

## Notes on the Accounts

### 1 PRINCIPAL ACCOUNTING POLICIES

#### (a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKSE"). A summary of the principal accounting policies adopted by the Group is set out below.

#### (b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment and hotel properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

#### (c) Subsidiaries

A subsidiary, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated accounts, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is accounted for in accordance with note 1(f).

Intra-group balances and intra-group transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is accounted for in accordance with note 1(f).

#### (d) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associate or the jointly controlled entity, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is accounted for in accordance with note 1(f). The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates and jointly controlled entities for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e).

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

On disposal of an associate or a jointly controlled entity during the year, the attributable amount of capital reserve is included in the calculation of the profit or loss on disposal.

## Notes on the Accounts (cont'd)

### 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

The results of the associates and jointly controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable, providing the dividend is in respect of a period ending on or before that of the Company and the Company's right to receive the dividend is established before the accounts of the Company are approved by the directors. In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case, it is accounted for in accordance with note 1(f).

#### (e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired.

For acquisitions before 1st July, 2001, positive goodwill is written off on acquisition.

For acquisitions on or after 1st July, 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life.

In respect of controlled subsidiaries, positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(j)).

In respect of acquisitions of associates and jointly controlled entities, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(j)) is included in the carrying amount of the interest in associates or jointly controlled entities.

Negative goodwill arising on acquisitions of controlled subsidiaries, associates and jointly controlled entities represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition.

Negative goodwill is accounted for as follows:

- for acquisitions before 1st July, 2001, negative goodwill is credited to a capital reserve; and
- for acquisitions on or after 1st July, 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of non-monetary assets acquired, is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets or when the underlying non-monetary assets are disposed. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

In respect of any negative goodwill not yet recognised in the consolidated profit and loss account:

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill or as a deduction from its underlying assets; and
- for associates and jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in associates or jointly controlled entities.

On disposal of a controlled subsidiary, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

## Notes on the Accounts (cont'd)

## 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

## (f) Investments in securities

The Group's policies for investments in securities other than investments in subsidiaries, associates and jointly controlled entities are as follows: —

- (i) Dated debt securities that the Group has the ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value. Provisions are made when carrying amounts are not expected to be fully recovered and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.
- (ii) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.
- (iii) All other securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.
- (iv) Provisions against the carrying value of held-to-maturity securities and investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (v) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

## (g) Valuation of properties

- (i) Investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which are assessed annually by qualified valuer of the Group and at least every three years by external qualified valuers. Surpluses arising on revaluations on a portfolio basis are credited to the investment property revaluation reserve; deficits arising on revaluations are firstly set-off against any previous revaluation surpluses and thereafter taken to the profit and loss account.

On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve is transferred to the profit and loss account for the year.

- (ii) Hotel properties are stated at their open market value based on an annual professional valuation.
- (iii) Other land and buildings are stated at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)).
- (iv) Properties held for resale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.
- (v) Completed properties remaining unsold at the year end are valued at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions.
- (vi) Properties held for and under development are stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, and expenses relating to the marketing and sale of development properties prior to the issue of an occupation permit in Hong Kong or the issue of a completion certificate in the People's Republic of China ("PRC"), less any impairment losses (see note 1(j)).
- (vii) Leasehold land acquired by exchange of land exchange entitlements is stated at cost which represents the cost of land exchange entitlements surrendered, and the premium, if any, payable to the Government of the Hong Kong Special Administrative Region less impairment losses (see note 1(j)), where appropriate.
- (viii) Other leasehold land is stated at cost less impairment losses (see note 1(j)), where appropriate.

## Notes on the Accounts (cont'd)

### 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (h) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

#### (i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Finance charges implicit in the lease payments are charged to the profit and loss account over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

#### (ii) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(o)(ii).

#### (iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

#### (i) Amortisation and depreciation of fixed assets

##### (i) Investment properties

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuation takes into account the state of each property at the date of valuation.

##### (ii) Hotel properties

No depreciation is provided on hotel properties held on lease of more than 20 years. The directors consider that the value of the hotels do not diminish, due to the fact that hotels are maintained in a continuous state of proper repair and improvements thereto from time to time.

##### (iii) Toll highway operation rights and bridges

Depreciation of toll highway operation rights and bridges is provided for on the basis of a sinking fund calculation whereby annual depreciation amounts compounded at 6% per annum will be equal to the costs of the relevant toll highway operation rights and bridges at the expiry of the relevant operating periods.

##### (iv) Other land and buildings

Leasehold land is amortised, using the straight-line method, over the unexpired terms of the leases.

Buildings are depreciated on a straight-line basis over the remaining terms of the respective leases or 40 years if shorter.

##### (v) Properties held for and under development

No depreciation is provided on properties held for and under development.

##### (vi) Other fixed assets

Other fixed assets are stated at cost, less accumulated depreciation and impairment losses (see note 1(j)). Depreciation is provided on a straight-line basis over their estimated useful lives as follows: —

Leasehold improvements, furniture and fixtures	— 20%
Others	— 10% to 33%

## Notes on the Accounts (cont'd)

### 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (j) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (other than properties carried at revalued amounts);
- investments in subsidiaries, associates and jointly controlled entities (except for those accounted for at fair value under notes 1(c) and (d));
- positive goodwill;
- properties held for development;
- properties under development; and
- leasehold land.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

#### (i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently.

#### (ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

#### (k) Valuation of construction contracts in progress

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as "Amounts due from customers for contract work" as an asset or "Amounts due to customers for contract work" as a liability, as applicable.

#### (l) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

#### (m) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

## Notes on the Accounts (cont'd)

### 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (o) Recognition of revenue

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows: —

##### (i) Sale of properties

Revenue arising from the development of properties for sale together with the interest earned on the instalment sales of properties are recognised upon the sale of properties or the issue of an occupation permit or a completion certificate by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits received.

##### (ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

##### (iii) Interest income

Interest earned on loans and advances to customers and from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

##### (iv) Income from construction contracts

When the outcome of the construction contract can be estimated reliably:

- revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and
- revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

##### (v) Toll fee income

Toll fee income is recognised on a cash receipt basis.

##### (vi) Hotel operation

Income from hotel operation is recognised when services are provided.

##### (vii) Sale of goods

Sale of goods from department store operation is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

## Notes on the Accounts (cont'd)

### 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (p) Translation of foreign currencies

Foreign currency transactions, inclusive of those entered into by the Company's subsidiaries, associates and jointly controlled entities established outside Hong Kong, the operations and cash flows of which have a direct impact upon those of the Company, during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the market rates of exchange ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The accounts of other subsidiaries, associates and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising thereon are dealt with as a movement in reserves.

#### (q) Retirement costs

Contributions to the defined contribution retirement scheme and the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss accounts when incurred.

#### (r) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to construction which necessarily takes a substantial period of time to get ready for their intended use or sale.

#### (s) Related parties

For the purpose of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence.

#### (t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses, taxation and minority interests.

## Notes on the Accounts (cont'd)

**2 TURNOVER**

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development and investment, project management, construction, property management, department store operation, hotel operation, finance, investment holding and infrastructure business.

