

1 Principal accounting policies

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of hotel and investment properties and other investments and in accordance with accounting principles generally accepted in Hong Kong.

During the year, the Group adopted the following revised or new Statements of Standard Accounting Practices ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

A summary of the accounting policies and the effect of adopting these new/revised standards is set out below:

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and all of its subsidiaries made up to 30th June, and include the Group's share of the results for the year and undistributed post-acquisition reserves of its associated companies and jointly controlled entities. The results of subsidiaries, associated companies and jointly controlled entities acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition and up to the effective dates of disposal respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to net assets of subsidiaries, associated companies or jointly controlled entities acquired.

In previous years, goodwill on acquisitions of subsidiaries, associated companies or jointly controlled entities was written off directly to reserves in the year of acquisition.

Goodwill on acquisitions of subsidiaries occurring on or after 1st July 2001 is included in intangible assets. Goodwill on acquisitions of associated companies or jointly controlled entities occurring on or after 1st July 2001 is included in investments in associated companies or jointly controlled entities. Goodwill is amortised using the straight-line method over its estimated useful life of not more than twenty years. Any impairment of the goodwill will be recognised as an expense in the profit and loss account immediately.

1 Principal accounting policies (continued)

(c) Goodwill (continued)

The Group has adopted the transitional provisions of SSAP 30 and goodwill previously written off to reserves has not been restated. However, any impairment arising on such goodwill is required to be accounted for in accordance with provisions of SSAP 31 "Impairment of assets".

The adoption of provisions of SSAP 31 represents a change in accounting policy and accordingly, the Group has made an assessment on any impairment in goodwill previously written off to reserves and considered that an amount of HK\$153,384,000 was impaired during the year ended 30th June 2001. The write-off of impaired goodwill by means of a prior year adjustment has the effect of reducing the profit attributable to shareholders for the year ended 30th June 2001 by HK\$153,384,000.

(d) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions prior to 1st July 2001, negative goodwill on acquisitions of subsidiaries, associated companies or jointly controlled entities was taken directly to reserves in the year of acquisition.

For acquisitions on or after 1st July 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average life of those non-monetary assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

The Group has adopted the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

(e) Subsidiaries

Subsidiaries are companies, including equity and co-operative joint ventures in the People's Republic of China ("PRC"), in which the Group has the power to exercise control governing the financial and operating policies of the companies. Investments in subsidiaries are carried at cost. Provision is made when the directors consider that there is a long term impairment in value.

(f) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised through representatives on the board of directors and there is no contractual arrangement to establish joint control over the economic activities of the company. The Group's investments in associated companies also include joint ventures in the PRC in which the Group's associated companies have the power to exercise control governing the financial and operating policies of those joint ventures.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year. The consolidated balance sheet includes the Group's share of the net assets of the associated companies and any unamortised goodwill/negative goodwill on acquisition.

(g) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define their joint control over the economic activity of the entity.

The Group's interests in jointly controlled entities are stated at cost plus the Group's share of their post-acquisition results and reserves and any unamortised goodwill/negative goodwill on acquisition, less provision for diminution in value other than temporary in nature. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities as explained as follows:

(i) Equity joint ventures

Equity joint ventures are joint ventures in respect of which the venturers' capital contribution ratios are defined in the joint venture contracts and the venturers' profit sharing ratios are in proportion to the capital contribution ratios.

(ii) Co-operative joint ventures

Co-operative joint ventures are joint ventures in respect of which the venturers' profit sharing ratios and share of net assets upon expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts.

(iii) Companies limited by shares

Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interest therein is in accordance with the amount of the voting share capital held thereby.

(h) Joint ventures in the People's Republic of China**(i) Equity joint ventures**

The Group's investments in these Sino-foreign joint ventures are accounted for as subsidiaries (where the Group has the power to exercise control governing the financial and operating policies) or as jointly controlled entities (where the Group and the other venturers of the equity joint venture established joint control over the economic activity thereof).

(ii) Co-operative joint ventures

The Group's investments in these Sino-foreign joint ventures are accounted for as subsidiaries (where the Group has the power to exercise control governing the financial and operating policies) or as jointly controlled entities (where the Group and the other venturers of the co-operative joint venture established joint control over the economic activity thereof).

1 Principal accounting policies (continued)

(i) Other investments

Other investments are long term investments other than subsidiaries, associated companies and jointly controlled entities.

(i) *Investment securities*

Investment securities are held for non-trading purpose and are stated at fair value at the balance sheet date. Fair value is estimated by the directors by reference to the market price or, in case of unlisted investments, net asset value of the respective investment. Changes in the fair value of individual investments are credited or debited to the investment revaluation reserve until the investment is sold or determined to be impaired. Where the directors determine that there is impairment loss, the accumulated changes in fair value are removed from the investment revaluation reserve and recognised in the profit and loss account. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant investment, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

(ii) *Other joint ventures*

Other joint ventures are held for the long term and they give fixed rate returns which are predetermined in accordance with the provisions of the joint venture contracts. Other joint ventures are carried at cost less provision for diminution in value other than temporary in nature.

Income from other joint ventures is recognised as set out in note(s) (ii) below.

(j) Fixed assets and depreciation

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential. The investment properties are stated at open market value based on an annual professional valuation at the balance sheet date. Increases in valuation are credited to the investment property revaluation reserve; decreases in value are first set off against earlier revaluation surpluses on a portfolio basis and thereafter charged to the profit and loss account. Any subsequent increases are credited to operating profit up to the amount previously debited. Upon sale of an investment property, the relevant portion of the revaluation surplus in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account. No depreciation is provided on investment properties held on leases of more than twenty years.

(ii) *Hotel properties*

Hotel properties are interests in land and buildings and their integral fixed plant which are collectively used in the operation of hotel. They are stated in the balance sheet at their open market value on the basis of an annual professional valuation. Increases in valuation are credited to the hotel properties revaluation reserve; decreases in value are first set off against earlier revaluation surpluses and thereafter charged to the profit and loss account. No depreciation is provided on hotel properties held on leases of more than twenty years. It is the Group's practice to maintain the buildings in a continual state of sound repairs and to make improvements thereto from time to time and accordingly, the directors consider that given the estimated lives of the hotel properties, any depreciation would be insignificant due to their high residual value. Such expenditures on repairs and improvements are charged to the profit and loss account in the year in which they are incurred.

(j) Fixed assets and depreciation (continued)**(iii) Assets under construction**

No depreciation is provided on assets under construction. All direct and indirect costs relating to the construction of fixed assets including interest and financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as the cost of the fixed assets.

(iv) Other fixed assets

Other fixed assets, including other properties which are interests in land and buildings other than investment properties and hotel properties, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of fixed assets is calculated to write off the cost of assets over their estimated useful lives, using the straight line method. Estimated useful lives are summarised as follows:

Land held on long or medium term lease	Unexpired period of the lease
Buildings	20 years
Leasehold improvements	5-10 years or over the relevant lease period
Furniture, fixtures and equipment	5 years
Motor vehicles	3 years

Major costs incurred in restoring fixed assets to their normal working conditions are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives. The carrying amounts of other fixed assets are reviewed regularly. When the recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amount.

Profits or losses on disposal of other fixed assets are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account.

(k) Deferred expenditure

Loan procurement expenses are amortised on a straight line basis over the relevant loan periods.

(l) Properties held for/under development

Properties held for/under development are stated at cost less provision for any possible loss. Cost comprises land cost, development expenditure, professional fees and interest capitalised. On completion, the properties are transferred to investment properties or to completed properties held for sale.

(m) Completed properties held for sale

Completed properties held for sale is 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.

(n) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1 Principal accounting policies (continued)

(o) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable to such operating leases, net of incentives received from the lessors, are charged to the profit and loss account on a straight line basis over the periods of the leases.

(p) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(q) Capitalisation of interest and finance charges

Interest and finance charges on borrowings relating to properties under development are included in the cost of development during the period of development. Interest and finance charges on borrowings that are directly attributable to the financing of the Group's investments in joint ventures investing in property development projects are capitalised as the cost of investments in these joint ventures up to the respective date of completion of construction of the related properties. All other borrowing costs are expensed in the profit and loss account in the year in which they are incurred, other than those dealt with in note (j) (iii) above.

