1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements 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 financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

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

(c) Subsidiaries and controlled enterprises

A subsidiary, in accordance with the Hong Kong Companies Ordinance, 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 financial statements, 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 stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. 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 stated at fair value with changes in fair value recognised in the income statement as they arise.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(d) Associates

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 the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements 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 associate's net assets, 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, in which case it is stated at fair value with changes in fair value recognised in accordance with the policy on accounting for other investments in securities (see note 1(f)). The consolidated income statement reflects the Group's share of the post-acquisition results of the associates 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 are eliminated to the extent of the Group's interests in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, its investments in associates 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, in which case, it is stated at fair value with changes in fair value recognised in accordance with the policy on accounting for other investments in securities (see 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. In respect of controlled subsidiaries:

- for acquisitions before 1 January 2001, positive goodwill is charged to capital reserve and is reduced by impairment losses (see note 1(j)); and

- for acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. 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, positive goodwill is amortised to the consolidated income statement 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 interests in associates.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(e) Goodwill *(Cont'd)*

Negative goodwill arising on acquisitions of controlled subsidiaries and associates 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 1 January 2001, negative goodwill is credited to capital reserve; and

– for acquisitions on or after 1 January 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 income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

  In respect of any negative goodwill not yet recognised in the consolidated income statement:

  – 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; and

  – for associates, such negative goodwill is included in the carrying amount of the interests in associates.

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

(f) Other investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:

(i) Non-trading securities are stated in the balance sheets at fair value. Changes in fair value are recognised in the non-trading securities revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the non-trading securities revaluation reserve to the income statement.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(f) Other investments in securities *(Cont'd)*

(ii) Transfers from the non-trading securities revaluation reserve to the income statement as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) Profits or losses on disposal of non-trading securities are accounted for in the income statement as they arise and include any amount previously held in the non-trading securities revaluation reserve in respect of that security.

(g) Fixed assets

(i) Fixed assets are carried in the balance sheets on the following bases:

– investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;

– hotel properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers; and

– other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)).

(ii) Changes arising on the revaluation of investment properties and hotel properties are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, had previously been charged to the income statement.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(g) Fixed assets *(Cont'd)*

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year. For hotel property, any related revaluation surplus is transferred from the capital reserve to retained profits.

(h) Leased assets

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

(i) Assets held for use in operating leases

When 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(q)(i).

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement 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 income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(i) Depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

(ii) No depreciation is provided on hotel properties, including their integral fixed plant, with an unexpired lease term of over 20 years. It is the Group's practice to maintain the hotel properties in such condition that the residual value is such that depreciation would be insignificant.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(i) Depreciation *(Cont'd)*

(iii) Depreciation is calculated to write off the cost of other fixed assets over their estimated useful lives as follows:

- leasehold land is depreciated on a straight-line basis over the remaining term of the lease;

- buildings are depreciated on a straight-line basis over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases; and

- other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Golf course and club house	40 years
Machinery, furniture, fixtures and equipment	4 - 10 years

(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);

- properties under development;

- investments in subsidiaries and associates (except for those accounted for at fair value under notes 1(c) & (d)); and

- positive goodwill (whether taken initially to capital reserve or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. 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 (i.e. a cash-generating unit).

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(j) Impairment of assets *(Cont'd)*

(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 income statement in the year in which the reversals are recognised.

(k) Properties under development

Properties under development are stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses less any impairment losses (see note 1(j)).

(l) Inventories

(i) Consumable stores

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in-first-out formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(l) Inventories *(Cont'd)*

(ii) Properties held for resale

Properties held for resale are stated at the lower of cost and the estimated net realisable value. In the case of properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, including borrowing costs capitalised, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

(m) Cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(n) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Mandatory Provident Fund Scheme

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(n) Employee benefits *(Cont'd)*

(iii) Defined benefit scheme

The scheme is non-contributory and is for the provision of gratuities to employees who joined the Group prior to 1969.

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the net total of any cumulative unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(iv) Defined contribution scheme

Contributions to the scheme are expensed as incurred and are reduced by forfeited contributions arising from employees who leave the scheme prior to becoming fully vested in the employer's contributions.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(o) 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.

(p) 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.

(q) Revenue recognition

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 income statement as follows:

(i) Rental income receivable under operating leases is recognised in the income statement 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 granted are recognised in the income statement 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.

(ii) Revenue arising from properties held for resale is recognised upon the signing of the sale and purchase agreements or the issue of an occupation permit by the relevant government authorities, whichever is the later. Revenue arising from properties under development is recognised upon the transfer of legal titles. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheets under sales and rental deposits received.

(iii) Income from hotel, food and beverage, travel operations and management services is recognised when the relevant services are provided.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(q) Revenue recognition *(Cont'd)*

(iv) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(r) Translation of foreign currencies

Foreign currency transactions 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 exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

(s) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Repairs and maintenance costs

Repairs and maintenance costs are expensed in the income statement in the period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(u) Related parties

For the purposes of these financial statements, 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. Related parties may be individuals or other entities.

(v) 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 and minority interests.

2 TURNOVER

The principal activities of the Group are property investment, property development and sales, hotel ownership and management, food and beverage operation and travel operation.