Turnover of the Group represents proceeds from the sale of properties, rental and interest income, income from construction contracts earned from third parties, income of infrastructure business, income from hotel operation, proceeds from department store operation, and others including management and sales commission, dividends from investments in securities and property management and security services income.

The major items are analysed as follows: —

	The Group	
	2002 HK\$'000	2001 HK\$'000
Sale of properties	1,744,622	4,997,855
Rental income	2,067,717	1,959,693
Interest income	174,676	613,789
Building construction	953,980	367,105
Infrastructure	220,992	160,926
Hotel operation	122,936	136,716
Department store operation	142,212	188,252
Others	802,428	671,918
	<u>6,229,563</u>	<u>9,096,254</u>

**3 OTHER REVENUE AND OTHER NET INCOME**

	The Group	
	2002 HK\$'000	2001 HK\$'000
<b>Other revenue: —</b>		
Interest income	125,399	72,862
Others	47,695	84,578
	<u>173,094</u>	<u>157,440</u>
<b>Other net income: —</b>		
Profit on disposal of investments in securities	2,285	101,272
Profit / (loss) on disposal of fixed assets	92,789	(1,029)
Others	1,785	61,127
	<u>96,859</u>	<u>161,370</u>

**4 OTHER OPERATING (EXPENSES)/INCOME**

	The Group	
	2002 HK\$'000	2001 HK\$'000
Provision for diminution in value of properties written back	—	513,622
Provision for diminution in value of properties	(57,722)	(132,635)
Others	(192,152)	(177,189)
	<u>(249,874)</u>	<u>203,798</u>

## Notes on the Accounts (cont'd)

## 5 NON-OPERATING INCOME

	The Group	
	2002 HK\$'000	2001 HK\$'000
(Loss) on disposal / profit on partial disposal of interest in subsidiaries (Note)	(4,417)	582,181
Profit / (loss) on disposal of interest in associates and a jointly controlled entity	32,842	(4,461)
Deficit on revaluation of investments in securities	(52,984)	(41,563)
Impairment loss in value of investment securities	(11,002)	(16,953)
Impairment loss on property, plant and equipment (note 14)	(60,260)	—
Reversal of impairment loss / (impairment loss) in value of associates	120,000	(11,462)
Impairment loss in value of a jointly controlled entity	—	(49,251)
Profit realised on dilution of interest in a subsidiary (note 34)	34,456	75,789
Amortisation of goodwill	(38,000)	—
Goodwill written off	—	(4,408)
Others	674	3,502
	<u>21,309</u>	<u>533,374</u>

Note: Profit on partial disposal of interest in a subsidiary in 2001 represented profit arising on the spin-off of Henderson Cyber Limited on the Growth Enterprise Market of HKSE.

## 6 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

The consolidated profit from ordinary activities before taxation for the year is arrived at after charging/(crediting):

	2002	2001
	HK\$'000	HK\$'000
(a) Finance costs:		
Bank interest	361,621	696,339
Interest on loans wholly repayable within five years	156,587	285,768
Finance charges on obligations under finance leases	226	162
Other borrowing costs	<u>160,298</u>	<u>384,658</u>
	678,732	1,366,927
Less: Amount capitalised *		
— interest	(438,843)	(816,367)
— other borrowing costs	<u>(142,246)</u>	<u>(343,272)</u>
	<u>97,643</u>	<u>207,288</u>

\* The borrowing costs have been capitalised at rates ranging from 3.13% to 3.96% (2001 — from 6.18% to 6.54%) per annum.

## Notes on the Accounts (cont'd)

## 6 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION (cont'd)

	2002 HK\$'000	2001 HK\$'000
(b) Items other than those separately disclosed in notes 3 to 6(a):		
Amortisation and depreciation		
— owned assets	116,120	108,133
— assets held under finance leases	<u>699</u>	<u>527</u>
	116,819	108,660
Less: Amount capitalised	<u>(679)</u>	<u>(2,784)</u>
	<u>116,140</u>	<u>105,876</u>
Staff cost - including retirement costs of HK\$31,742,000 (2001 — HK\$25,814,000)	751,694	743,243
Less: Amount capitalised (including retirement costs of HK\$1,441,000 (2001 — HK\$1,218,000))	<u>(30,677)</u>	<u>(47,702)</u>
	<u>721,017</u>	<u>695,541</u>
Cost of sales		
— completed properties for sale	1,548,107	3,062,078
— inventories	156,824	134,388
Auditors' remuneration	12,206	9,570
Rentals receivable from investment properties net of outgoings of HK\$558,674,000 (2001 — HK\$555,466,000) **	(1,186,386)	(1,161,809)
Other rental income less outgoings	(142,764)	(141,254)
Dividends from investments in securities		
— listed	(28,048)	(8,932)
— unlisted	<u>(12,522)</u>	<u>(13,442)</u>

\*\* Included contingent rental income of HK\$72,053,000 (2001 — HK\$20,743,000).

## 7 SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

	The Group	
	2002 HK\$'000	2001 HK\$'000
Share of net profits before taxation: —		
Listed associates	1,510,472	1,410,717
Unlisted associates	<u>52,244</u>	<u>36,801</u>
	1,562,716	1,447,518
Attributable taxation	<u>(222,397)</u>	<u>(191,297)</u>
	<u>1,340,319</u>	<u>1,256,221</u>

## Notes on the Accounts (cont'd)

## 8 TAXATION

(a) Taxation in the consolidated profit and loss account represents: —

	The Group	
	2002 HK\$'000	2001 HK\$'000
Provision for Hong Kong profits tax for the year	140,889	319,052
Underprovision in respect of prior years	6,678	14,316
Tax refund relating to prior year	—	(8,222)
	<u>147,567</u>	<u>325,146</u>
Provision for taxation outside Hong Kong	13,078	7,109
	<u>160,645</u>	<u>332,255</u>

Provision for Hong Kong profits tax has been made at 16% (2001 — 16%) on the estimated assessable profits for the year.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant foreign jurisdiction during the year.

(b) No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

## 9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of HK\$14,521,000 (2001 — HK\$2,551,778,000) which has been dealt with in the accounts of the Company.

## 10 DIVIDENDS

(a) Dividends attributable to the year

	2002 HK\$'000	2001 HK\$'000
Interim dividend declared and paid of HK\$0.35 per share (2001 — HK\$0.55 per share)	602,749	947,177
Final dividend proposed after the balance sheet date of HK\$0.45 per share (2001 — HK\$0.55 per share)	<u>774,963</u>	<u>947,177</u>
	<u>1,377,712</u>	<u>1,894,354</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2002 HK\$'000	2001 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.55 per share (2001 — HK\$1.00 per share)	<u>947,177</u>	<u>1,722,140</u>

## 11 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$2,153,149,000 (2001 — HK\$4,394,010,000) and on 1,722,140,000 ordinary shares (2001 — 1,722,140,000 ordinary shares) in issue during the year. There was no potential dilution of earnings per share during 2001 and 2002.

**Notes on the Accounts (cont'd)****12 CHANGES IN ACCOUNTING POLICIES****(a) Dividends**

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1st July, 2001, in order to comply with Statement of Standard Accounting Practice 9 (revised) issued by the Hong Kong Society of Accountants, the Group recognises dividends proposed or declared as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends). Consequently, dividend income from subsidiaries, associates and jointly controlled entities is recognised as income in the Company's profit and loss account in the accounting period in which they are declared.