(r) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates of exchange ruling at that date. Exchange differences arising in these cases are dealt with in the profit and loss account, other than those dealt with in note (j) (iii) above.

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

(s) Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably on the following bases:

(i) Property sales

Revenue from sale of properties is recognised either when the sale agreement is completed or when the development is completed which is determined by the issuance of the completion certificate by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(s) Revenue recognition (continued)**(ii) Income from other joint ventures**

Income from other joint ventures is in respect of the Group's interest in low-cost community housing and is calculated by reference to a predetermined rate on the aggregate qualifying construction and development costs as provided by the respective joint venture agreements.

Income from other joint ventures is recognised only upon completion of a distinct phase of low-cost community housing when the relevant buildings are examined and approved for occupation by the relevant authority, or when the obligations undertaken by the PRC joint venture partners of the respective joint ventures to pay the income become due, whichever is the earlier.

(iii) Interest income

- (a) Interest income in respect of loan financing provided to associated companies and jointly controlled entities financing the development of property projects during the development periods is deferred and recognised on the same basis as property sales (note **(s) (i)**) above.
- (b) Interest income in respect of loan financing provided to associated companies and jointly controlled entities other than those engaged in property development during their pre-operational period is deferred and amortised over the repayment period of the loan.
- (c) Interest income in respect of loan financing provided to other joint ventures financing the development of low-cost community housing is recognised on a time proportion basis.
- (d) Other than those described in (a) to (c) above, interest income is recognised on a time proportion basis.

(iv) Rental income

Rental income is recognised on a straight line accrual basis over the terms of lease agreements or on a specified basis according to the terms of lease agreements in respect of contingent rental income.

(v) Project management fee income

Project management fee income in respect of management services provided to associated companies and jointly controlled entities engaged in property development during the development periods is deferred and recognised on the same basis as property sales (note **(s) (i)**) above.

(vi) Property management services fee income

Property management services fee income is recognised upon provision of property management services.

(vii) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

2 Turnover and segment information

- (a) The Group is principally engaged in investment and development of property projects in the PRC. Turnover comprises gross proceeds from sales of properties, revenue from rental operations, income from other joint ventures, property management services fee income, project management fee income and interest income in respect of loan financing provided to associated companies and joint ventures, net of withholding tax.

	2002 HK\$'000	2001 HK\$'000
Sales of properties	561,521	291,459
Rental income	102,467	172,531
Income from other joint ventures	67,251	14,662
Property management services fee income	23,843	–
Project management fee income	23	819
	755,105	479,471
Interest income less withholding tax	184,271	107,794
	939,376	587,265

- (b) The Group is organised into three main business segments, comprising property sales, rental operation and hotel operation. There is no other significant identifiable separate business segment. Segment assets consist primarily of fixed assets, properties held for/under development, other non-current assets, debtors, deposits and other receivables and completed properties held for sale. Segment liabilities comprise mainly creditors and accruals, bank and other loans and deferred income.

No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Total HK\$'000
Year ended 30th June 2002					
Segment revenues	813,066	101,387	–	24,923	939,376
Segment results	169,395	53,193	(148)	(8,728)	213,712
Bank and other interest income					67,149
Net loss on disposal of subsidiaries					(5,177)
Corporate administrative expenses					(116,170)
Operating profit before financing					159,514
Finance costs					(24,276)
Share of results of					
Associated companies	(5,835)	2,392	(114)	–	(3,557)
Jointly controlled entities	(27,547)	11,264	19,490	(1,880)	1,327
Profit before taxation					133,008
Taxation					20,501
Profit after taxation					112,507
Minority interests					24,620
Profit attributable to shareholders					137,127
	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	As restated total HK\$'000
Year ended 30th June 2001					
Segment revenues	414,734	171,467	–	1,064	587,265
Segment results	121,183	131,231	(2,024)	(6,841)	243,549
Bank and other interest income					48,185
Gain on disposal of a subsidiary					93,760
Impairment of goodwill					(153,384)
Corporate administrative expenses					(121,283)
Operating profit before financing					110,827
Finance costs					(69,996)
Share of results of					
Associated companies	(2,412)	(2,887)	(6,438)	–	(11,737)
Jointly controlled entities	12,735	21,481	16,710	(405)	50,521
Profit before taxation					79,615
Taxation					30,270
Profit after taxation					49,345
Minority interests					4,265
Profit attributable to shareholders					53,610

2 Turnover and segment information (continued)

	Property sales HK\$'000	Rental operation HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Total HK\$'000
As at 30th June 2002					
Segment assets	8,882,904	3,878,358	500,291	61,630	13,323,183
Associated companies and joint ventures	5,883,531	4,653,599	984,213	1,005	11,522,348
Unallocated assets					266,036
Total assets					25,111,567
Segment liabilities	3,490,682	2,393,316	900,197	9,358	6,793,553
Minority interests					85,485
Unallocated liabilities					351,029
Total liabilities and minority interests					7,230,067
Capital expenditure	4,169	490,370	8,886	–	503,425
Depreciation	3,765	16,515	117	–	20,397
Provision for amounts due from joint ventures	27,644	14,700	–	–	42,344
As at 30th June 2001					
Segment assets	9,022,281	2,995,996	790,655	139,999	12,948,931
Associated companies and joint ventures	5,224,446	3,914,826	945,733	1,874	10,086,879
Unallocated assets					108,632
Total assets					23,144,442
Segment liabilities	2,975,386	1,170,448	1,113,431	13,390	5,272,655
Minority interests					62,878
Unallocated liabilities					339,157
Total liabilities and minority interests					5,674,690
Capital expenditure	61,505	558,638	142,716	–	762,859
Depreciation	5,412	2,741	–	–	8,153
Provision for diminution in value of properties	19,888	–	–	–	19,888

3 Other revenue

	2002 HK\$'000	2001 HK\$'000
Bank and other interest income	67,149	48,185

4 Other charges

	2002 HK\$'000	2001 HK\$'000
Provision for amounts due from joint ventures	(42,344)	–
(Net loss)/gain on disposal of subsidiaries	(5,177)	93,760
Impairment of goodwill	(2,100)	(153,384)
Write-back of provision for diminution in values of completed properties held for sale	4,287	–
Provision for diminution in value of properties held for development and completed properties held for sale	–	(19,888)
	(45,334)	(79,512)

5 Operating expenses

	2002 HK\$'000	2001 HK\$'000
Cost of properties sold	(553,772)	(243,946)
Staff costs	(107,449)	(92,840)
Depreciation	(23,056)	(10,942)
Amortisation of deferred expenditure	(5,301)	(5,397)
Other operating expenses	(112,099)	(91,986)
	(801,677)	(445,111)

6 Operating profit before financing

	2002 HK\$'000	2001 HK\$'000
Operating profit before financing is arrived at after crediting:		
Gross rental income from investment properties	99,064	170,379
and after charging:		
Operating leases rental in respect of land and buildings	23,085	5,915
Retirement benefit costs	4,135	3,847
Outgoings in respect of investment properties	3,483	7,188
Auditors' remuneration	4,052	4,161
Guarantee fee paid to ultimate holding company	–	5,290
Total contingent rents included in rental income amounted to HK\$18,930,000 (2001: HK\$20,101,000).		
	2002 HK\$'000	2001 HK\$'000
The future minimum rental payments receivable under non-cancellable leases are as follows:		
Within one year	90,881	67,987
Between two and five years	47,617	63,140
Beyond five years	82,143	3,558
	220,641	134,685

Generally the Group's operating leases are for terms of two to five years except for a long term lease which is beyond five years.