Turnover represents rental income, income from sale of properties and income from hotel, food and beverage and travel operations. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2003 $'000	2002 $'000
Gross rental from investment properties	356,745	370,627
Gross proceeds from sale of properties	303,161	423,386
Income from hotel ownership and management operation	294,830	294,519
Income from food and beverage operation	120,263	129,313
Income from travel operation	306,033	328,973
	1,381,032	1,546,818

3 OTHER REVENUE AND NET INCOME

	2003 $'000	2002 $'000
Other revenue		
Interest income	5,154	4,753
Management fee income	3,300	3,450
Forfeited deposits	1,291	799
Sundry income	13,739	16,805
	23,484	25,807
Other net income		
Gain on disposal of investment properties	6,727	281
Gain on disposal of an associate	6	5
	6,733	286

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2003	2002
	$'000	$'000
(a) Finance costs		
Interest on bank advances and other borrowings repayable within five years	**49,836**	73,221
Other borrowing costs	**3,167**	3,791
Total borrowing costs	**53,003**	77,012
Less: borrowing costs capitalised into properties under development* *(note 14)*	**(9,654)**	(7,766)
	43,349	69,246

* *The borrowing costs have been capitalised at a rate of 3.14% (2002: 5.02%) per annum for properties under development.*

	2003	2002
	$'000	$'000
(b) Staff costs		
Contributions to defined contribution plan	**8,832**	9,370
Salaries, wages and other benefits	**199,991**	200,499
	208,823	209,869
(c) Other items		
Auditors' remuneration	**2,432**	2,735
Exchange gain	**(1,421)**	(713)
Rentals receivable from investment properties less outgoings of $44,551,000 (2002: $51,626,000)	**(312,194)**	(319,001)

5 TAXATION

(a) Taxation in the consolidated income statement represents:

	2003 $'000	2002 $'000
Provision for Hong Kong Profits Tax for the year	41,846	38,573
(Over)/under-provision in respect of prior years	(28)	320
	41,818	38,893
Overseas taxation (credit)/charge	(4,777)	33,954
Deferred taxation *(note 27(a))*	(2,000)	(4,000)
	35,041	68,847
Share of associates' taxation		
– Hong Kong Profits Tax	95	252
– Overseas taxation	427	620
	35,563	69,719

The provision for Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Taxation in the balance sheets represents:

	The Group		The Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Provision for Hong Kong Profits Tax for the year	41,846	38,573	1,464	3,394
Provisional Profits Tax paid	(29,007)	(21,916)	(2,689)	(4,625)
Balance of Profits Tax provision relating to prior years	27	27	–	–
Overseas tax payable	3,014	21,028	–	–
Tax payable/(recoverable)	15,880	37,712	(1,225)	(1,231)

6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2003 $'000	2002 $'000
Fees	491	506
Salaries and other emoluments	3,796	3,796
Retirement scheme contributions	245	249
	4,532	4,551

Included in the directors' remuneration were fees of $65,000 (2002: $91,000) payable to the independent non-executive directors of the Company during the year.

The remuneration of the directors is within the following bands:

	2003 Number of directors	2002 Number of directors
$ 0 - $1,000,000	15	15
$4,000,001 - $4,500,000	1	1
	16	16

7 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2002: one) is a director whose emolument is disclosed in note 6. The aggregate of the emoluments in respect of the other four (2002: four) individuals is as follows:

	2003 $'000	2002 $'000
Salaries and other emoluments	4,607	5,124
Discretionary bonuses	300	–
Retirement scheme contributions	155	182
	5,062	5,306

7 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS *(Cont'd)*

The emoluments of the four (2002: four) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2003	2002
$1,000,001 - $1,500,000	**3**	3
$1,500,001 - $2,000,000	**1**	1
	4	4

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $257,913,000 (2002: $22,620,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2003	2002
	$'000	$'000
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements	**257,913**	22,620
Final dividends from subsidiaries and associates attributable to the profits of the previous financial year, approved and paid during the year	**–**	154,600
Company's profit for the year *(note 30(b))*	**257,913**	177,220

9 DIVIDENDS

(a) Dividends attributable to the year

	2003	2002
	$'000	$'000
Interim dividend declared and paid of 13 cents per share (2002: 13 cents per share)	**75,040**	75,040
Final dividend proposed after the balance sheet date of 20 cents per share (2002: 20 cents per share)	**115,446**	115,446
	190,486	190,486

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

9 DIVIDENDS *(Cont'd)*

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

	2003 $'000	2002 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 20 cents per share (2002: 19 cents per share)	**115,446**	109,674

10 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to ordinary shareholders of $233,816,000 (2002: $256,857,000) and 577,231,252 shares (2002: 577,231,252 shares) in issue during the year.

11 CHANGES IN ACCOUNTING POLICIES

(i) Employee benefits

In prior years, the regular cost of providing retirement benefits under the defined benefit retirement schemes was charged to the income statement over the expected service lives of the members of the schemes on the basis of level percentages of pensionable pay as recommended by the actuary. Variations from regular cost arising from triennial actuarial valuations were allocated to the income statement over the expected remaining service lives of the members. With effect from 1 April 2002, in order to comply with Statement of Standard Accounting Practice 34 issued by the Hong Kong Society of Accountants, the Group adopted a new policy for defined benefit plans as set out in note 1(n). The effect of this change in accounting policy is not material and, therefore, the opening balances have not been restated.

(ii) Translation of financial statements of foreign enterprises

In prior years, the results of foreign enterprises were translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. With effect from 1 April 2002, in order to comply with Statement of Standard Accounting Practice 11 (revised) issued by the Hong Kong Society of Accountants, the Group translates the results of foreign enterprises at the average exchange rate for the year. The effect of this change in accounting policy is not material and, therefore, the opening balances have not been restated.

12 SEGMENT REPORTING

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 investment	:	The leasing of office and retail premises to generate rental income and to gain from the appreciation in properties' values in the long term.
Property development and sales	:	The development, purchase and sale of commercial and residential properties.
Hotel ownership and management	:	The operation of hotels and provision of hotel management services.
Food and beverage operation	:	The operation of restaurants.
Travel operation	:	The operation of travel agency services.