As a result of the new accounting policy, the Group's net assets as at the year end have been increased by HK\$774,963,000 (2001 — HK\$947,177,000). There is no impact on the Group's profit attributable to shareholders for the periods presented. The new accounting policy has been adopted retrospectively, with the opening balances of retained profits and the comparative information adjusted for the amounts relating to prior periods.

**(b) Goodwill**

In prior years, positive or negative goodwill arising on acquisition of subsidiaries, associates and jointly controlled entities was written off on acquisition or was credited to a capital reserve respectively. With effect from 1st July, 2001, in order to comply with Statement of Standard Accounting Practice 30 ("SSAP 30") issued by the Hong Kong Society of Accountants, the Group adopted a new accounting policy for goodwill as set out in note 1(e).

The Group has adopted the transitional provisions set out in paragraph 88 of SSAP 30 with the effect that the new accounting policy has been adopted prospectively and no adjustments have been made to the opening balances of retained profits and reserves and comparative information.

The new accounting policy has no significant impact on the Group's net assets as at the year ends or the Group's profit attributable to shareholders for the years presented.

## Notes on the Accounts (cont'd)

## 13 SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments:

The Group comprises the following main business segments:—

Property development	—	the development and sale of properties
Property leasing	—	the leasing of properties
Finance	—	the provision of financing
Building construction	—	the construction of building works
Infrastructure	—	the investment in infrastructure projects
Hotel operation	—	hotel operations and management
Department store operation	—	department store operations and management
Others	—	investment holding, project management, property management, agency services, provision of cleaning and security guard services and provision of information technology services.

For the year ended 30th June, 2002

	Property development HK\$'000	Property leasing HK\$'000	Finance HK\$'000	Building construction HK\$'000	Infrastructure HK\$'000	Hotel operation HK\$'000	Department store operation HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover	1,744,622	2,067,717	174,676	953,980	220,992	122,936	142,212	802,428	—	6,229,563
Other revenue	—	—	2,199	—	532	737	1,661	154,561	—	159,690
External revenue	1,744,622	2,067,717	176,875	953,980	221,524	123,673	143,873	956,989	—	6,389,253
Inter-segment revenue	—	209,517	16,083	814,131	—	1,740	—	15,855	(1,057,326)	—
Total revenue	1,744,622	2,277,234	192,958	1,768,111	221,524	125,413	143,873	972,844	(1,057,326)	6,389,253
Segment result	57,492	1,466,404	138,772	53,683	145,334	(8,666)	2,022	155,812	—	2,010,853
Inter-segment transactions	346	(137,254)	(16,083)	(36,931)	—	50,634	23,613	53,400	—	(62,275)
Contribution from operations	57,838	1,329,150	122,689	16,752	145,334	41,968	25,635	209,212	—	1,948,578
Bank interest income	—	—	—	—	—	—	—	—	—	13,404
Unallocated operating expenses net of income	—	—	—	—	—	—	—	—	—	(209,475)
Profit from operations	—	—	—	—	—	—	—	—	—	1,752,507
Finance costs	—	—	—	—	—	—	—	—	—	(97,643)
Non-operating income	—	—	—	—	—	—	—	—	—	21,309
Share of profits less losses of associates and jointly controlled entities	—	—	—	—	—	—	—	—	—	1,409,779
Taxation	—	—	—	—	—	—	—	—	—	(388,311)
Minority interests	—	—	—	—	—	—	—	—	—	(544,492)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	—	2,153,149
Depreciation & amortisation for the year	(466)	(734)	(57)	(4,577)	(36,234)	(3,992)	(11,644)	(58,436)	—	—
Impairment loss for the year	—	—	—	—	—	—	—	(71,262)	—	—
Significant non-cash expenses (other than depreciation and amortisation)	—	—	—	—	—	—	—	(15,532)	—	—
Segment assets	24,182,869	35,379,093	2,343,096	444,939	1,331,154	1,166,525	58,333	576,977	(212,659)	65,270,327
Investments in associates and jointly controlled entities	—	—	—	—	—	—	—	—	—	21,944,475
Unallocated assets	—	—	—	—	—	—	—	—	—	3,534,660
Total assets	—	—	—	—	—	—	—	—	—	90,749,462
Segment liabilities	3,115,060	506,657	50,332	458,495	21,971	9,711	112,281	165,593	(212,659)	4,227,441
Unallocated liabilities	—	—	—	—	—	—	—	—	—	16,314,463
Total liabilities	—	—	—	—	—	—	—	—	—	20,541,904
Capital expenditure incurred during the year	1,594,277	805,158	—	34	5,623	227	17,198	24,228	—	—

## Notes on the Accounts (cont'd)

## 13 SEGMENTAL INFORMATION (cont'd)

For the year ended 30th June, 2001

	Property develop- ment HK\$'000	Property leasing HK\$'000	Finance HK\$'000	Building con- struction HK\$'000	Infra- structure HK\$'000	Hotel operation HK\$'000	Depart- ment store operation HK\$'000	Others HK\$'000	Elimi- nations HK\$'000	Consoli- dated HK\$'000
Turnover (Note)	4,997,855	1,959,693	613,789	367,105	160,926	136,716	188,252	671,918	—	9,096,254
Other revenue	36,012	—	—	9,397	—	—	3,981	35,188	—	84,578
External revenue	5,033,867	1,959,693	613,789	376,502	160,926	136,716	192,233	707,106	—	9,180,832
Inter-segment revenue	—	198,495	84,456	1,068,278	—	1,500	—	29,954	(1,382,683)	—
Total revenue	5,033,867	2,158,188	698,245	1,444,780	160,926	138,216	192,233	737,060	(1,382,683)	9,180,832
Segment result	1,196,864	1,505,811	619,502	194,745	107,730	(7,480)	(13,150)	348,259	—	3,952,281
Inter-segment transactions	265,069	(202,748)	(84,456)	(179,108)	—	55,120	88,338	55,953	—	(1,832)
Contribution from operations	1,461,933	1,303,063	535,046	15,637	107,730	47,640	75,188	404,212	—	3,950,449
Bank interest income	—	—	—	—	—	—	—	—	—	72,862
Unallocated operating income net of expenses	—	—	—	—	—	—	—	—	—	62,954
Profit from operations	—	—	—	—	—	—	—	—	—	4,086,265
Finance costs	—	—	—	—	—	—	—	—	—	(207,288)
Non-operating income	—	—	—	—	—	—	—	—	—	533,374
Share of profits less losses of associates and jointly controlled entities	—	—	—	—	—	—	—	—	—	1,373,201
Taxation	—	—	—	—	—	—	—	—	—	(531,413)
Minority interests	—	—	—	—	—	—	—	—	—	(860,129)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	—	4,394,010
Depreciation & amortisation for the year	(72)	(1,524)	(57)	(9,895)	(24,010)	(4,096)	(11,982)	(54,240)	—	—
Impairment loss for the year	—	—	—	—	—	—	—	(77,666)	—	—
Significant non-cash expenses (other than depreciation and amortisation)	—	(16,869)	—	—	—	—	—	(12,181)	—	—
Segment assets	26,211,672	33,160,371	5,272,665	929,398	1,364,990	1,263,165	55,149	407,974	(693,003)	67,972,381
Investments in associates and jointly controlled entities	—	—	—	—	—	—	—	—	—	21,511,257
Unallocated assets	—	—	—	—	—	—	—	—	—	3,569,481
Total assets	—	—	—	—	—	—	—	—	—	93,053,119
Segment liabilities	2,338,542	548,568	32,374	477,397	14,440	14,749	83,458	137,187	(693,003)	2,953,712
Unallocated liabilities	—	—	—	—	—	—	—	—	—	19,393,168
Total liabilities	—	—	—	—	—	—	—	—	—	22,346,880
Capital expenditure incurred during the year	2,645,656	245,978	—	7,321	6,187	317	21,755	152,736	—	—