7 Finance costs

	2002 HK\$'000	2001 HK\$'000
Interest on bank loans	36,737	58,792
Interest on loans from fellow subsidiaries		
Wholly repayable within five years	74,077	90,370
Not wholly repayable within five years	–	16,037
Interest on loans from minority shareholders	4,831	2,171
Interest on short term bank loans	16,793	8,426
	132,438	175,796
Amount capitalised in properties held for/under development and assets under construction	(88,044)	(97,056)
Amount capitalised in investments in jointly controlled entities and an associated company (note)	(9,339)	(8,744)
Reimbursement from an associated company (note 16(i))	(10,779)	–
	24,276	69,996

Note:

To the extent funds are borrowed generally and used for the purpose of financing certain qualifying investments in an associated company and jointly controlled entities, the capitalisation rate used to determine the amounts of borrowing costs eligible for capitalisation as part of the costs of these assets is 2.2% (2001: 6.9%) for the year.

8 Retirement benefit costs

The Group has established a defined contribution retirement scheme under the Occupational Retirement Scheme Ordinance for all employees in Hong Kong since September 1999. The contributions to the scheme are based on a percentage of the employees' salaries ranging from 5% to 10%, depending upon the length of service of the employees. The Group's contributions to the scheme are expensed as incurred and are not forfeited in respect of those employees who leave the scheme prior to vesting fully in the contributions.

With the implementation of the Mandatory Provident Fund ("MPF") Scheme Ordinance on 1st December 2000, the Group established a new MPF Scheme. Except for employees who commenced employment after 1st October 2000, all the existing employees were given an option to select between the existing defined contribution scheme and the MPF Scheme. The employees who commenced employment after 1st October 2000 are required to join the MPF Scheme. The Group's contributions to the MPF scheme are based on fixed percentages of members' salary, ranging from 5% of MPF relevant income to 10% of the basic salary. Members' mandatory contributions are fixed at 5% of MPF relevant income.

The assets of all retirement schemes are held separately from those of the Group in independently administered funds. The total cost charged to the profit and loss account amounted to HK\$4,135,000 (2001: HK\$3,847,000).

9 Directors' and senior management remuneration

(i) Details of the directors' emoluments are as follows:

	2002 HK\$'000	2001 HK\$'000
Fees	800	–
Salaries, discretionary bonus, other allowances and other benefits in kind	3,333	2,632
Contribution to retirement benefit scheme	226	132
	4,359	2,764

The emoluments of the directors fall within the following bands:

		Number of directors	
		2002	2001
Nil	– HK\$500,000	12	12
HK\$2,500,001	– HK\$3,000,000	1	1
		13	13

Fees include HK\$300,000 paid to independent non-executive directors during the year (2001: Nil). There were no other emoluments paid to independent non-executive directors during the year (2001: Nil).

None of the directors has waived his right to receive his emoluments (2001: Nil).

(ii) The five individuals whose emoluments were the highest in the Group for the year include one (2001: one) director whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining individuals in the Group are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries, discretionary bonus, other allowances and other benefits in kind	6,847	7,780
Contribution to retirement benefit scheme	509	336
	7,356	8,116

The emoluments fall within the following bands:

		Number of individuals	
		2002	2001
HK\$1,000,001	– HK\$1,500,000	1	–
HK\$1,500,001	– HK\$2,000,000	2	3
HK\$2,000,001	– HK\$2,500,000	–	1
HK\$2,500,001	– HK\$3,000,000	1	–
		4	4

10 Taxation

	2002 HK\$'000	2001 HK\$'000
PRC income tax		
Company and subsidiaries	2,049	11,835
Associated companies	1,148	–
Jointly controlled entities	17,304	18,435
	20,501	30,270

No provision for Hong Kong profits tax has been made within the Group as the Group has no assessable profits in Hong Kong for the year (2001: Nil). PRC income tax has been provided on the estimated assessable profits of a subsidiary operating in the PRC at the applicable rate of taxation.

The Group's associated companies and jointly controlled entities established in the PRC are required to pay income tax at the rate of 33% (2001: 33%).

In July 1999, a deed of tax indemnity was entered into between the ultimate holding company and the Group whereby the ultimate holding company undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax ("IT") and Land Appreciation Tax ("LAT") payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999 and in respect of which the aggregate amount of LAT and IT is estimated at approximately HK\$7,059 million (2001: HK\$7,783 million). The tax indemnity is also given in respect of LAT and IT payable in consequence of the disposal of any low-cost community housing in the event the relevant company in the Group is unable to pay such taxes. During the year, no such tax indemnity was effected (2001: Nil).

Realisation of the surplus on revaluation of the Group's investment and hotel properties would give rise to a taxation liability in the PRC. No provision has been made in the accounts for this liability as these properties are held for the long term and management has no intention to dispose of these properties in the foreseeable future. Tax indemnity has also been given by the ultimate holding company in respect of these properties.

11 Dividend

	2002 HK\$'000	2001 HK\$'000
Final, proposed, of 2 HK cents (2001: Nil) per share	29,639	–

At a meeting held on 18th October 2002, the directors proposed a dividend of 2 HK cents per share. This proposed dividend is not reflected as dividend payable in these accounts but will be reflected as an appropriation of reserves for the year ending 30th June 2003.

12 Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$137,127,000 (2001 as restated: HK\$53,610,000) and the weighted average of 1,480,792,307 shares (2001: 1,464,741,432 shares) in issue during the year.

Diluted earnings per share for the year is based on profit attributable to shareholders of HK\$137,127,000 (2001 as restated: HK\$53,610,000) divided by 1,480,792,307 shares (2001: 1,464,741,432 shares) which is the weighted average number of shares in issue during the year plus the weighted average of 9,739,304 shares (2001: 5,428,030 shares) deemed to be issued at no consideration as if all outstanding share options had been exercised.

13 Fixed assets

Group

	Investment properties HK\$'000	Other properties HK\$'000	Leasehold improve- ments HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Assets under construction HK\$'000	Total HK\$'000
Cost or valuation							
At 30th June 2001	1,207,667	18,113	12,533	44,274	16,213	1,984,542	3,283,342
Additions	6,678	117	–	11,222	2,580	483,278	503,875
Disposals	–	–	–	(1,210)	(945)	–	(2,155)
Disposal of subsidiaries	–	–	–	(3,033)	(517)	–	(3,550)
Transfer from properties under development	76,112	–	–	–	–	–	76,112
Transfer to completed properties held for sale	–	–	–	–	–	(224,570)	(224,570)
Reclassifications	122,387	35,307	185,293	–	–	(342,987)	–
Revaluation surplus	125,546	–	–	–	–	–	125,546
At 30th June 2002	1,538,390	53,537	197,826	51,253	17,331	1,900,263	3,758,600
Accumulated depreciation							
At 30th June 2001	–	3,756	3,415	19,748	8,255	–	35,174
Charge for the year	–	817	12,648	6,941	2,650	–	23,056
Disposals	–	–	–	(771)	(524)	–	(1,295)
Disposal of subsidiaries	–	–	–	(1,146)	(277)	–	(1,423)
At 30th June 2002	–	4,573	16,063	24,772	10,104	–	55,512
Net book value							
At 30th June 2002	1,538,390	48,964	181,763	26,481	7,227	1,900,263	3,703,088
At 30th June 2001	1,207,667	14,357	9,118	24,526	7,958	1,984,542	3,248,168

Notes:

- (i) Investment properties were revalued on 30th June 2002 on an open market value basis by Chesterton Petty Limited, independent professional valuers and are held in the PRC under the following leases:

	2002 HK\$'000	2001 HK\$'000
Long term leases	84,112	84,112
Medium term leases	1,454,278	1,123,555
	1,538,390	1,207,667

- (ii) Other properties are stated at cost and held in the PRC under the following leases:

	2002 HK\$'000	2001 HK\$'000
Long term leases	2,973	2,856
Medium term leases	50,564	15,257
	53,537	18,113

- (iii) Certain interests in investment properties and assets under construction pledged as securities for short term loans and long term loans amount to HK\$220,484,000 (2001: HK\$240,832,000) and HK\$340,779,000 (2001: HK\$112,149,000), respectively.

- (iv) Included in assets under construction is interest capitalised of HK\$103,479,000 (2001: HK\$78,740,000).

14 Subsidiaries

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost (2002 and 2001: HK\$10)	–	–
Amounts due from subsidiaries	16,262,801	15,970,436
	16,262,801	15,970,436

Details of principal subsidiaries are given in note 36.