	Property investment		Property development and sales		Hotel ownership and management		Food and beverage operation		Travel operation		Inter-segment elimination		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	356,745	370,627	303,161	423,386	294,830	294,519	120,263	129,313	306,033	328,973	–	–	1,381,032	1,546,818
Inter-segment revenue	11,819	11,849	–	–	4,980	4,903	–	–	953	690	(17,752)	(17,442)	–	–
Other revenue from external customers	5,393	8,002	33	24	5,906	5,218	1,036	1,236	1,872	1,656	–	–	14,240	16,136
Total	373,957	390,478	303,194	423,410	305,716	304,640	121,299	130,549	308,858	331,319	(17,752)	(17,442)	1,395,272	1,562,954
Contribution from operations	262,917	271,499	(18,430)	120,235	110,224	116,432	(3,755)	1,542	(4,651)	(2,653)			346,305	507,055
Provision for diminution in value of interests in associates													(83)	(42,880)
Provision for diminution in value of properties held for resale													(1,758)	(17,139)
Loss on disposal of fixed assets													(4,786)	(10,541)
Unallocated operating income and expenses													(33,796)	(43,797)
Profit from operations													305,882	392,698
Finance costs													(43,349)	(69,246)
Share of profits less losses of associates	351	386	(1,932)	(2,105)	2,325	4,309	117	(278)	–	–			861	2,312
Taxation													(35,563)	(69,719)
Minority interests													5,985	812
Profit attributable to shareholders													233,816	256,857

12 SEGMENT REPORTING *(Cont'd)*

	Property investment		Property development and sales		Hotel ownership and management		Food and beverage operation		Travel operation		Inter-segment elimination		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment assets	**5,461,526**	6,290,839	**535,968**	784,807	**2,079,285**	2,339,064	**16,781**	24,475	**27,325**	33,837	**(7,877)**	(7,670)	**8,113,008**	9,465,352
Investment in associates	**846**	550	**27,885**	31,065	**6,842**	9,052	**6,939**	5,990	**–**	–			**42,512**	46,657
Unallocated assets													**48,954**	67,406
Total assets													**8,204,474**	9,579,415
Segment liabilities	**125,301**	123,971	**25,364**	29,693	**36,361**	31,349	**5,214**	5,395	**33,586**	50,344	**(7,877)**	(7,670)	**217,949**	233,082
Unallocated liabilities													**1,310,776**	1,717,115
Total liabilities													**1,528,725**	1,950,197
Capital expenditure incurred during the year	**1,387**	10,116	**152,023**	194,131	**3,480**	11,239	**257**	406	**209**	526				
Depreciation for the year	**33,545**	33,479	**877**	3,346	**10,086**	9,973	**4,031**	4,037	**872**	992				

Geographical segments

The Group's business participates in three principal economic environments. Hong Kong is a major market for all of the Group's businesses, except for property development and sales where the People's Republic of China and the United States of America are the major markets.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	The Hong Kong Special Administrative Region		The People's Republic of China		The United States of America	
	2003	2002	**2003**	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**1,027,978**	1,074,911	**75,375**	91,124	**277,679**	380,783
Segment assets	**7,142,531**	8,204,131	**544,977**	598,536	**433,377**	670,355
Capital expenditure incurred during the year	**4,721**	21,240	**612**	1,047	**152,023**	194,131

13 FIXED ASSETS

(a) The Group

		Other properties, furniture, fixtures and equipment					
	Investment properties $'000	Hotel $'000	Golf course and club house $'000	Leasehold land and buildings held for own use $'000	* Others $'000	Sub-total $'000	Total $'000
Cost or valuation:							
At 1 April 2002	6,189,418	2,117,307	126,494	18,466	832,956	3,095,223	9,284,641
Additions	–	–	644	–	9,534	10,178	10,178
Disposals	(29,546)	–	(127,138)	–	(13,064)	(140,202)	(169,748)
Deficit on revaluation	(743,737)	(239,875)	–	–	–	(239,875)	(983,612)
At 31 March 2003	**5,416,135**	**1,877,432**	**–**	**18,466**	**829,426**	**2,725,324**	**8,141,459**
Representing:							
Cost	–	–	–	18,466	829,426	847,892	847,892
Valuation - 2003	5,416,135	1,877,432	–	–	–	1,877,432	7,293,567
	5,416,135	1,877,432	–	18,466	829,426	2,725,324	8,141,459
Aggregate depreciation:							
At 1 April 2002	–	–	11,481	6,901	618,699	637,081	637,081
Charge for the year	–	–	549	529	51,486	52,564	52,564
Written back on disposal	–	–	(12,030)	–	(10,015)	(22,045)	(22,045)
At 31 March 2003	**–**	**–**	**–**	**7,430**	**660,170**	**667,600**	**667,600**
Net book value:							
At 31 March 2003	**5,416,135**	**1,877,432**	**–**	**11,036**	**169,256**	**2,057,724**	**7,473,859**
At 31 March 2002	6,189,418	2,117,307	115,013	11,565	214,257	2,458,142	8,647,560