## Notes on the Accounts (cont'd)

## 13 SEGMENTAL INFORMATION (cont'd)

Geographical segments:

For the year ended 30th June, 2002

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
Turnover	5,421,880	807,683	6,229,563
Other revenue	152,299	7,391	159,690
External revenue	5,574,179	815,074	6,389,253
Segment assets	55,040,513	10,442,473	
Capital expenditure incurred during the year	2,438,197	8,548	

For the year ended 30th June, 2001

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
Turnover (Note)	8,433,194	663,060	9,096,254
Other revenue	82,618	1,960	84,578
External revenue	8,515,812	665,020	9,180,832
Segment assets	58,285,488	10,379,896	
Capital expenditure incurred during the year	2,994,582	85,368	

Note: Turnover for the year ended 30th June, 2001 has been restated to exclude bank interest income of HK\$72,862,000, which has been reclassified as other revenue to conform with the current year's presentation.

## Notes on the Accounts (cont'd)

## 14 FIXED ASSETS

## (a) Investment properties

The Group:

	HK\$'000
Cost or valuation:	
At 1st July, 2001	26,331,130
Additions	44,626
Transfer from properties under development	43,630
Transfer from completed properties for sale	1,874,458
Disposals	(176,112)
Deficits on revaluation	(383,140)
At 30th June, 2002	<u>27,734,592</u>

## (b) Other fixed assets

The Group:

	Hotel properties HK\$'000	Other land & buildings HK\$'000	Properties held for/under development HK\$'000	Toll highway operation rights HK\$'000	Bridges HK\$'000	Others HK\$'000	Total HK\$'000
Cost or valuation:							
At 1st July, 2001	1,245,000	517,181	6,636,260	789,529	658,262	834,614	10,680,846
Additions	—	427	754,981	—	168	52,505	808,081
Reclassification	—	—	—	—	(2,813)	2,813	—
Disposal							
of subsidiaries	—	(4,384)	—	—	—	(14,420)	(18,804)
Other disposals	—	(4,911)	—	—	—	(52,549)	(57,460)
Deficits on revaluation	(94,000)	—	—	—	—	—	(94,000)
Price adjustment (note a)	—	—	—	—	—	(17,647)	(17,647)
At 30th June, 2002	<u>1,151,000</u>	<u>508,313</u>	<u>7,391,241</u>	<u>789,529</u>	<u>655,617</u>	<u>805,316</u>	<u>11,301,016</u>
Amortisation and depreciation:							
At 1st July, 2001	—	50,576	—	45,986	52,408	515,527	664,497
Charge for the year	—	7,112	—	20,301	13,498	75,908	116,819
Impairment loss (note b)	—	—	—	—	—	60,260	60,260
Reclassification	—	—	—	—	(106)	106	—
Written back on disposal of subsidiaries	—	(570)	—	—	—	(3,398)	(3,968)
Written back on other disposals	—	(728)	—	—	—	(33,094)	(33,822)
At 30th June, 2002	<u>—</u>	<u>56,390</u>	<u>—</u>	<u>66,287</u>	<u>65,800</u>	<u>615,309</u>	<u>803,786</u>
Net book value:							
At 30th June, 2002	<u>1,151,000</u>	<u>451,923</u>	<u>7,391,241</u>	<u>723,242</u>	<u>589,817</u>	<u>190,007</u>	<u>10,497,230</u>
At 30th June, 2001	<u>1,245,000</u>	<u>466,605</u>	<u>6,636,260</u>	<u>743,543</u>	<u>605,854</u>	<u>319,087</u>	<u>10,016,349</u>

## Notes on the Accounts (cont'd)

## 14 FIXED ASSETS (cont'd)

## (b) Other fixed assets (cont'd)

	Hotel properties HK\$'000	Other land & buildings HK\$'000	Properties held for/under development HK\$'000	Toll highway operation rights HK\$'000	Bridges HK\$'000	Others HK\$'000	Total HK\$'000
Cost or valuation at 30th June, 2002 representing:							
Cost	—	442,233	7,243,241	789,529	655,617	805,316	9,935,936
Valuation:							
— 30th June, 1992	—	20,110	—	—	—	—	20,110
— 30th June, 1994	—	45,970	—	—	—	—	45,970
— 30th June, 1997	—	—	148,000	—	—	—	148,000
— 30th June, 2002	1,151,000	—	—	—	—	—	1,151,000
	<u>1,151,000</u>	<u>508,313</u>	<u>7,391,241</u>	<u>789,529</u>	<u>655,617</u>	<u>805,316</u>	<u>11,301,016</u>

## Notes:

- (a) Price adjustment represents the reduction in the original cost of network equipment and facilities acquired in previous year, granted by the manufacturer during the year.
- (b) During the year, the operating scale of the information technology services has been down-sized. Based on the Group's assessment of the recoverable amount of the related assets, the carrying amount of the data centre and network equipment and facilities was written down by HK\$60,260,000.

## (c) The analysis of net book value of properties is as follows: —

	The Group	
	2002 HK\$'000	2001 HK\$'000
In Hong Kong		
— under long leases	3,876,574	4,007,518
— under medium-term leases	29,389,938	28,445,979
	<u>33,266,512</u>	<u>32,453,497</u>
Outside Hong Kong		
— under long leases	959	5,146
— under medium-term leases	4,775,318	3,570,601
	<u>4,776,277</u>	<u>3,575,747</u>
	<u>38,042,789</u>	<u>36,029,244</u>

The Group's investment and hotel properties were revalued as at 30th June, 2002 by an independent firm of surveyors, DTZ Debenham Tie Leung Limited who have among their staff Fellows of The Hong Kong Institute of Surveyors and Mr Augustine Wong, the Group's professional valuer who is a Fellow Member of The Hong Kong Institute of Surveyors, on an open market value basis in their existing state by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net income allowing for reversionary income potential.

In the opinion of the directors, any capital gains arising on disposal of the revalued leasehold properties in Hong Kong at their carrying value will not be subject to any tax liability. The contingent liabilities in respect of Land Appreciation Tax and PRC Income Tax arising on disposal of certain revalued properties in other areas of the PRC are disclosed in note 40(f) on the accounts.

## Notes on the Accounts (cont'd)

## 14 FIXED ASSETS (cont'd)

(c) The analysis of net book value of properties is as follows: — (cont'd)

The gross carrying amounts of investment and hotel properties of the Group held for use in operating leases were HK\$27,734,592,000 (2001 — HK\$26,331,130,000) and HK\$1,151,000,000 (2001 — HK\$1,245,000,000) respectively.