15 Properties held for development

	2002 HK\$'000	Group 2001 HK\$'000
Leasehold land, at cost less provision		
Long term	1,365,589	1,178,025
Medium term	1,212,338	1,216,852
Development and incidental costs	557,290	289,734
Interest capitalised	132,911	127,945
	3,268,128	2,812,556

16 Associated companies

	Group	
	2002 HK\$'000	2001 HK\$'000
Group's shares of net assets	137,633	35,975
Amounts due from associated companies (note (i))	1,424,036	762,247
Amounts due to associated companies (note (i))	(138,817)	(17,043)
	1,422,852	781,179

Notes:

- (i) The amounts receivable and payable are unsecured, interest free and have no specific repayment terms except for an amount receivable of HK\$361,371,000 (2001: Nil) which carries interest at 6.21% per annum and is repayable by instalments up to December 2016.
- (ii) Details of principal associated companies are given in note 36.

17 Jointly controlled entities

	Group	
	2002 HK\$'000	2001 HK\$'000
Equity joint ventures		
Group's share of net liabilities	(74,752)	(57,322)
Amounts due from joint ventures		
Interest bearing (note (i))	452,989	510,329
Non-interest bearing (note (ii))	154,479	130,126
	532,716	583,133
Co-operative joint ventures		
Cost of investments	3,524,114	3,146,615
Goodwill (Less: amortisation of HK\$747,000)	14,199	–
Share of undistributed post-acquisition results and reserves	(211,625)	(150,111)
	3,326,688	2,996,504
Amounts due from joint ventures		
Interest bearing (note (iii))	5,537,017	5,047,282
Non-interest bearing (note (ii))	287,595	71,738
Amounts due to joint ventures (note (ii))	(44,950)	(12,458)
	9,106,350	8,103,066
Companies limited by shares		
Group's share of net liabilities	(143,506)	(148,232)
Amounts due from joint ventures		
Interest bearing (note (iv))	183,855	198,318
Non-interest bearing (note (ii))	416,716	388,480
	457,065	438,566
Deposits for proposed joint ventures (note (v))	3,365	180,935
	10,099,496	9,305,700

Notes:

- (i) The amounts receivable are unsecured, carry interest ranging from 5.85% to 12% per annum (2001:5.85% to 12% per annum) and have repayment terms as specified in the joint venture contracts.
- (ii) The amounts receivable and payable are unsecured, interest free and have repayment terms as specified in the joint venture contracts.
- (iii) The amounts receivable are unsecured, carry interest ranging from 8.5% to 12% per annum (2001:8.5% to 12% per annum) and have repayment terms as specified in the joint venture contracts.
- (iv) The amounts receivable are unsecured, carry interest ranging from 4% to 1.5% above prime rate per annum (2001:4% to 1.5% above prime rate per annum) and have repayment terms as specified in the joint venture contracts.
- (v) The balances represent payments on account of proposed joint ventures for which only preliminary agreements have been signed and the joint venture companies have not been established as at the balance sheet date. Upon the establishment of the relevant joint venture companies, the relevant amounts will be reclassified to respective joint venture balances.
- (vi) Details of principal jointly controlled entities are given in note 36.
- (vii) A summary of the financial information of the significant jointly controlled entities is set out in note 34.

18 Other investments

	Group	
	2002 HK\$'000	2001 HK\$'000
Investment security		
Unlisted shares, at cost	350	350
Amount due from investee company	207,826	207,826
	208,176	208,176
Other joint ventures		
Cost of investments	212,449	593,132
Amounts due from joint ventures		
Interest bearing (note (i))	1,526,356	2,084,620
Non-interest bearing (note (ii))	108,044	125,185
Amounts due to joint ventures (note (ii))	(81,984)	(85,977)
	1,764,865	2,716,960
	1,973,041	2,925,136

Notes:

- (i) The amounts receivable are unsecured, carry interest at 10% per annum (2001:10% per annum) and have repayment terms as specified in the joint venture contracts.
- (ii) The amounts receivable and payable are unsecured, interest free and have repayment terms as specified in the joint venture contracts.
- (iii) Details of principal other joint ventures are given in note 36.

19 Other non-current assets

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Deferred expenditure				
Loan procurement expenses	10,327	1,426	6,004	–
Accumulated amortisation	(5,880)	(579)	(2,596)	–
	4,447	847	3,408	–
Cash and bank balances, restricted (note 23)	45,864	110,787	–	–
	50,311	111,634	3,408	–

20 Debtors, deposits and other receivables

Debtors, deposits and other receivables include trade debtors, utility and other deposits, interest and other receivables and prepayment for land cost.

The ageing analysis of trade debtors is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
0 to 30 days	36,628	6,890
31 to 60 days	29,909	5,874
61 to 90 days	9,733	7,238
Over 90 days	24,673	9,213
	100,943	29,215

Sales proceed receivables in respect of sale of properties are settled in accordance with the instalment schedules as stipulated in the sale and purchase agreements. Monthly rental in respect of rental properties are payable in advance by tenants in accordance with the lease agreements.

21 Properties under development

	Group	
	2002 HK\$'000	2001 HK\$'000
Leasehold land, at cost		
Long term	1,389,244	1,509,695
Medium term	58,830	82,892
Development and incidental costs	757,226	628,244
Interest capitalised	38,730	33,220
	2,244,030	2,254,051

In 2001, properties under development of HK\$82,243,000 which had been pledged to secure a short term loan were released during the year upon full repayment of the loan.

22 Completed properties held for sale

The aggregate carrying value of completed properties held for sale that were carried at net realisable value amounts to HK\$36,285,000 (2001: HK\$112,662,000).

The aggregate carrying value of completed properties held for sale pledged as securities for short term loans amounts to HK\$116,808,000 (2001: Nil).

23 Cash and bank balances

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Restricted balances	603,114	749,133	–	–
Unrestricted balances	847,844	503,242	239,669	74,980
Cash and bank balances	1,450,958	1,252,375	239,669	74,980
Restricted balances included under other non- current assets (note 19)	(45,864)	(110,787)	–	–
	1,405,094	1,141,588	239,669	74,980

The restricted balances have been pledged as securities for certain short term loans and long term loans.

24 Creditors and accruals

Creditors and accruals include trade creditors, retentions payable of construction costs, other payables and various accruals. The ageing analysis of trade creditors is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
0 to 30 days	39,988	76,726
31 to 60 days	283	9,207
61 to 90 days	6,126	1,997
Over 90 days	71,324	101,618
	117,721	189,548

25 Amounts due to fellow subsidiaries

The balances are unsecured, interest free and have no specific repayment terms.

26 Taxes payable

	Group	
	2002 HK\$'000	2001 HK\$'000
Income tax payable	10,895	9,965
Withholding tax payable	84,686	78,779
Other PRC taxes payable	10,205	15,701
	105,786	104,445

27 Share capital

	2002 HK\$'000	2001 HK\$'000
Authorised:		
8,000,000,000 shares of HK\$0.1 each	800,000	800,000
Issued and fully paid:		
1,481,901,894 shares of HK\$0.1 each (2001: 1,468,511,738 shares of HK\$0.1 each)	148,190	146,851

Details of the movement in the issued share capital of the Company are summarised as follows:

	Number of shares of HK\$0.1 each	HK\$'000
At 30th June 2000	1,463,772,938	146,377
Exercise of share options	4,738,800	474
At 30th June 2001	1,468,511,738	146,851
Issue of shares for the acquisition of additional interests in subsidiaries (note (i))	10,911,756	1,091
Exercise of share options (note (ii))	2,478,400	248
At 30th June 2002	1,481,901,894	148,190

Notes:

- (i) On 3rd July 2001, 8,790,616 new shares of the Company were issued at an issue price of HK\$3.225 each and credited as fully paid for the acquisition of a further 30% interest in a subsidiary completed in June 2001.

On 3rd July 2001, 2,121,140 new shares of the Company were further issued at an issue price of HK\$3.225 each and credited as fully paid for the acquisition of a further 12% interest in a subsidiary completed in June 2001.