* *Other fixed assets comprise machinery, furniture, fixtures and equipment.*

13 FIXED ASSETS *(Cont'd)*

(b) The Company

	Investment properties $'000	Other properties, furniture, fixtures and equipment: Leasehold land and buildings held for own use $'000	* Others $'000	Sub-total $'000	Total $'000
Cost or valuation:					
At 1 April 2002	85,219	260	127,793	128,053	213,272
Additions	–	–	416	416	416
Disposals	–	–	(379)	(379)	(379)
Deficit on revaluation	(13,756)	–	–	–	(13,756)
At 31 March 2003	**71,463**	**260**	**127,830**	**128,090**	**199,553**
Representing:					
Cost	–	260	127,830	128,090	128,090
Valuation - 2003	71,463	–	–	–	71,463
	71,463	260	127,830	128,090	199,553
Aggregate depreciation:					
At 1 April 2002	–	191	107,719	107,910	107,910
Charge for the year	–	2	4,281	4,283	4,283
Written back on disposal	–	–	(362)	(362)	(362)
At 31 March 2003	**–**	**193**	**111,638**	**111,831**	**111,831**
Net book value:					
At 31 March 2003	**71,463**	**67**	**16,192**	**16,259**	**87,722**
At 31 March 2002	85,219	69	20,074	20,143	105,362

* *Other fixed assets comprise machinery, furniture, fixtures and equipment.*

13 FIXED ASSETS *(Cont'd)*

(c) The analysis of cost or valuation of properties is as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Land and buildings in Hong Kong:				
– long term leases	**90,510**	97,812	**145**	145
– medium term leases	**6,845,275**	7,823,287	**71,578**	85,334
Land and buildings outside Hong Kong:				
– freehold	**–**	126,494	**–**	–
– long term leases	**347,027**	372,871	**–**	–
– medium term leases	**29,000**	31,221	**–**	–
– short term leases	**221**	–	**–**	–
	7,312,033	8,451,685	**71,723**	85,479

(d) Investment properties of the Group and the Company were revalued at 31 March 2003 by an independent firm of surveyors, DTZ Debenham Tie Leung Limited who have among their staff Fellows of the Hong Kong Institute of Surveyors, on an open market value basis calculated by reference to net rental income allowing for reversionary potential. The revaluation deficit of $743,737,000 (2002: $19,555,000) of the Group, excluding the portion relating to the minority shareholders, and revaluation deficit of $8,926,000 (2002: $15,787,000) of the Company, has been transferred to the investment properties revaluation reserve (note 30(a) and (b)).

(e) Hotel property of the Group was revalued at 31 March 2003 by an independent firm of surveyors, DTZ Debenham Tie Leung Limited who have among their staff Fellows of the Hong Kong Institute of Surveyors, on an open market value basis. The revaluation deficit of $239,875,000 (2002: $2,183,000) has been transferred to the capital reserve (note 30(a)).

The carrying amount of the hotel property at 31 March 2003 would have been $131,000,000 (2002: $131,000,000) had it been stated at cost.

(f) The Group and the Company lease out investment properties under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenant's sales receipts.

The total contingent rents recognised in the consolidated income statement for the year are $5,642,000 (2002: $6,810,000).

13 FIXED ASSETS *(Cont'd)*

(g) The gross carrying amounts of investment properties of the Group and the Company held for use in operating leases are $5,416,135,000 (2002: $6,189,418,000) and $71,463,000 (2002: $85,219,000) respectively.

(h) Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Within 1 year	**252,304**	280,083	**4,731**	3,043
After 1 year but within 5 years	**252,793**	284,041	**5,981**	5,754
After 5 years	**5,751**	17,711	**–**	228
	510,848	581,835	**10,712**	9,025

14 PROPERTIES UNDER DEVELOPMENT

The Group

	Outside Hong Kong on freehold land $'000
Cost:	
At 1 April 2002	380,418
Movements during the year:	
Development expenditure:	
– interest expenses capitalised *(note 4(a))*	9,654
– other expenses	137,837
Disposals	(257,483)
	(109,992)
Cost:	
At 31 March 2003	**270,426**

15 INTERESTS IN SUBSIDIARIES

	2003 $'000	2002 $'000
Unlisted shares, at cost	**87,700**	87,700
Amounts due from subsidiaries	**3,807,329**	3,923,420
Amounts due to subsidiaries	**(1,146,183)**	(1,359,995)
	2,748,846	2,651,125
Less: Impairment loss	**(583,100)**	(555,400)
	2,165,746	2,095,725

The following list contains only the particulars of subsidiaries which principally affected the results or assets of the Group.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group financial statements.

				Percentage of equity			
Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up ordinary share capital	Group's effective holding	held by the Company	held by subsidiary	Principal activity
All Best Resources Limited	Hong Kong	The People's Republic of China	$100	100	–	100	Property rental
Chitat Construction Limited	Hong Kong	The People's Republic of China	$10,000	100	–	100	Property rental
Contender Limited	Hong Kong	Hong Kong	$200,000	100	100	–	Hotel operation and property rental
East Dragon Resources Limited	Hong Kong	The People's Republic of China	$100	100	–	100	Property rental
Globe Century Development Limited	Hong Kong	Hong Kong	$10,000	100	100	–	Property rental
Grand City Resources Limited	Hong Kong	The People's Republic of China	$100	100	–	100	Property rental