The Group leases assets under finance leases expiring from one to two years. At the end of the lease terms, the Group has the option to purchase the assets at a price deemed to be a bargain purchase option. The net book value of assets held under finance leases of the Group was HK\$1,087,000 (2001 — HK\$2,196,000).

The Group's toll highway operation rights are pledged as securities for certain bank loans.

Included in the Group's others of HK\$805,316,000 (2001 — HK\$834,614,000) was HK\$974,000 (2001 — HK\$852,000) relating to construction in progress of bridge.

## 15 INTEREST IN SUBSIDIARIES

	The Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	2,315,216	2,316,366
Amounts due from subsidiaries	40,093,130	39,155,882
	42,408,346	41,472,248
Less: Impairment loss	(83,000)	(83,000)
	42,325,346	41,389,248
Amounts due to subsidiaries	(4,491,365)	(2,122,113)
	37,833,981	39,267,135

Details of principal subsidiaries are shown on pages 116 to 125.

## 16 INTEREST IN ASSOCIATES

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted				
Shares, at cost	—	—	262,991	262,991
Share of net assets	419,510	1,000,508	—	—
Amounts due from associates	3,207,316	3,057,088	888,448	1,064,917
	3,626,826	4,057,596	1,151,439	1,327,908
Less: Impairment loss	—	—	(128,849)	(128,849)
	3,626,826	4,057,596	1,022,590	1,199,059
Amounts due to associates	(48,896)	(102,098)	(2,938)	(364)
	3,577,930	3,955,498	1,019,652	1,198,695
Listed in Hong Kong				
Share of net assets	11,925,307	12,008,672	—	—
Goodwill	860,242	—	—	—
	12,785,549	12,008,672	—	—
	16,363,479	15,964,170	1,019,652	1,198,695
Market value of listed shares	23,688,952	20,498,643	—	—

Details of principal associates are shown on page 126.

## Notes on the Accounts (cont'd)

## 17 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	—	—	260	312
Share of net assets	779,033	1,075,850	—	—
Amounts due from jointly controlled entities	<u>4,846,297</u>	<u>4,511,111</u>	<u>114,175</u>	<u>114,234</u>
	5,625,330	5,586,961	114,435	114,546
Amounts due to jointly controlled entities	<u>(44,334)</u>	<u>(39,874)</u>	<u>(4,891)</u>	<u>(37,625)</u>
	<u>5,580,996</u>	<u>5,547,087</u>	<u>109,544</u>	<u>76,921</u>

Details of principal jointly controlled entities are shown on page 127.

## 18 INVESTMENTS IN SECURITIES

The Group:

	Held-to-maturity securities		Investment securities		Other investments		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Equity securities								
Listed in Hong Kong	—	—	545,674	528,941	123,614	217,760	669,288	746,701
Listed outside								
Hong Kong	—	—	20,314	20,314	—	—	20,314	20,314
Unlisted	—	—	140,321	151,321	40,562	16,057	180,883	167,378
	—	—	<u>706,309</u>	<u>700,576</u>	<u>164,176</u>	<u>233,817</u>	<u>870,485</u>	<u>934,393</u>
Debt securities								
Listed outside								
Hong Kong	83,123	—	—	—	—	—	83,123	—
Unlisted	280,908	—	—	—	—	—	280,908	—
	<u>364,031</u>	—	—	—	—	—	<u>364,031</u>	—
	<u>364,031</u>	—	<u>706,309</u>	<u>700,576</u>	<u>164,176</u>	<u>233,817</u>	<u>1,234,516</u>	<u>934,393</u>
Market value of listed securities	<u>84,267</u>	—	<u>509,928</u>	<u>552,783</u>	<u>123,614</u>	<u>217,760</u>	<u>717,809</u>	<u>770,543</u>
Carrying amount analysed for reporting purposes as:								
Non-current	147,331	—	706,309	700,576	164,176	233,817	1,017,816	934,393
Current	216,700	—	—	—	—	—	216,700	—
	<u>364,031</u>	—	<u>706,309</u>	<u>700,576</u>	<u>164,176</u>	<u>233,817</u>	<u>1,234,516</u>	<u>934,393</u>

## Notes on the Accounts (cont'd)

**19 PROPERTIES HELD FOR DEVELOPMENT**

	The Group	
	2002 HK\$'000	2001 HK\$'000
In Hong Kong	1,730,832	1,139,205
In other areas of the PRC	3,410,135	3,657,342
	<u>5,140,967</u>	<u>4,796,547</u>

**20 INSTALMENTS RECEIVABLE**

- (a) This represents the principal content of instalments receivable from the sale of flats after twelve months from the balance sheet date. The amounts receivable within twelve months from the balance sheet date are included under current assets.
- (b) The ageing analysis of instalments receivable within twelve months from the balance sheet dates (net of provision for bad debts) is as follows: —

	The Group	
	2002 HK\$'000	2001 HK\$'000
Under 1 month overdue	351,547	476,973
More than 1 month overdue but less than 3 months overdue	5,837	10,282
More than 3 months overdue but less than 6 months overdue	6,687	9,285
More than 6 months overdue	41,577	58,431
	<u>405,648</u>	<u>554,971</u>

**21 OTHER RECEIVABLES**

These represented interest bearing fundings provided for certain property development projects and were fully settled in August, 2001.

## Notes on the Accounts (cont'd)

## 22 PROPERTIES UNDER DEVELOPMENT

	The Group	
	2002 HK\$'000	2001 HK\$'000
In Hong Kong	10,301,824	10,456,959
In other areas of the PRC	898,096	840,247
	<u>11,199,920</u>	<u>11,297,206</u>

The amount of properties under development expected to be completed after more than one year is HK\$6,304,942,000 (2001 — HK\$8,362,753,000).

## 23 COMPLETED PROPERTIES FOR SALE

Completed properties for sale include properties of HK\$1,894,162,000 (2001 — HK\$2,605,981,000) carried at net realisable value.

## 24 INVENTORIES

Inventories of HK\$1,131,000 (2001 — HK\$12,153,000) are carried at net realisable value.

## 25 AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	The Group	
	2002 HK\$'000	2001 HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less anticipated losses	478,540	567,968
Progress billings	(377,785)	(382,508)
Net contract work	<u>100,755</u>	<u>185,460</u>
Represented by:		
Amounts due from customers for contract work	100,806	185,460
Amounts due to customers for contract work	(51)	—
	<u>100,755</u>	<u>185,460</u>

The amounts due from customers for contract work expected to be recovered after more than one year is HK\$21,846,000 (2001 — HK\$68,853,000).