- (ii) Pursuant to the share option scheme adopted on 18th December 2000, the Company may grant options to executive directors and employees of the Company to subscribe for shares in the Company. The movements in the number of share options granted during the year and the balance outstanding at 30th June 2002 are as follows:

Date of offer to grant	Exercise price per share HK\$	Number of shares				
		At 30th June 2001	Granted during the year (note)	Exercised during the year	Lapsed during the year	At 30th June 2002
5th February 2001	1.955	53,044,000	–	(2,459,200)	(2,757,200)	47,827,600
2nd May 2001	2.605	458,400	–	–	–	458,400
29th June 2001	3.192	–	2,485,200	–	(157,200)	2,328,000
31st August 2001	2.380	–	2,149,200	(19,200)	–	2,130,000
26th March 2002	2.265	–	2,067,600	–	–	2,067,600
		53,502,400	6,702,000	(2,478,400)	(2,914,400)	54,811,600

Note: Divided into 5 tranches and exercisable within a period of 5 years commencing on the expiry of one month after the dates on which the options were accepted.

28 Reserves

Group

	Contributed surplus HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000
As at 30th June 2000	14,751,973	1,234,787	–	104,110	5,763	44,628	700,881	16,842,142
Profit retained for the year	–	–	–	–	–	–	53,610	53,610
Premium on issue of shares	–	8,816	–	–	–	–	–	8,816
Release of goodwill upon impairment	–	–	153,384	–	–	–	–	153,384
Capital reserve on acquisition of additional interest in a subsidiary	–	–	108,682	–	–	–	–	108,682
Goodwill written off on acquisition of a subsidiary	–	–	(9,620)	–	–	–	–	(9,620)
Revaluation surplus/(deficit)								
Company and subsidiaries	–	–	–	33,820	–	–	–	33,820
Associated companies	–	–	–	(10,734)	(4,485)	–	–	(15,219)
Jointly controlled entities	–	–	–	169,982	202	–	–	170,184
Disposal of a subsidiary	–	–	–	(9,071)	–	12,372	–	3,301
Transfer to capital reserve	–	–	(252,446)	–	–	–	252,446	–
Translation difference	–	–	–	–	–	(26,199)	–	(26,199)
As at 30th June 2001	14,751,973	1,243,603	–	288,107	1,480	30,801	1,006,937	17,322,901
Retained by:								
Company and subsidiaries	14,751,973	1,243,603	–	32,453	–	13,948	1,676,456	17,718,433
Associated companies	–	–	–	57,818	–	12,095	(61,527)	8,386
Jointly controlled entities	–	–	–	197,836	1,480	4,758	(607,992)	(403,918)
	14,751,973	1,243,603	–	288,107	1,480	30,801	1,006,937	17,322,901

	Contributed surplus	Share premium	Capital reserve	Investment properties revaluation reserve	Hotel properties revaluation reserve	Exchange reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30th June 2001	14,751,973	1,243,603	-	288,107	1,480	30,801	1,006,937	17,322,901
Profit retained for the year	-	-	-	-	-	-	137,127	137,127
Premium on issue of shares	-	38,705	-	-	-	-	-	38,705
Release of goodwill upon impairment	-	-	2,100	-	-	-	-	2,100
Release of reserves upon disposal of subsidiaries	-	-	9,520	-	-	-	-	9,520
Revaluation surplus								
Company and subsidiaries	-	-	-	80,436	-	-	-	80,436
Associated companies	-	-	-	106,507	-	-	-	106,507
Jointly controlled entities	-	-	-	41,946	5,432	-	-	47,378
Transfer to capital reserve	-	-	(11,620)	-	-	-	11,620	-
Translation difference	-	-	-	-	-	(11,364)	-	(11,364)
As at 30th June 2002 before proposed final dividend	14,751,973	1,282,308	-	516,996	6,912	19,437	1,155,684	17,733,310
Proposed final dividend	(29,639)	-	-	-	-	-	-	(29,639)
As at 30th June 2002 after proposed final dividend	14,722,334	1,282,308	-	516,996	6,912	19,437	1,155,684	17,703,671
Retained by:								
Company and subsidiaries	14,751,973	1,282,308	-	112,889	-	4,993	1,853,499	18,005,662
Associated companies	-	-	-	164,325	-	11,246	(66,126)	109,445
Jointly controlled entities	-	-	-	239,782	6,912	3,198	(631,689)	(381,797)
	14,751,973	1,282,308	-	516,996	6,912	19,437	1,155,684	17,733,310

28 Reserves (continued)

Company

	Contributed surplus (note (i)) HK\$'000	Share premium HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
As at 30th June 2000	14,772,134	1,234,787	(55,649)	15,951,272
Premium on issue of new shares	–	8,816	–	8,816
Loss retained for the year	–	–	(76,981)	(76,981)
As at 30th June 2001	14,772,134	1,243,603	(132,630)	15,883,107
Premium on issue of new shares	–	38,705	–	38,705
Loss retained for the year	–	–	(84,861)	(84,861)
As at 30th June 2002 before proposed final dividend	14,772,134	1,282,308	(217,491)	15,836,951
Proposed final dividend	(29,639)	–	–	(29,639)
As at 30th June 2002 after proposed final dividend	14,742,495	1,282,308	(217,491)	15,807,312

Notes:

- (i) The contributed surplus of the Company represents the excess of the consolidated net asset value of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange thereof as a result of a reorganisation in 1999.
- (ii) Under the Companies Law in the Cayman Islands, the contributed surplus and share premium are both distributable. Accordingly, distributable reserves of the Company amount to HK\$15,836,951,000 (2001: HK\$15,883,107,000) as at 30th June 2002 before the proposed final dividend of HK\$29,639,000.

29 Bank and other borrowings

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank loans (note (i))				
Secured	940,810	140,187	–	–
Unsecured	961,683	93,458	500,000	–
Loans from fellow subsidiaries (note (ii))	2,886,037	2,741,175	–	–
Loans from minority shareholders (note (iii))	379,612	332,403	–	–
	5,168,142	3,307,223	500,000	–
Current portion included in current liabilities	(834,045)	(287,848)	–	–
	4,334,097	3,019,375	500,000	–

Notes:

(i) The bank loans are repayable as follows:

	Secured		Group Unsecured		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	155,763	–	140,187	–	295,950	–
Between one and two years	24,922	140,187	190,654	93,458	215,576	233,645
Between two and five years	523,365	–	630,842	–	1,154,207	–
After five years	236,760	–	–	–	236,760	–
	940,810	140,187	961,683	93,458	1,902,493	233,645

(a) The Company's bank loan was wholly repayable between two and five years.

(b) Included in the total bank loan balance is an amount of HK\$361,371,000 which is repayable by instalments up to December 2016 and has been on-lent to an associated company (note 16(i)).

(ii) The loans from fellow subsidiaries are repayable as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	538,095	287,848
Between one and two years	892,188	1,883,248
Between two and five years	1,455,754	277,429
After five years	–	292,650
	2,886,037	2,741,175

The loans from fellow subsidiaries are unsecured and bear interest ranging from three months HIBOR to 0.5% above LIBOR and are wholly repayable within five years.

(iii) Except for loans of HK\$25,744,000 (2001: HK\$38,980,000) which are unsecured, bear interest at 10% per annum (2001: 10% to 15% per annum) and have repayment terms as specified in the joint venture contracts, the remaining balance is unsecured, interest free and has no specific repayment terms.

30 Contingent liabilities

Group

- (i) The Group has contingent liabilities of approximately HK\$1,381,447,000 (2001: HK\$844,307,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies, jointly controlled entities and an other joint venture. As at 30th June 2002, the Group's attributable portion of the outstanding amount under these bank loan facilities granted to the associated companies, jointly controlled entities and an other joint venture was approximately HK\$965,049,000 (2001: HK\$549,044,000).
- (ii) As 30th June 2001, the Group had contingent liabilities relating to counter-guarantee given to the ultimate holding company of approximately HK\$42,991,000 in respect of bank loan facilities extended to an other joint venture of the Group in respect of which the ultimate holding company had given guarantee. The counter guarantee was released during the year.