15 INTERESTS IN SUBSIDIARIES *(Cont'd)*

Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up ordinary share capital	Percentage of equity: Group's effective holding	held by the Company	held by subsidiary	Principal activity
Gourmet Enterprises Limited	Hong Kong	Hong Kong	$180,000	94.4	94.4	–	Property rental
How Good Investments Limited	Hong Kong	Hong Kong	$2	100	50	50	Property rental
How Light Investments Limited	Hong Kong	The People's Republic of China	$100,000	100	–	100	Property sale
Korngold Limited	Hong Kong	Hong Kong	$2	100	100	–	Property investment
Miramar Finance Limited	Hong Kong	Hong Kong	$100,000	100	100	–	Finance
Miramar Group (Corporate Funding) Company Limited	Hong Kong	Hong Kong	$1,000	100	99	1	Finance
Miramar Hotel and Investment (Express) Limited	Hong Kong	Hong Kong	$10,000,000	100	100	–	Travel agency
The Pinesprop Limited	Hong Kong	Hong Kong	$1,000	100	100	–	Property investment
Prosperwell Properties Limited	Hong Kong	Hong Kong	$10,000	100	93	7	Property rental
Randall Resources Limited	Hong Kong	The People's Republic of China	$100	100	–	100	Property rental
Shahdan Limited	Hong Kong	Hong Kong	$200,000	100	100	–	Property rental
Strong Profit Resources Limited	Hong Kong	The People's Republic of China	$10,000	70	–	100	Property sale
Tsui Hang Village Restaurant Limited	Hong Kong	Hong Kong	$500,000	100	100	–	Restaurant operation

15 INTERESTS IN SUBSIDIARIES *(Cont'd)*

Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up ordinary share capital	Percentage of equity: Group's effective holding	held by the Company	held by subsidiary	Principal activity
Warsaw Investments Limited	Hong Kong	Hong Kong	$10,000	100	100	–	Property rental
Wide Trade Investments Limited	Hong Kong	Hong Kong	$10,000	100	100	–	Property investment
Zailton Investments Limited	Hong Kong	Hong Kong	$1,000	100	100	–	Finance
~*Grand Mira Property Management (Shanghai) Company Limited	The People's Republic of China	The People's Republic of China	US$5,000,000	100	–	100	Property rental and management
*Placer Holdings, Inc.	The United States of America	The United States of America	US$400,000	88	–	88	Property development
^*Shanghai Henderson - Miramar Hotels Management Co. Ltd.	The People's Republic of China	The People's Republic of China	US$200,000	90	–	90	Hotel management
^*Shanghai Shangmei Property Company Limited	The People's Republic of China	The People's Republic of China	US$13,000,000	51.4	–	68.6	Property development

* KPMG are not statutory auditors of these subsidiaries. The total net assets and total turnover of these subsidiaries constituting approximately 5% (2002: 7%) and 25% (2002: 29%) respectively of the related consolidated totals.

~ Wholly foreign-owned enterprise.

^ Sino-foreign equity joint venture enterprise.

16 INTERESTS IN ASSOCIATES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Unlisted shares, at cost	**–**	–	**250**	250
Share of net liabilities	**(11,819)**	(3,828)	**–**	–
Amounts due from associates	**28,911**	31,671	**24,005**	23,479
Loans to associates	**131,152**	132,012	**–**	–
	148,244	159,855	**24,255**	23,729
Less: Impairment loss	**(105,732)**	(113,198)	**(22,750)**	(20,350)
	42,512	46,657	**1,505**	3,379

Included in the balance sheet of an associate is an amount of $207,078,000 (2002: $206,209,000) in respect of properties situated in the People's Republic of China. The associate is in the process of completing the necessary legal formalities in order to obtain the legal title. This associate is 49% held by the Group (2002: 49%).

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group. The class of shares held is ordinary.

			Percentage of equity			
Name of company	**Place of incorporation**	**Place of operation**	**Group's effective holding**	**held by the Company**	**held by subsidiary**	**Principal activity**
* Beijing Henderson-Miramar Gourmet & Entertainment Company Limited	The People's Republic of China	The People's Republic of China	45	–	45	Restaurant operation
Booneville Company Limited	Hong Kong	Hong Kong	50	–	50	Restaurant operation
Henderson-Miramar Hotel Management Company Limited	Hong Kong	Hong Kong	50	50	–	Hotel management
* Kamliease International Limited	Hong Kong	The People's Republic of China	49	–	49	Property sale

16 INTERESTS IN ASSOCIATES *(Cont'd)*

Name of company	Place of incorporation	Place of operation	Percentage of equity: Group's effective holding	held by the Company	held by subsidiary	Principal activity
* Mills International Limited	British Virgin Islands	The People's Republic of China	49	–	49	Investment holding
* Shekou Hotel Consultation and Training Service Company Limited	The People's Republic of China	The People's Republic of China	30	–	30	Hotel operation
* Shekou Nam Shan Tsui Hang Village Food and Beverage Services Limited	The People's Republic of China	The People's Republic of China	50	–	50	Restaurant operation
* Shenzhen Nanhai Hotel Limited	The People's Republic of China	The People's Republic of China	25	–	25	Hotel operation
Strong Guide Property Limited	Hong Kong	The People's Republic of China	50	–	50	Investment holding

* KPMG are not statutory auditors of these associates. The aggregate profit before taxation and the aggregate net assets of these associates, attributable to the Group for the year, amounted to $1,000,000 (2002: $2,200,000) and $27,500,000 (2002: $27,800,000) respectively.

17 NON-TRADING SECURITIES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Unlisted shares, at cost	**313**	313	**–**	–
Listed shares in Hong Kong	**16,811**	18,828	**7,863**	8,806
	17,124	19,141	**7,863**	8,806
Market value of listed securities	**16,811**	18,828	**7,863**	8,806

18 RESTRICTED CASH

Under an agreement entered into by an overseas subsidiary of the Group with a third party company, the Group is required to deposit funds into an escrow account in respect of a property under development held by the Group's overseas subsidiary.

The amount of restricted cash expected to be utilised within one year is $19,338,000 (2002: $16,160,000).

19 PLEDGED DEPOSITS

At 31 March 2003, pledged deposits are used to secure a bank loan of an overseas subsidiary of the Group which is included under current liabilities.