## Notes on the Accounts (cont'd)

**26 DEBTORS, PREPAYMENTS AND DEPOSITS**

The Group maintains a defined credit policy. Consideration in respect of sold properties are payable by the purchaser pursuant to the terms of the sale and purchase agreement. Monthly rent in respect of leasing properties are payable in advance by tenants. Housing instalment and other trade debtors settle their accounts according to the payment terms as stated in the contracts. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

The ageing analysis of trade debtors (net of provision for bad debts) is as follows: —

	The Group	
	2002 HK\$'000	2001 HK\$'000
Under 1 month overdue	268,114	199,223
More than 1 month overdue but less than 3 months overdue	116,105	47,083
More than 3 months overdue but less than 6 months overdue	47,164	50,676
More than 6 months overdue	154,256	96,458
	585,639	393,440
Prepayments, deposits and other receivables	930,651	628,374
	1,516,290	1,021,814

The debtors, prepayments and deposits of the Group include HK\$404,791,000 (2001 — HK\$416,005,000) which is expected to be recovered after more than one year. Apart from the above, all of the balances are expected to be recovered within one year.

**27 CASH AND CASH EQUIVALENTS**

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Deposits with banks and other financial institutions	1,047,452	1,270,455	—	—
Cash at bank and in hand	304,520	286,976	329	767
	1,351,972	1,557,431	329	767

## Notes on the Accounts (cont'd)

## 28 BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

	The Group	
	2002 HK\$'000	2001 HK\$'000
Bank loans and overdrafts (note a)		
— secured	294,614	411,403
— unsecured	<u>11,084,788</u>	<u>12,277,358</u>
	<u>11,379,402</u>	<u>12,688,761</u>
Unsecured other loans (note b)	<u>783,861</u>	<u>783,861</u>
	<u>12,163,263</u>	<u>13,472,622</u>
(a) Bank loans and overdrafts are repayable as follows: —		
Within 1 year and included in current liabilities	<u>1,542,942</u>	<u>1,808,398</u>
After 1 year and included in non-current liabilities		
After 1 year but within 2 years	5,211,000	6,764,631
After 2 years but within 5 years	4,010,185	4,018,752
After 5 years	<u>615,275</u>	<u>96,980</u>
	<u>9,836,460</u>	<u>10,880,363</u>
	<u>11,379,402</u>	<u>12,688,761</u>
(b) Unsecured other loans are repayable as follows: —		
Within 1 year and included in current liabilities	<u>757,541</u>	—
After 1 year and included in non-current liabilities		
After 1 year but within 2 years	<u>26,320</u>	<u>783,861</u>
	<u>783,861</u>	<u>783,861</u>

The above unsecured other loans include foreign currency loans amounting to HK\$757,541,000 (2001 — HK\$757,541,000) stated at rates fixed under currency swap arrangements with banks.

## Notes on the Accounts (cont'd)

**29 OBLIGATIONS UNDER FINANCE LEASES**

The Group had obligations under finance leases repayable as follows: —

	Present value of the minimum lease payments HK\$'000	2002 Interest expense relating to future periods HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	2001 Interest expense relating to future periods HK\$'000	Total minimum lease payments HK\$'000
Within 1 year and included in current liabilities	417	70	487	1,004	217	1,221
After 1 year but within 5 years and included in non-current liabilities	47	4	51	470	93	563
	<u>464</u>	<u>74</u>	<u>538</u>	<u>1,474</u>	<u>310</u>	<u>1,784</u>

**30 RENTAL AND OTHER DEPOSITS**

The rental and other deposits of the Group include HK\$194,202,000 (2001 — HK\$226,612,000) which is expected to be settled after more than one year. Apart from the above, all of the balances are expected to be settled within one year.

**31 CREDITORS AND ACCRUED EXPENSES**

The creditors and accrued expenses of the Group include HK\$114,686,000 (2001 — HK\$287,703,000) which is expected to be settled after more than one year. Apart from the above, all of the balances are expected to be settled within one year.

The ageing analysis of trade creditors is as follows: —

	The Group	
	2002 HK\$'000	2001 HK\$'000
Due within 1 month and on demand	354,032	251,744
Due after 1 month but within 3 months	116,273	1,097,550
Due after 3 months but within 6 months	185,833	179,495
Due after 6 months	588,999	794,052
	<u>1,245,137</u>	<u>2,322,841</u>
Other payables and accrued expenses	326,400	291,972
	<u>1,571,537</u>	<u>2,614,813</u>

**32 SHARE CAPITAL**

	No. of shares		Nominal value	
	2002 '000	2001 '000	2002 HK\$'000	2001 HK\$'000
Authorised				
Ordinary shares of HK\$2.00 each	<u>1,800,000</u>	<u>1,800,000</u>	<u>3,600,000</u>	<u>3,600,000</u>
Issued and fully paid				
Ordinary shares of HK\$2.00 each	<u>1,722,140</u>	<u>1,722,140</u>	<u>3,444,280</u>	<u>3,444,280</u>

## Notes on the Accounts (cont'd)

**33 SHARE PREMIUM**

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

**34 CAPITAL RESERVES**

The Group:

	Other properties revaluation reserve HK\$'000	Reserve on consolidation HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000
At 1st July, 2000	396,963	1,268,531	20,200	(4,743)	2,366	1,683,317
Deficits on revaluation of other properties	(94,958)	—	—	—	—	(94,958)
Share of revaluation deficits in associates	(39,916)	—	—	—	—	(39,916)
Capital reserve arising on consolidation	—	288,416	—	—	—	288,416
Realised to profit and loss account (Note)	—	(75,789)	—	—	—	(75,789)
Exchange difference arising from investment in a foreign associate	—	—	—	772	—	772
Transfer from profit and loss account (note 36)	—	—	—	—	29	29
At 30th June, 2001	<u>262,089</u>	<u>1,481,158</u>	<u>20,200</u>	<u>(3,971)</u>	<u>2,395</u>	<u>1,761,871</u>
Dealt with by:						
Company and subsidiaries	250,437	1,481,158	20,200	—	2,395	1,754,190
Associates	<u>11,652</u>	—	—	<u>(3,971)</u>	—	<u>7,681</u>
	<u>262,089</u>	<u>1,481,158</u>	<u>20,200</u>	<u>(3,971)</u>	<u>2,395</u>	<u>1,761,871</u>

## Notes on the Accounts (cont'd)

## 34 CAPITAL RESERVES (cont'd)

The Group:

	Other properties revaluation reserve HK\$'000	Reserve on consolidation HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000
At 1st July, 2001	262,089	1,481,158	20,200	(3,971)	2,395	1,761,871
Deficits on revaluation of other properties	(69,074)	—	—	—	—	(69,074)
Share of revaluation deficits in associates	(11,779)	—	—	—	—	(11,779)
Realised to profit and loss account (Note)	—	(34,456)	—	—	—	(34,456)
Exchange difference arising from investment in a foreign associate	—	—	—	1,376	—	1,376
Transfer from profit and loss account (note 36)	—	—	—	—	46	46
At 30th June, 2002	<u>181,236</u>	<u>1,446,702</u>	<u>20,200</u>	<u>(2,595)</u>	<u>2,441</u>	<u>1,647,984</u>
Dealt with by:						
Company and subsidiaries	181,363	1,446,702	20,200	—	2,441	1,650,706
Associates	(127)	—	—	(2,595)	—	(2,722)
	<u>181,236</u>	<u>1,446,702</u>	<u>20,200</u>	<u>(2,595)</u>	<u>2,441</u>	<u>1,647,984</u>

Note: On dilution of interest in a subsidiary, the gain arising therefrom was included in capital reserve and the amount to be released to the consolidated profit and loss account is based on the issue of completion certificate of the underlying properties of the subsidiary or on the disposal of interest of the undeveloped underlying properties of the subsidiary prior to completion to third parties.