Company

- (i) The Company has contingent liabilities relating to corporate guarantees given in respect of bank loan facilities extended to certain subsidiaries, associated companies, jointly controlled entities and other joint ventures of approximately HK\$1,066,682,000 (2001: HK\$196,729,000), HK\$139,115,000 (2001: HK\$45,430,000), HK\$1,183,453,000 (2001: HK\$742,807,000) and HK\$46,729,000 (2001: HK\$48,000,000), respectively.
- (ii) As at 30th June 2001, the Company had contingent liabilities relating to counter-guarantee given to the ultimate holding company of approximately HK\$42,991,000 in respect of the bank loan facilities extended to an other joint venture in respect of which the ultimate holding company had given guarantee. The counter guarantee was released during the year.

31 Commitments

(i) Capital expenditure commitments

(a) The capital expenditure commitments of the Group are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Contracted but not provided for		
Fixed assets	330,326	–
Investments in associated companies	49,544	–
Investments in jointly controlled entities	47,001	142,971
Investments in other joint ventures	–	15,600
	426,871	158,571
Authorised but not contracted for	–	–
	426,871	158,571

(b) The Group did not have any share of capital commitments of the jointly controlled entities and associated companies not included in (a) above (2001: Nil).

(ii) Lease commitments

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:				
The first year	38,170	6,969	4,916	5,938
The second to fifth years	139,165	1,030	9,833	–
After five years	473,492	–	–	–
	650,827	7,999	14,749	5,938

(iii) Other commitments

As at 30th June 2002, the Group had issued performance guarantees amounting to HK\$316,199,000 (2001: HK\$166,228,000) in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by subsidiaries of the Group. Pursuant to the terms of the performance guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

32 Notes to consolidated cash flow statement

(a) Reconciliation of operating profit before financing to net cash (outflow)/inflow from operating activities

	2002 HK\$'000	2001 HK\$'000
Operating profit before financing	159,514	110,827
Finance costs	(24,276)	(69,996)
Interest income	(251,420)	(155,979)
Interest expense	24,276	69,996
Depreciation	23,056	10,942
Amortisation of deferred expenditure	5,301	5,397
Loss on disposal of fixed assets	33	21
Impairment of goodwill	2,100	153,384
Provision for amounts due from joint ventures	42,344	–
Net loss/(gain) on disposal of subsidiaries/a subsidiary	5,177	(93,760)
(Write-back of)/provision for diminution in value of completed properties held for sale and properties held for development	(4,287)	19,888
Exchange differences	(10,232)	(6,250)
Increase in properties held for/under development	(338,443)	(197,932)
Increase in debtors, deposits and other receivables	(162,551)	(140,675)
Increase in amounts due to fellow subsidiaries	30,013	270,956
(Decrease)/increase in deposits received on sale of properties	(40,669)	204,483
(Decrease)/increase in creditors and accruals	(131,598)	48,243
Net cash (outflow)/inflow from operating activities	(671,662)	229,545

(b) Acquisition of interests in subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets acquired		
Fixed assets	–	2,675
Debtors, deposits and other receivables	4,505	57,405
Properties under development	261,511	993,119
Completed properties held for sale	–	10,017
Cash and bank balances	726	49,511
Bank loans	–	(20,000)
Creditors and accruals	(296)	(66,732)
	266,446	1,025,995
Interest originally held by the Group as jointly controlled entities	(266,446)	(984,267)
	–	41,728
Goodwill on acquisition	–	9,620
Satisfied by cash	–	51,348

(c) Analysis of net inflow/(outflow) of cash and cash equivalents in respect of acquisition of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Cash consideration	–	(51,348)
Cash and bank balances acquired	726	49,511
Net inflow/(outflow) of cash and cash equivalents in respect of acquisition of subsidiaries	726	(1,837)

The subsidiaries acquired during the year utilised HK\$119,846,000 (2001: HK\$101,038,000) of the Group's net operating cash flows, paid HK\$295,000 (2001: HK\$152,483,000) for investing activities, received HK\$190,654,000 (2001: HK\$73,458,000) for financing activities, paid HK\$510,000 (2001: Nil) for servicing of finance. The subsidiaries did not pay any amount in respect of taxation (2001: Nil).

(d) Disposal of interests in subsidiaries/a subsidiary

	2002 HK\$'000	2001 HK\$'000
Net assets disposed		
Fixed assets	2,127	478,401
Debtors, deposits and other receivables	5,536	655
Cash and bank balances	12,662	22,401
Creditors and accruals	(23,096)	(18,275)
Taxation	(602)	–
Amount due from/(to) a fellow subsidiary	10,412	(85,178)
Bank loans	(15,888)	(74,766)
Investments in associated companies	409,157	–
Investments in jointly controlled entities	7,026	–
Minority interests	–	(8,587)
	407,334	314,651
Capital reserve	9,520	–
(Net loss)/gain on disposal of interests in subsidiaries/a subsidiary	(5,177)	93,760
Consideration satisfied by cash	411,677	408,411

32 Notes to consolidated cash flow statement (continued)

(e) Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Cash consideration	411,677	408,411
Cash and bank balances disposed	(12,662)	(22,401)
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	399,015	386,010

(f) Analysis of changes in financing during the year

	Share capital, share premium and contributed surplus HK\$'000	Short term bank loans HK\$'000	Long term bank and other borrowings HK\$'000	Restricted cash and bank balances HK\$'000	Minority interests HK\$'000	Total HK\$'000
Balance at 30th June 2000	16,133,137	548,972	3,365,712	(300,024)	118,539	19,866,336
Net cash inflow/(outflow)						
from financing	9,290	307,691	475,563	(449,109)	31,656	375,091
Minority interests' share of loss and reserves	–	–	–	–	(2,041)	(2,041)
Acquisition of subsidiaries	–	20,000	–	–	–	20,000
Acquisition of additional interests in subsidiaries	–	–	(642,630)	–	(76,689)	(719,319)
Disposal of a subsidiary	–	(74,766)	–	–	(8,587)	(83,353)
Accrual of interest payable	–	–	108,578	–	–	108,578
Balance at 30th June 2001	16,142,427	801,897	3,307,223	(749,133)	62,878	19,565,292
Net cash inflow/(outflow)						
from financing	40,044	(106,570)	1,786,071	146,019	1,095	1,866,659
Minority interests' share of loss and reserves	–	–	–	–	21,494	21,494
Acquisition of additional interests in subsidiaries	–	–	(2,687)	–	18	(2,669)
Disposal of subsidiaries	–	(15,888)	–	–	–	(15,888)
Accrual of interest payable	–	–	77,535	–	–	77,535
Balance at 30th June 2002	16,182,471	679,439	5,168,142	(603,114)	85,485	21,512,423

33 Related party transactions

The following is a summary of significant related party transactions during the year carried out by the Group in the normal course of its business:

(i)

	Note	2002 HK\$'000	2001 HK\$'000
Interest on loans from fellow subsidiaries	(a)	74,077	106,407
Rental for leased premises to a fellow subsidiary	(b)	4,546	4,685
Rental for leased premises to an associated company	(b)	16,900	–
Guarantee fee paid to ultimate holding company	(c)	–	5,290
Interest income from jointly controlled entities	(d)	(118,380)	(8,004)
Estate management fee income from a fellow subsidiary and jointly controlled entities	(e)	(9,501)	(2,019)
Rental income from a fellow subsidiary	(f)	(4,435)	–
Rental income from an associated company	(f)	(3,271)	–

Notes:

- (a) Interest is charged at rates as specified in note 29(ii) on the outstanding balances due to certain fellow subsidiaries.
- (b) The rental is charged at a fixed monthly/annual fee in accordance with the terms of the tenancy agreement.
- (c) The guarantee fee in 2001 was charged at 2% per annum on the average daily amount outstanding of the loan facility on which the ultimate holding company had provided the guarantee. The loan was fully repaid in 2001.
- (d) This represents interest income in respect of loan financing provided to jointly controlled entities. These loans are unsecured and carry interest at fixed rates as specified in note 17.
- (e) The estate management fees are charged at fixed amounts to a fellow subsidiary and certain jointly controlled entities as specified in the respective management contracts.
- (f) The rental income are charged at fixed monthly fees in accordance with the terms of the tenancy agreements.
- (ii) Total fees for the provision of project management, construction and engineering consultancy services in respect of certain of the Group's property projects and payable to certain fellow subsidiaries amount to HK\$360,818,000 (2001: HK\$142,275,000). Such fees are charged at fixed amounts in accordance with the terms of the respective contracts.
- (iii) Certain subsidiaries in the PRC have entered into contract with the PRC partners or their supervisory authority for site clearance, demolition, and resettlement of existing tenants from the sites of the property development projects on the basis of fixed contract sums with overrun costs being wholly borne by the respective PRC partners. The aggregate contract sums under these contracts amount to approximately HK\$166.6 million (2001: HK\$157.3 million) of which approximately HK\$137.1 million (2001: HK\$117.7 million) had been incurred as at 30th June 2002.
- (iv) A deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of IT and LAT payable in consequence of the disposal of certain properties (note 10).