20 INVENTORIES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Consumable stores	**10,418**	11,911	**5,536**	5,892
Properties held for resale	**87,900**	103,929	**–**	–
	98,318	115,840	**5,536**	5,892

Properties held for resale is net of a general provision in order to state these properties at the lower of their cost and estimated net realisable value.

21 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Trade receivables	**37,724**	49,606	**3,352**	4,203
Other receivables	**90,079**	110,599	**8,441**	6,123
	127,803	160,205	**11,793**	10,326

All of the trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are trade debtors (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
0 to 3 months	**30,454**	46,683	**2,854**	3,561
More than 3 months	**7,270**	2,923	**498**	642
	37,724	49,606	**3,352**	4,203

The Group has a defined credit policy. The general credit terms allowed range from 0 to 60 days.

22 CASH AND BANK BALANCES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Deposits with banks and other financial institutions	**22,374**	7,012	**–**	–
Cash at banks and in hand	**83,611**	113,500	**2,505**	4,349
	105,985	120,512	**2,505**	4,349

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Trade payables	**34,937**	43,868	**10,644**	13,047
Other payables	**126,764**	122,759	**20,519**	23,006
	161,701	166,627	**31,163**	36,053

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Due within 3 months or on demand	**31,271**	41,202	**10,644**	13,030
Due after 3 months but within 6 months	**3,666**	2,666	**–**	17
	34,937	43,868	**10,644**	13,047

24 NON-CURRENT INTEREST-BEARING BORROWINGS

	The Group	
	2003	2002
	$'000	$'000
Secured bank loans wholly repayable within five years	**118,863**	237,893
Unsecured bank loans wholly repayable within five years	**1,117,500**	1,380,500
	1,236,363	1,618,393
Less: Portion repayable within one year included under current liabilities	**(184,363)**	(75,000)
	1,052,000	1,543,393

25 BANK LOANS AND OVERDRAFTS

At 31 March 2003, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Within 1 year or on demand	**184,363**	78,489	**–**	4,000
After 1 year but within 2 years	**533,000**	303,393	**–**	–
After 2 years but within 5 years	**519,000**	1,240,000	**–**	–
	1,052,000	1,543,393	**–**	–
	1,236,363	1,621,882	**–**	4,000

At 31 March 2003, the bank loans and overdrafts were as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Unsecured bank overdrafts	**–**	3,489	**–**	–
Bank loans				
– secured	**118,863**	237,893	**–**	–
– unsecured	**1,117,500**	1,380,500	**–**	4,000
	1,236,363	1,621,882	**–**	4,000

The banking facilities of an overseas subsidiary are secured by first floating charge over its properties with an aggregate value of $270,426,000 (2002: $495,431,000) and pledged deposits of $38,675,000 (2002: $38,675,000) at 31 March 2003. Such banking facilities, amounting to $119,358,000 (2002: $348,075,000), were utilised to the extent of $118,863,000 (2002: $237,893,000) at 31 March 2003.

26 DEFERRED LIABILITIES

Deferred liabilities represent refundable rental deposits received on properties held under operating leases with unexpired lease terms exceeding one year as at the balance sheet date.

27 DEFERRED TAXATION

(a) Movements on deferred taxation comprise:

	The Group	
	2003	2002
	$'000	$'000
At 1 April	**10,000**	14,000
Transfer to the income statement *(note 5(a))*	**(2,000)**	(4,000)
At 31 March	**8,000**	10,000

(b) The above balance represents mainly the taxation effect on the excess of depreciation allowances over book depreciation.

(c) No provision for deferred taxation has been made in respect of the revaluation surpluses arising on the Group's properties as the disposal of these assets at their carrying value would result in capital gains which the directors consider are not subject to any tax liability.

(d) There were no other significant unprovided timing differences at the balance sheet date.

28 RETIREMENT SCHEMES AND LONG SERVICE PAYMENTS

The Group operates a defined contribution scheme and a defined benefit scheme for its employees. In order to comply with the Occupational Retirement Schemes Ordinance, the assets of these schemes are separated from those of the Group and managed by independent trustees.

With effective from 1 December 2000, the Group has set up a Mandatory Provident Fund Scheme ("the MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

(a) Defined contribution scheme

The defined contribution scheme is available to employees who completed the probation period prior to 1 December 2000. The scheme requires scheme members and the Group to contribute funds calculated at a percentage of the members' actual basic salaries.

Members of the defined contribution scheme were given a one-time option to choose to transfer to the MPF Scheme or remain in the existing scheme. Under the MPF Scheme, the Group and its employees make monthly mandatory contributions to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund legislation. The contributions from employees and employer are subject to a cap of monthly relevant income of $20,000.

28 RETIREMENT SCHEMES AND LONG SERVICE PAYMENTS *(Cont'd)*

(a) Defined contribution scheme *(Cont'd)*

During the year, the Group made a contribution of $8.8 million (2002: $9.4 million) to the defined contribution scheme and the MPF Scheme and charged it to the consolidated income statement. Forfeited contributions of the defined contribution scheme may be used by the Group to reduce the level of contributions made by the Group to this scheme. During the year, forfeited contributions of approximately $0.7 million (2002: $0.3 million) were utilised to reduce the Group's contributions. At the balance sheet date, there was no unutilised forfeited contribution available to reduce the contributions payable in the future (2002: $Nil).

(b) Defined benefit scheme

The defined benefit scheme is for the provision of gratuities to employees who joined the Company prior to 1 January 1969. No amount was charged to the income statement for the year (2002: $Nil).

The latest independent actuarial valuation of the scheme was at 31 March 2003 and was prepared by Watson Wyatt Hong Kong Limited, who have among their staff Fellows of the Faculty of Actuaries, using the projected unit credit method. The main assumptions used in the valuation were an investment yield of 1% per annum and no salary increase for 2003 - 2005 and 2% per annum thereafter and no mortality rates.

