notes 20 and 27 of the financial statements.
 - (ii) The Group had contingent liabilities in respect of loan facilities utilised by an associate amounting to HK\$138,750,000 (2001: HK\$152,000,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company at 30th June, 2002 which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name of company	Place of incorporation/ operation	Class of shares held/ issued capital	Proportion of nominal value of issued/registered capital held by the Company	Principal activities
Direct subsidiary				
Active Finance Limited	Hong Kong	Ordinary HK\$2	100%	Provision of financial services
Advance (H.K.) Limited	Hong Kong	Ordinary HK\$2	100%	Provision of financial services
Aldrich Worldwide Holdings Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Allied Joy Limited	Hong Kong	Ordinary HK\$2	100%	Provision of nominee services
Asian Statesman Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Halliwell Ltd.	Cayman Islands	Ordinary US\$1	100%	Investment holding
Island Pacific Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
Sheridan Holdings Ltd.	Cayman Islands	Ordinary US\$1	100%	Investment holding
Sino Fortune Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Sino March Assets Ltd.	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Toby Investments Limited	Cayman Islands	Ordinary US\$1	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ operation	Class of shares held/ issued capital	Proportion of nominal value of issued/registered capital held by the Company	Principal activities
Indirect subsidiary				
Bosco Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Bright Tower (HK) Limited	Hong Kong	Ordinary HK\$2	100%	Club and cafe operations
China Asia Property Limited	Hong Kong	Ordinary HK\$2	100%	Hotel owner
City Garden Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
Park Lane Towers Limited	Hong Kong	Ordinary HK\$2	100%	Food and beverages outlets operations
R.P. Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
Speed Advance Limited	Republic of Liberia/ Hong Kong	Registered/ Bearer shares US\$1	100%	Share investment
Wellrich International Ltd.	Republic of Liberia/ Hong Kong	Registered/ Bearer shares US\$1	100%	Share investment

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

35. RESULTS AND AFFAIRS OF THE GROUP'S SIGNIFICANT ASSOCIATES

The following details have been extracted from the audited financial statements of Greenroll Limited which have been adjusted to conform with the Group's accounting policies, and from the audited consolidated financial statements of Asian Glory Limited and its subsidiary, Bestown Property Limited.

	Greenroll Limited		Asian Glory Limited	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Results for the year				
Turnover	<u>425,228,000</u>	<u>487,084,000</u>	<u>256,179,801</u>	<u>317,290,008</u>
Profit before taxation	<u>142,945,000</u>	<u>178,000,000</u>	<u>79,534,357</u>	<u>96,678,041</u>
Profit before taxation attributable to the Group	<u>71,472,500</u>	<u>89,000,000</u>	<u>19,883,590</u>	<u>24,169,510</u>
Financial position				
Non-current assets	3,370,582,000	2,588,811,000	3,276,878,563	4,264,628,549
Current assets	133,890,000	91,238,000	106,210,509	786,391,003
Current liabilities	(139,872,000)	(76,249,000)	(76,507,759)	(1,154,677,632)
Non-current liabilities	<u>(892,104,000)</u>	<u>(690,325,000)</u>	<u>(2,140,546,022)</u>	<u>(2,704,340,985)</u>
Net assets	<u>2,472,496,000</u>	<u>1,913,475,000</u>	<u>1,166,035,291</u>	<u>1,192,000,935</u>
Net assets attributable to the Group	<u>1,236,248,000</u>	<u>956,737,500</u>	<u>291,508,823</u>	<u>298,000,234</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

35. RESULTS AND AFFAIRS OF THE GROUP'S SIGNIFICANT ASSOCIATES *(Continued)*

During the year, the Inland Revenue Department (the "IRD") initiated a tax inquiry for the years of assessment 1994/95 to 2000/01 on a wholly-owned subsidiary, Bestown Property Limited ("Bestown") of the Group's associate, Asian Glory Limited ("AGL"). Notices of assessment in an amount of approximately HK\$119,500,000 were issued to Bestown for the years under review and objections were properly lodged with the IRD by Bestown. The effective share of the assessment attributable to the Group as at 30th June, 2002 is estimated to be approximately HK\$29,875,000. In the opinion of the management of Bestown, as the tax inquiry is still at its preliminary stage of fact finding and the fact finding process is likely to continue for some time, the ultimate outcome of the tax inquiry, which may not be known for some years, cannot presently be determined by the management of Bestown with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made in the financial statements of Bestown.

The Directors of the Company have taken note of the above matters and have made due inquiries. Nothing has come to the attention of the Board of Directors of the Company which indicates that there has been material subsequent development or change in status in respect of the above matters.