33 Related party transactions (continued)

- (v) During the year, the Group disposed of its entire interests in five subsidiaries to a fellow subsidiary for a consideration of approximately HK\$406,077,000, resulting in a loss on disposal of HK\$3,920,000.

The following is a summary of other significant related party transactions carried out by associated companies and jointly controlled entities of the Group during the year in the normal course of their businesses:

- (i) Total fees for the provision of project management, construction and engineering consultancy services in respect of certain property projects of certain associated companies and jointly controlled entities of the Group and payable to certain fellow subsidiaries amount to HK\$17.9 million (2001: HK\$156.1 million). Such fees are charged at fixed amounts in accordance with the terms of the respective contracts.
- (ii) Certain associated companies and jointly controlled entities in the PRC have entered into various contracts with the PRC partners or their supervisory authority for site clearance, demolition, and resettlement of existing tenants from the sites of the property development projects on the basis of fixed contract sums with overrun costs being wholly borne by the respective PRC partners. The aggregate contract sums for these contracts amount to approximately HK\$308.7 million (2001: HK\$311.2 million) of which approximately HK\$183.2 million (2001: HK\$134.1 million) had been incurred as at 30th June 2002.
- (iii) Certain associated companies of the Group have entered into loan agreements with a fellow subsidiary. These loan balances amount to US\$52,730,000 (2001: US\$52,730,000), bear interest ranging from 0.5% above LIBOR to 15% per annum (2001: 0.5% above LIBOR to 15% per annum) and have repayment terms as specified in the loan agreements. The total interest charged for the year ended 30th June 2002 by the fellow subsidiary and included as part of the development costs of properties developed by these associated companies was HK\$53.8 million (2001: HK\$45.2 million).

34 Significant jointly controlled entities

Set out below is a summary of the financial information of three significant jointly controlled entities whose principal activity is the investment in a property development project in Beijing.

(1) Beijing Chong Wen – New World Properties Development Co., Ltd.

(a) Results for the year

	2002 HK\$'000	2001 HK\$'000
Turnover	190,822	47,408
Operating (loss)/profit	(7,657)	21,003
Group's share of operating (loss)/profit	(5,360)	12,182

(b) Net assets as at year end

	2002 HK\$'000	2001 HK\$'000
Fixed assets	1,197,475	1,207,504
Other assets	3,427,390	2,977,572
Current assets	536,387	359,412
Current liabilities	(696,429)	(273,156)
Long term liabilities (other than amounts due to the Group)	(1,244,271)	(976,479)
	3,220,552	3,294,853

(2) Beijing Chong Yu Real Estate Development Co., Ltd.

(a) Results for the year

	2002 HK\$'000	2001 HK\$'000
Turnover	390,639	122,120
Operating loss	(70,186)	(9,813)
Group's share of operating loss	(49,130)	(6,869)

(b) Net assets as at year end

	2002 HK\$'000	2001 HK\$'000
Fixed assets	1,447,442	1,209,495
Other assets	605,413	1,040,166
Current assets	835,853	709,903
Current liabilities	(461,802)	(667,043)
Long term liabilities (other than amounts due to the Group)	(717,906)	(558,855)
	1,709,000	1,733,666

34 Significant jointly controlled entities (continued)

(3) China New World Electronics Ltd.

(a) Results for the year

	2002 HK\$'000	2001 HK\$'000
Turnover	23,469	31,663
Operating profit	19,821	35,561
Group's share of operating profit	13,875	24,893

(b) Net assets as at year end

	2002 HK\$'000	2001 HK\$'000
Fixed assets	809,862	783,082
Other assets	696,157	848,424
Current assets	140,307	65,443
Current liabilities	(227,659)	(253,764)
Long term liabilities (other than amounts due to the Group)	–	–
	1,418,667	1,443,185

35 Ultimate holding company

The directors of the Company consider New World Development Company Limited, incorporated and listed in Hong Kong, as being the ultimate holding company.

36 Particulars of principal subsidiaries, associated companies, jointly controlled entities and other joint ventures

Details of the principal subsidiaries, associated companies, jointly controlled entities and other joint ventures which materially affect the results for the year and/or assets of the Group as at 30th June 2002 are set out below:

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2002	2001	2002	2001	
<i>Subsidiaries</i>						
<i>Incorporated and operated in Hong Kong</i>						
Billion Huge (International) Limited	HK\$950,001 950,001 ordinary shares of HK\$1 each	–	–	100%	100%	Investment holding
Billion Park Investment Limited	HK\$1,000,000 1,000,000 ordinary shares of HK\$1 each	–	–	78.6%	78.6%	Investment holding
China Joy International Limited	HK\$2 2 ordinary shares of HK\$1 each	–	–	100%	100%	Investment holding
Lingal Limited	HK\$2,000 1,800 ordinary shares of HK\$1 each 200 non-voting deferred shares of HK\$1 each	–	–	100%	100%	Investment holding
Max Charm Investment Limited	HK\$2 2 ordinary shares of HK\$1 each	–	–	100%	100%	Investment holding
New World Development (China) Limited	HK\$4 2 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	100%	100%	100%	100%	Investment holding
Sunny Trend Development Limited	HK\$2 2 ordinary shares of HK\$1 each	–	–	100%	100%	Investment holding

36 Particulars of principal subsidiaries, associated companies, jointly controlled entities and other joint ventures (continued)

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2002	2001	2002	2001	
<i>Subsidiaries (continued)</i>						
<i>Incorporated and operated in Hong Kong (continued)</i>						
Trend Island Limited	HK\$2 2 ordinary shares of HK\$1 each	–	–	100%	100%	Investment holding
<i>Incorporated in the British Virgin Islands</i>						
Banyan Developments Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Conful Enterprises Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Ever Brisk Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Hinto Developments Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Kiwi Profits Limited	US\$10 10 shares of US\$1 each	–	–	100%	100%	Investment holding
Magic Chance Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Radiant Glow Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Sparkling Rainbow Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Steady Profits Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2002	2001	2002	2001	
<i>Subsidiaries (continued)</i>						
<i>Incorporated in the British Virgin Islands (continued)</i>						
Sweet Prospects Enterprises Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Team Foundation Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
True Blue Developments Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
Twin Glory Investments Limited	US\$1 1 share of US\$1	–	–	100%	100%	Investment holding
<i>Incorporated in the Cayman Islands and operated in Hong Kong</i>						
NW China Homeowner Development Limited	US\$23,639 364,125 shares of US\$0.01 each 4,999,800 shares of US\$0.01 each 40% called up	–	–	100%	100%	Investment holding
<i>Incorporated and operated in the PRC</i>						
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	–	–	100%	100%	Property development
Dalian New World Plaza International Co., Ltd.	RMB58,000,000	–	–	88%	88%	Property investment and development

36 Particulars of principal subsidiaries, associated companies, jointly controlled entities and other joint ventures (continued)