The valuation showed that the market value of the scheme assets, which amounted to $9.7 million at 31 March 2003, was sufficient to cover the aggregate vested liability with a solvency ratio of 183%. The actuarial present value of total liabilities was $5.3 million. The directors considered that the actuarial surplus of $4.4 million, not material to the Group, and therefore was not recognised in current year's income statement.

(c) Long service payments

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and year of service, and is reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. At 31 March 2003, the directors considered that the obligation to make the long service payment to certain employees is not material to the Group.

29 SHARE CAPITAL

	2003		2002	
	No. of shares	**$'000**	No. of shares	$'000
Authorised:				
Ordinary shares of $0.70 each	**700,000,000**	**490,000**	700,000,000	490,000
Issued and fully paid:				
Ordinary shares of $0.70 each	**577,231,252**	**404,062**	577,231,252	404,062

30 RESERVES

(a) The Group

	Share premium $'000	Capital reserve $'000	Exchange reserve $'000	General reserve $'000	Investment properties revaluation reserve $'000	Non-trading securities revaluation reserve $'000	Retained profits $'000	Total $'000
At 1 April 2001	287,628	1,832,348	(3,510)	304,827	4,335,419	(52,820)	273,100	6,976,992
Dividends approved in respect of the previous year *(note 9(b))*	–	–	–	–	–	–	(109,674)	(109,674)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	2,193	–	–	–	–	2,193
Revaluation deficits *(note 13(d)& (e))*	–	(2,183)	–	–	(19,555)	–	–	(21,738)
Transfer to income statement upon disposal of investment properties	–	–	–	–	(1,016)	–	–	(1,016)
Non-trading securities revaluation deficit	–	–	–	–	–	(2,690)	–	(2,690)
Profit for the year	–	–	–	–	–	–	256,857	256,857
Dividends declared in respect of the current year *(note 9(a))*	–	–	–	–	–	–	(75,040)	(75,040)
At 31 March 2002	287,628	1,830,165	(1,317)	304,827	4,314,848	(55,510)	345,243	7,025,884
At 1 April 2002	287,628	1,830,165	(1,317)	304,827	4,314,848	(55,510)	345,243	7,025,884
Dividends approved in respect of the previous year *(note 9(b))*	–	–	–	–	–	–	(115,446)	(115,446)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	1,905	–	–	–	–	1,905
Revaluation deficits *(note 13(d) & (e))*	–	(239,875)	–	–	(743,737)	–	–	(983,612)
Transfer to income statement upon disposal of investment properties	–	–	–	–	(7,587)	–	–	(7,587)
Non-trading securities revaluation deficit	–	–	–	–	–	(2,017)	–	(2,017)
Profit for the year	–	–	–	–	–	–	233,816	233,816
Dividends declared in respect of the current year *(note 9(a))*	–	–	–	–	–	–	(75,040)	(75,040)
At 31 March 2003	**287,628**	**1,590,290**	**588**	**304,827**	**3,563,524**	**(57,527)**	**388,573**	**6,077,903**

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

The capital reserve, exchange reserve and revaluation reserves have been set up and will be dealt with in accordance with the respective accounting policies adopted for goodwill arising on subsidiaries and associates, foreign currency translation and the revaluation of investment properties, hotel properties and non-trading securities (note 1).

The accumulated losses attributable to associates at 31 March 2003 were $39,744,000 (2002: $31,936,000).

30 RESERVES *(Cont'd)*

(b) The Company

	Share premium $'000	Capital reserve $'000	General reserve $'000	Investment properties revaluation reserve $'000	Non-trading securities revaluation reserve $'000	Retained profits $'000	Total $'000
At 1 April 2001	287,628	1,019,874	300,000	24,713	(23,810)	205,114	1,813,519
Dividend approved in respect of the previous year *(note 9(b))*	–	–	–	–	–	(109,674)	(109,674)
Revaluation deficit *(note 13(d))*	–	–	–	(15,787)	–	–	(15,787)
Non-trading securities revaluation deficit	–	–	–	–	(1,258)	–	(1,258)
Profit for the year	–	–	–	–	–	177,220	177,220
Dividends declared in respect of the current year *(note 9(a))*	–	–	–	–	–	(75,040)	(75,040)
At 31 March 2002	287,628	1,019,874	300,000	8,926	(25,068)	197,620	1,788,980
At 1 April 2002	287,628	1,019,874	300,000	8,926	(25,068)	197,620	1,788,980
Dividend approved in respect of the previous year *(note 9(b))*	–	–	–	–	–	(115,446)	(115,446)
Revaluation deficit *(note 13(d))*	–	–	–	(8,926)	–	–	(8,926)
Non-trading securities revaluation deficit	–	–	–	–	(944)	–	(944)
Profit for the year	–	–	–	–	–	257,913	257,913
Dividends declared in respect of the current year *(note 9(a))*	–	–	–	–	–	(75,040)	(75,040)
At 31 March 2003	**287,628**	**1,019,874**	**300,000**	**–**	**(26,012)**	**265,047**	**1,846,537**

Distributable reserves of the Company at 31 March 2003, calculated in accordance with section 79B of the Hong Kong Companies Ordinance, amounted to $565,047,000 (2002: $497,620,000).

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

The revaluation reserves have been set up and will be dealt with in accordance with the respective accounting policies adopted for the revaluation of investment properties and non-trading securities (note 1).

The applications of the capital reserve and the general reserve are in accordance with Article 117 of the Company's Articles of Association.