The Company:

	Capital redemption reserve	
	2002 HK\$'000	2001 HK\$'000
At 1st July and 30th June	<u>20,200</u>	<u>20,200</u>

The application of capital redemption reserve is governed by Section 49H of the Hong Kong Companies Ordinance.

The other properties revaluation reserve, reserve on consolidation and exchange reserve have been set up and will be dealt with in accordance with the accounting policies adopted for the goodwill arising on acquisition of subsidiaries, associates and jointly controlled entities, the valuation of properties and foreign currency translation (note 1).

Other reserve represents statutory reserve set up for enterprises established in the PRC. According to the relevant PRC rules and regulations applicable to wholly foreign-owned enterprises, one of the Group's PRC subsidiaries is required to transfer at least 10% of its profit after taxation, as determined under PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the subsidiary's registered capital. The statutory reserve can be used to make good previous years losses, and not distributable to shareholders.

## Notes on the Accounts (cont'd)

## 35 INVESTMENT PROPERTY REVALUATION RESERVE

	The Group	
	2002 HK\$'000	2001 HK\$'000
At 1st July	13,209,198	17,621,815
Deficits on revaluation	(526,054)	(4,192,498)
Share of revaluation surpluses / (deficits) in associates	25,342	(27,245)
Share of revaluation deficits in jointly controlled entities	(172,646)	(187,988)
Realised upon disposal of properties	(107,462)	(4,886)
Realised upon disposal of interest in associates	(74,648)	—
Realised upon disposal of interest in a jointly controlled entity	(42,648)	—
At 30th June	<u>12,311,082</u>	<u>13,209,198</u>
Dealt with by:		
Company and subsidiaries	11,503,017	12,136,533
Associates	896,239	945,545
Jointly controlled entities	(88,174)	127,120
	<u>12,311,082</u>	<u>13,209,198</u>

The investment property revaluation reserve has been set up and will be dealt with in accordance with the accounting policies adopted for investment properties (note 1).

## 36 RETAINED PROFITS

	The Group		The Company	
	2002 HK\$'000	2001 restated HK\$'000	2002 HK\$'000	2001 restated HK\$'000
At 1st July				
— as previously reported	29,510,012	27,010,385	27,636,286	26,978,862
— prior period adjustment in respect of dividend proposed (note 12(a))	947,177	1,722,140	947,177	1,722,140
— as restated	30,457,189	28,732,525	28,583,463	28,701,002
Dividends approved in respect of the previous year (note 10(b))	(947,177)	(1,722,140)	(947,177)	(1,722,140)
Profit for the year	2,153,149	4,394,010	14,521	2,551,778
Transfer to capital reserve (note 34)	(46)	(29)	—	—
Dividends declared and paid in respect of the current year (note 10(a))	(602,749)	(947,177)	(602,749)	(947,177)
At 30th June	<u>31,060,366</u>	<u>30,457,189</u>	<u>27,048,058</u>	<u>28,583,463</u>
Retained by:				
Company and subsidiaries	28,040,734	27,472,990		
Associates	3,180,452	2,866,043		
Jointly controlled entities	(160,820)	118,156		
	<u>31,060,366</u>	<u>30,457,189</u>		

## 37 DISTRIBUTABLE RESERVES

The distributable reserves of the Company at 30th June, 2002 amounted to HK\$27,048,058,000 (2001 (restated) — HK\$28,583,463,000).

## Notes on the Accounts (cont'd)

## 38 COMMITMENTS

At 30th June, 2002, the Group had commitments not provided for in these accounts as follows: —

	The Group	
	2002 HK\$'000	2001 HK\$'000
(i) Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	1,022,341	1,202,569
(ii) Contracted obligations to fund the subsidiaries and associates established outside Hong Kong	2,825,018	2,824,073
(iii) Contracted obligations for funding property development project	—	5,507,000
(iv) Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	2,613,073	2,709,537
	<u>6,460,432</u>	<u>12,243,179</u>

Based on information available at the balance sheet date, the directors estimate that the Group's commitments disclosed above are payable as follows: —

	The Group	
	2002 HK\$'000	2001 HK\$'000
Within 1 year	2,090,614	7,893,758
After 1 year but within 2 years	1,296,315	1,488,276
After 2 years	3,073,503	2,861,145
	<u>6,460,432</u>	<u>12,243,179</u>

## Notes on the Accounts (cont'd)

## 39 SIGNIFICANT LEASING ARRANGEMENTS

At 30th June, 2002, the Group is both a lessee and a lessor under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows: —

## (a) Lessor

The Group leases out a number of land / building facilities under operating leases. The leases typically run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are renegotiated. Further details of the carrying value of the properties are contained in note 14.

During the current year, HK\$2,067,717,000 (2001 — HK\$1,959,693,000) was recognised as rental income in the consolidated profit and loss account in respect of operating leases.

The total future minimum lease payments under non-cancellable operating leases are receivable as follows: —

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Within 1 year	1,517,008	1,587,358
After 1 year but within 5 years	1,195,193	1,610,775
After 5 years	37,817	73,750
	<u>2,750,018</u>	<u>3,271,883</u>

## (b) Lessee

(i) The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of one to twenty years, with an option to renew the lease after that date at which time all terms are renegotiated.

During the current year, HK\$50,927,000 (2001 — HK\$27,025,000) was recognised as an expense in the consolidated profit and loss account in respect of leasing of building facilities.

The total future minimum lease payments under non-cancellable operating leases are payable as follows: —

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Within 1 year	23,100	14,023
After 1 year but within 5 years	63,091	10,300
After 5 years	253,041	4,360
	<u>339,232</u>	<u>28,683</u>

(ii) The Group also leases telecommunications network facilities under operating leases. Some of the leases are with no specific terms while the remaining leases typically run for an initial period of three months, six months or one year, with an option to renew the lease upon the expiry of the initial lease term. None of the leases includes contingent rentals.

During the current year, HK\$12,236,000 (2001 — HK\$11,594,000) was recognised as an expense in the consolidated profit and loss account in respect of leasing of telecommunications network facilities.