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2002	2001	2002	2001	
<i>Subsidiaries (continued)</i>						
<i>Incorporated and operated in the PRC (continued)</i>						
Fung Seng Estate Development (Shanghai) Co., Ltd.	US\$10,000,000	–	–	80%	80%	Property development
Guangzhou Xin Yi Development Limited	HK\$286,000,000	–	–	90.5%	90.5%	Property development
Guangzhou Xin Hua Chen Real Estate Co., Ltd.	RMB200,000,000	–	–	100%	100%	Property development
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	RMB244,000,000	–	–	100%	100%	Property development
Nanjing Huawei Real Estate Development Co., Ltd.	US\$12,000,000	–	–	92%	92%	Property investment and development
New World Anderson (Tianjin) Development Co., Ltd.	US\$10,000,000	–	–	100%	100%	Property investment and development
New World Development (Wuhan) Co., Ltd.	US\$12,000,000	–	–	100%	100%	Property development
New World (Shenyang) Property Development Limited	RMB97,720,000	–	–	90%	90%	Property development
New World (Shenyang) Property Development No. 2 Limited	RMB97,720,000	–	–	90%	90%	Property development
New World (Shenyang) Property Development No. 3 Limited	RMB164,600,000	–	–	90%	90%	Property development
New World (Shenyang) Property Development No. 4 Limited	RMB97,720,000	–	–	90%	90%	Property development

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2002	2001	2002	2001	
<i>Subsidiaries (continued)</i>						
<i>Incorporated and operated in the PRC (continued)</i>						
New World (Shenyang) Property Development No. 5 Limited	RMB99,320,000	–	–	90%	90%	Property development
New World (Shenyang) Property Development No. 6 Limited	RMB97,720,000	–	–	90%	90%	Property development
Shanghai Ramada Plaza Ltd.	US\$34,000,000	–	–	57%	57%	Property investment and hotel operation
Shanghai Heyu Properties Co., Ltd.	US\$12,000,000	–	–	64%	64%	Property investment and development
Shanghai Ju Yi Real Estate Development Co., Ltd.	RMB350,000,000	–	–	80%	80%	Property development
Shenzhen Topping Real Estate Development Co., Ltd.	HK\$182,000,000	–	–	90%	70%	Property development
Wuhan New Eagle Enterprises Co., Limited	US\$2,830,000	–	–	95%	95%	Property investment
<i>Associated companies</i>						
<i>Incorporated and operated in Hong Kong</i>						
Global Perfect Development Limited	HK\$1,000,000 1,000,000 ordinary shares of HK\$1 each	–	–	50%	50%	Investment holding
Niceline Company Limited	HK\$1,000 1,000 ordinary shares of HK\$1 each	–	–	35%	35%	Investment holding
Sun City Holdings Limited	HK\$8,000,000 8,000,000 ordinary shares of HK\$1 each	–	–	30.6%	30.6%	Investment holding

36 Particulars of principal subsidiaries, associated companies, jointly controlled entities and other joint ventures (continued)

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2002	2001	2002	2001	
<i>Associated companies (continued)</i>						
<i>Incorporated in the British Virgin Islands</i>						
Faith Yard Property Limited	US\$2 2 shares of US\$1 each	–	–	50%	–	Property investment
Fortune Star Worldwide Limited	US\$100 100 shares of US\$1 each	–	–	40%	40%	Investment holding
Grand Make International Limited	US\$100 100 shares of US\$1 each	–	–	45%	45%	Investment holding
Sinclair Profits Limited	US\$10 10 shares of US\$1 each	–	–	50%	50%	Investment holding
<i>Incorporated and operated in the PRC</i>						
Beijing Chang Le Real Estates Development Co., Ltd.	US\$12,000,000	–	–	35%	35%	Property development
Beijing Fu Wah Real Estates Development Co., Ltd.	US\$8,000,000	–	–	35%	35%	Property development
Beijing Niceline Real Estates Development Co., Ltd.	US\$8,000,000	–	–	35%	35%	Property development
Beijing Po Garden Real Estates Development Co., Ltd.	US\$12,000,000	–	–	35%	35%	Property development
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	–	–	44.1%	44.1%	Property investment

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2002	2001	2002	2001	
<i>Jointly controlled entities</i>						
<i>Incorporated and operated in Hong Kong</i>						
New World Sun City Limited	HK\$1,000 1,000 ordinary shares of HK\$1 each	–	–	49.2%	49.2%	Investment holding
<i>Incorporated in the British Virgin Islands</i>						
Concord Properties Holding (Guangzhou) Limited	US\$10 10 shares of US\$1 each	–	–	40%	40%	Investment holding
<i>Incorporated and operated in the PRC</i>						
Beijing Chong Wen-New World Properties Development Co., Ltd.	US\$104,100,000	–	–	70%	58%-70%	Property investment and development
Beijing Chong Yu Real Estate Development Co., Ltd.	US\$81,840,000	–	–	70%	70%	Property investment and development
Beijing Xin Kang Real Estate Development Co., Ltd.	US\$12,000,000	–	–	70%	70%	Property development
Beijing Xin Lian Hotel Co., Ltd.	US\$12,000,000	–	–	59%	59%	Hotel operation

36 Particulars of principal subsidiaries, associated companies, jointly controlled entities and other joint ventures (continued)

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2002	2001	2002	2001	
<i>Jointly controlled entities (continued)</i>						
<i>Incorporated and operated in the PRC (continued)</i>						
China New World Electronics Ltd.	US\$57,000,000	–	–	70%	70%	Property investment and development
Dongguan New World Garden Trade Construction Co., Ltd.	US\$12,000,000	–	–	38%	38%	Property development
Dongguan New World Square Trade Construction Co., Ltd.	US\$12,000,000	–	–	38%	38%	Property development
Guangzhou Fong Chuen New World Properties Development Co., Ltd.	RMB330,000,000	–	–	60%	60%	Property development
Guangzhou Fucheng Property Development Co. Ltd.	HK\$80,000,000	–	–	60%	60%	Property development
Guangzhou Heng Sheng Properties Development Limited	RMB99,600,000	–	–	60%	60%	Property development
Guangzhou Jixian Zhuang New World City Garden Development Limited	US\$24,000,000	–	–	60%	60%	Property development
Jinan New World Sunshine Development Ltd.	US\$10,000,000	–	–	65%	65%	Property development

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2002	2001	2002	2001	
<i>Jointly controlled entities</i>						
<i>(continued)</i>						
<i>Incorporated and operated in the PRC (continued)</i>						
Shanghai Trio Property Development Co., Ltd.	US\$75,000,000	–	–	34.2%	34.2%	Property development
Shenyang New World Lumingchun Building Co., Ltd.	RMB68,000,000	–	–	70%	70%	Hotel operation
Shijiazhuang New World Properties Development Co., Ltd.	RMB88,000,000	–	–	–	55%	Property investment
Tianjin New World Properties Development Co., Ltd.	US\$12,000,000	–	–	70%	70%	Property redevelopment
Wuhan Taibei & New World Hotel Co., Ltd.	US\$14,160,000	–	–	50%	50%	Hotel operation
Wuhan Wuxin Hotel Co., Ltd.	US\$13,500,000	–	–	60%	60%	Property development
Wuhan Xinhan Development Co., Ltd.	RMB55,000,000	–	–	50%	50%	Property development
<i>Other joint ventures</i>						
<i>Incorporated and operated in the PRC</i>						
Huizhou New World Housing Development Limited	RMB80,000,000	–	–	note 2	note 2	Development of low-cost community housing

36 Particulars of principal subsidiaries, associated companies, jointly controlled entities and other joint ventures (continued)

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2002	2001	2002	2001	
<i>Other joint ventures (continued)</i>						
<i>Incorporated and operated in the PRC (continued)</i>						
Tianjin New World Housing Development Co., Ltd.	RMB80,000,000	–	–	note 2	note 2	Development of low-cost community housing
Wuhan New World Housing Development Limited	RMB96,000,000	–	–	note 2	note 2	Development of low-cost community housing

Notes:

- (1) Represent equity interest in case of companies incorporated outside the PRC or the percentage of equity interest in case of equity joint ventures or profit sharing ratio in accordance with the joint venture contracts in case of co-operative joint ventures in the PRC.
- (2) The Group is entitled to fixed rate returns which are predetermined in accordance with the provisions of the joint venture contracts in respect of the development of low-cost community housing.

37 Approval of accounts

The accounts were approved by the board of directors on 18th October 2002.