After the balance sheet date the directors proposed a final dividend of 20 cents per share (2002: 20 cents per share) amounting to $115,446,000 (2002: $115,446,000). This dividend has not been recognised as a liability at the balance sheet date.

31 CAPITAL COMMITMENTS

Capital commitments outstanding at 31 March 2003 not provided for in the financial statements were as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Contracted for:				
– Future expenditure relating to properties	**107,282**	165,164	**–**	–
Authorised but not contracted for	**12,512**	–	**–**	–
	119,794	165,164	**–**	–

32 OPERATING LEASE COMMITMENTS

At 31 March 2003, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Within 1 year	**5,458**	8,329	**681**	4,089
After 1 year but within 5 years	**2,749**	5,261	**–**	681
	8,207	13,590	**681**	4,770

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 6 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

33 CONTINGENT LIABILITIES

At 31 March 2003, there were contingent liabilities in respect of the following:

– Guarantees given to banks by the Company in respect of banking facilities extended to certain wholly owned subsidiaries amounted to $1,117,500,000 (2002: $1,376,500,000).

– Guarantees given to banks by the Company in respect of banking facilities extended to a 25% associated company amounted to $2,300,000 (2002: $4,600,000).

– Guarantees given to banks by the Company in respect of mortgage loans granted by the banks to third parties for financing their purchases of the properties from a 51.36% subsidiary, amounted to $2,300,000 (2002: $8,100,000). The Company's liabilities under the guarantees shall be limited to US$855,000, out of the total guarantee of US$1,069,000.

– An associate of the Group has executed a guarantee to a bank to cover the mortgage loans granted by the bank to third parties for financing their purchases of the properties from the associate. The Group's share of the contingent liability in this respect at 31 March 2003 was $3,000,000 (2002: $4,000,000).

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group incurred a fee of $2,100,000 (2002: $2,100,000) to a subsidiary of its major shareholder for the provision of property agency services to the Group's investment properties in Hong Kong which was calculated at a certain percentage of the gross rental income from the Group's investment properties during the year.

The Group's travel division provides agency services to certain subsidiaries and associates of its major shareholder in respect of air ticket booking, hotel accommodation and hire car services under similar terms it provides to other customers. Service fees received from these companies for the year amounted to $705,000 (2002: $585,000).

The amounts due to these companies at the year end amounted to $7,178,000 (2002: $4,799,000).

The Group's travel division receives agency services from an associate of its major shareholder in respect of air ticket booking and hotel accommodation under similar terms it receives from other suppliers. Service fees paid to this associate for the year amounted to $1,186,000 (2002: $1,027,000). The amount due to the associate at the year end amounted to $608,000 (2002: $348,000).

(b) The Group receives hotel management services from an associate in respect of the Group's hotel operation in Hong Kong. Management fee paid for the year amounted to $7,400,000 (2002: $7,207,000) which was calculated at 3% of the gross income derived from the Group's hotel operation in Hong Kong for the year. The amount due from the associate at the year end amounted to $941,000 (2002: $368,000).

34 MATERIAL RELATED PARTY TRANSACTIONS *(Cont'd)*

(c) The Group provides hotel management services to certain associates which run hotel operations in the People's Republic of China. Total management fees received for the year amounted to $2,549,000 (2002: $3,778,000) which were calculated at a certain percentage of the respective associates' revenue for the year. The net amount due to these associates at the year end amounted to $503,000 (2002: amount due from these associates $2,282,000).

(d) The Company received a management fee of $3,300,000 (2002: $3,450,000) from an associate during the year for the provision of general and administrative services to the associate on a time cost reimbursement basis. There was no balance due from that associate at the year end (2002: $Nil).

(e) The Company and its wholly-owned subsidiaries provided loans to certain associates totalling $25,000 (2002: $384,000) during the year. Such loans are unsecured, non-interest bearing and repayable on demand. The amounts due from these associates at the year end amounted to $22,115,000 (2002: $22,090,000).

(f) The Group entered into a lease with a subsidiary of its major shareholder for the leasing of a Group's premises in Hong Kong, under the normal commercial terms it offers to other tenants, during the year. Total rental and building management fee received for the year amounted to $4,803,000 (2002: $4,802,000). There was no balance due from this company at the year end (2002: $Nil).

(g) As disclosed in note 33, the Company provided guarantees to banks in respect of banking facilities extended to an associated company.

35 POST BALANCE SHEET EVENTS

(a) On 3 June 2003, a subsidiary of the Company entered into two sale and purchase agreements with two entities which are both indirectly wholly owned by Dr Lee Shau Kee, for the sale of approximately 567.18 acres of real property in the City of Lincoln, County of Placer, State of California, the United States of America for an aggregate cash consideration of US$24,000,000. The transactions shall be completed on or before 30 June 2003.

(b) After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 9.

36 IMPACT OF SEVERE ACUTE RESPIRATORY SYNDROME ("SARS")

The Group's operations have been affected since the year end as a result of the outbreak of SARS in Hong Kong and Mainland China and whose impact on the Group was first felt in March 2003. Whilst the impact of the SARS outbreak on the Group's operations for the year ended 31 March 2003 was not significant, following the year end, the outbreak has brought damages of varying degree to the core businesses of the Group. Management continues in its efforts to minimise expenditures and save costs. In addition, the Group's balance sheet is healthy with adequate liquid funds on hand to meet foreseeable cash flow requirements. The Board of Directors is confident that barring any unforeseen circumstances, operating result of the Group in the coming year will only be affected by a modest magnitude.

37 COMPARATIVE FIGURES

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised 2001) "Cash flow statements". As a result, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year's presentation.