The total future minimum lease payments under non-cancellable operating leases are payable as follows: —

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Within 1 year	5,711	7,512
After 1 year but within 5 years	1,438	98
	<u>7,149</u>	<u>7,610</u>

## Notes on the Accounts (cont'd)

## 40 CONTINGENT LIABILITIES

At 30th June, 2002, contingent liabilities of the Group and of the Company were as follows: —

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
(a) Guarantees given by the Company and its subsidiaries to financial institutions on behalf of purchasers of flats	273,289	151,314	4,619	6,176
(b) Guarantees given by the Company to banks to secure banking facilities of subsidiaries	—	—	8,926,691	9,960,204
(c) Guarantees given by the Company to banks to secure banking facilities of an associate and jointly controlled entities	3,963,523	3,380,529	3,963,523	3,380,529
(d) Guarantees given by the Company to holders of bonds issued by a subsidiary	—	—	758,309	759,000
	<u>4,236,812</u>	<u>3,531,843</u>	<u>13,653,142</u>	<u>14,105,909</u>

- (e) The Group has given guarantees to third parties in respect of contracted commitments of its subsidiaries to provide attributable portion of capital to joint property development project and funding of property development project. At 30th June, 2002, the Company had contingent liabilities of HK\$453 million (2001 — HK\$5,960 million) in relation to the said guarantees.
- (f) Pursuant to an indemnity deed dated 15th March, 1996 signed between the Company and a subsidiary, the Company, under certain conditions, has undertaken to indemnify the subsidiary in respect of any PRC Income Tax and Land Appreciation Tax ("LAT") payable in consequence of the disposal by the subsidiary of its property interests owned as at 31st December, 1995. At 30th June, 2002, the Company had contingent PRC Income Tax and LAT liabilities of HK\$78 million (2001 — HK\$16 million) and HK\$101 million (2001 — HK\$21 million) respectively in relation to certain investment properties of the subsidiary upon a revaluation of these properties at 30th June, 2002. However, the directors of the subsidiary have no current intention to dispose of these properties.
- (g) Pursuant to the terms of Fixed Telecommunications Network Services licence granted to the Group on 16th February, 2000 and amended on 30th May, 2002, there were contingent liabilities in respect of performance bond guaranteed by a bank on behalf of a subsidiary of the Group amounting to HK\$12 million at 30th June, 2002 (2001 — HK\$19 million).

## Notes on the Accounts (cont'd)

## 41 MATERIAL RELATED PARTY TRANSACTIONS

## (a) Transactions with fellow subsidiaries

Details of material related party transactions between the Group and Henderson Development Limited and its subsidiaries are as follows: —

	The Group	
	2002 HK\$'000	2001 HK\$'000
Loan arrangement fee (note i)	114,140	343,272
Building construction income (note ii)	21,817	32,006
Building management service income (note iii)	36,723	38,598
Rental commission income (note iii)	14,256	7,982
Other interest expense (note i)	110,815	157,541
Payment for purchase of other investments (note iv)	—	12,400
Security guard service income (note iii)	4,896	5,444

## (b) Transactions with associates and jointly controlled entities

Details of material related party transactions between the Group and its associates and jointly controlled entities are as follows: —

	The Group	
	2002 HK\$'000	2001 HK\$'000
Other interest income (note i)	59,853	65,696
Building construction income (note ii)	290,719	—
Management fee income (note iii)	37,620	42,767
Professional fee income (note iii)	25,543	26,125
Payment for acquisition of property development rights (note v)	—	900,000
Sale of goods (note iii)	8,959	—

## Notes on the Accounts (cont'd)

## 41 MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

## (c) Transactions with related companies

Details of material related party transactions between the Group and its related companies which represented a trust fund managed by the directors of the Group are as follows: —

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Building construction income (note ii)	418,513	120,540
Sales commission income (note iii)	5,949	3,830

## Notes:

- (i) Loan arrangement fee, interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Inter-Bank Offer Rate or prime rate.
- (ii) Building construction income represents cost reimbursements plus certain percentage thereon as service fees.
- (iii) These transactions were carried out on normal commercial terms and in the ordinary course of business.
- (iv) Payment for purchase of other investments is charged at the fair value of investments at the date of acquisition.
- (v) Payment for acquisition of property development rights is charged pursuant to the terms of agreement signed between the Group and the associate.
- (vi) The amounts due to fellow subsidiaries at 30th June, 2002 are shown in the balance sheet. The amounts due to / from associates and jointly controlled entities at 30th June, 2002 are set out in note 16 and 17 respectively.

## (d) Transactions with companies controlled by a director of the Company

Mr Lee Ka Kit, a director of the Company, through companies controlled or owned by him has separate interests in certain subsidiaries and associates of the Company or the Group and through which the Group holds its interest in certain development projects in the PRC. Mr Lee through companies controlled or owned by him had provided finance in the form of advances to these subsidiaries and associates in accordance with the percentage of his equity interest in these companies. At 30th June, 2002, the advances made to these subsidiaries and associates through companies controlled or owned by Mr Lee amounting to HK\$410,158,000 (2001 — HK\$377,948,000) and HK\$646,116,000 (2001 — HK\$623,415,000) respectively are unsecured. Interest payable by these subsidiaries and associates to companies controlled or owned by Mr Lee under such arrangements during the year ended 30th June, 2002 are HK\$Nil (2001 — HK\$Nil) and HK\$39,597,000 (2001 — HK\$50,659,000) respectively.

## Notes on the Accounts (cont'd)

## 42 DIRECTORS' REMUNERATION

(a) Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows: —

	The Group	
	2002 HK\$'000	2001 HK\$'000
<b>Executive directors</b>		
Fees	1,060	940
Other emoluments:		
Basic salaries, housing and other allowances and benefits in kind	36,893	35,546
Pension scheme contributions	1,558	1,297
Discretionary bonuses	19,160	23,968
	<u>58,671</u>	<u>61,751</u>
<b>Non-executive directors</b>		
Fees	140	140
Other emoluments:		
Basic salaries, housing and other allowances and benefits in kind	3,000	3,000
	<u>3,140</u>	<u>3,140</u>
<b>Independent non-executive directors</b>		
Fees	240	240
Others	250	250
	<u>490</u>	<u>490</u>

(b) The number of directors whose remuneration fell within designated bands are as follows: —

Remuneration bands:	The Group	
	2002 Number of Directors	2001 Number of Directors
HK\$		
Nil — 1,000,000	8	5
2,500,001 — 3,000,000	4	1
3,000,001 — 3,500,000	2	4
3,500,001 — 4,000,000	1	2
4,000,001 — 4,500,000	2	1
4,500,001 — 5,000,000	1	—
5,000,001 — 5,500,000	—	1
6,000,001 — 6,500,000	—	1
8,000,001 — 8,500,000	2	2
10,000,001 — 10,500,000	1	—
11,500,001 — 12,000,000	—	1

## Notes on the Accounts (cont'd)

**43 SENIOR MANAGEMENT REMUNERATION**

Of the five individuals with the highest emoluments, four (2001 — four) of them are directors whose emoluments are disclosed in note 42. The aggregate of the emoluments in respect of the other one (2001— one) individual are as follows: —

	The Group	
	2002 HK\$'000	2001 HK\$'000
Salaries and other emoluments	2,696	4,240
Discretionary bonuses	1,956	1,500
Retirement scheme contributions	161	157
	<u>4,813</u>	<u>5,897</u>

**44 POST BALANCE SHEET EVENT**

In July 2002, the Group reached an agreement with the Urban Renewal Authority (the "URA") to terminate a contract relating to a redevelopment project, which included a funding and construction management commitment made by the Group. Pursuant to the agreement, the Group and the URA mutually agreed to release each other from their obligations liabilities and further performances of the terms contained in the contract.

**45 ULTIMATE HOLDING COMPANY**

The directors consider that the ultimate holding company at 30th June, 2002 to be Henderson Development Limited, incorporated in Hong Kong.

**46 COMPARATIVE FIGURES**

Certain comparative figures have been adjusted as a result of changes in accounting policies for dividends, details of which are set out in note 12(a). In addition, certain comparative figures have been reclassified to conform with current year's presentation.