Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of the accounts

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

(c) Basis of consolidation

(i) Subsidiaries and controlled companies

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, controls more than half of the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated accounts, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the balance sheet at fair value with changes in fair value recognised in the same way as for investments in securities.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits, 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(f)), 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 same way as for investments in securities.

(ii) Associates

An associate is a company in which the Group 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 accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the 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 Group, in which case, it is stated at fair value with changes in fair value recognised in the same way as for investments in securities. The profit and loss account 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(c)(iii).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is evidence of impairment in value of the assets transferred, the unrealised losses will be recognised immediately in the profit and loss account.

(iii) Goodwill/negative goodwill

The Group has adopted SSAP 30 "Business combinations" issued by the Hong Kong Society of Accountants with effect from 1 April 2001. In doing so the Group has relied upon the transitional provisions set out in SSAP 30 such that goodwill/negative goodwill arising on acquisition of a subsidiary or an associate by the Group prior to 1 April 2001, representing the excess/shortfall of the cost of investment over the appropriate share of the fair value of the identifiable assets and liabilities acquired, has been written off against/taken to capital reserves in the period in which it arose and has not been restated.

For acquisitions after 1 April 2001, goodwill is recognised as an asset and is amortised to the profit and loss account on a straight-line basis over its estimated useful life. Negative goodwill which 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, is recognised in the profit and loss account 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 profit and loss account 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 profit and loss account.

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

The carrying amount of goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists an impairment loss is recognised as an expense in the profit and loss account.

(d) Properties

(i) Investment properties

Investment properties are defined as properties which are income producing and intended to be held for the long term, and such properties are included in the balance sheet at their open market value, on the basis of an annual professional valuation. Changes in the value of investment properties are dealt with as movements in the investment property revaluation reserves. If the total of these reserves is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. When a surplus arises on subsequent revaluation on a portfolio basis, it will be credited to the profit and loss account if and to the extent that a deficit on revaluation had previously been charged to the profit and loss account.

On disposal of investment properties, the revaluation surplus or deficit previously taken to the investment property revaluation reserves is included in calculating the profit or loss on disposal.

(ii) Properties under development for sale

Properties under development for sale are classified under current assets and stated at the lower of specifically identified cost, including capitalised borrowing costs, and net realisable value. Net realisable value is determined by the Directors, based on prevailing market conditions.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the profit and loss account in the period in which the reversal occurs.

Profit on pre-sale of properties under development for sale is recognised over the course of the development and is calculated each year as a proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received and receivable at the balance sheet date to total sales proceeds in respect of the units sold.

Borrowing costs on loans relating to properties under development for sale are capitalised up to the date of practical completion of development.

(iii) Properties held for sale

Properties held for sale are classified under current assets and stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development cost, including borrowing costs capitalised, attributable to unsold units. Net realisable value is determined by the Directors, based on prevailing market conditions.

The amount of any write down of or provision for properties held for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the profit and loss account in the period in which the reversal occurs.

(e) Depreciation

(i) Investment properties

No depreciation is provided in respect of investment properties with an unexpired lease term of more than 20 years since the valuation takes into account the state of each property at the date of valuation. Investment properties held on leases with an unexpired period of 20 years or less are depreciated over the remaining portion of the leases.

(ii) Other fixed assets

Depreciation is provided on a straight line basis on the cost of other fixed assets at rates determined by the estimated useful lives of the assets of between 3 to 10 years.

(f) Impairment of assets

The carrying amounts of assets, other than properties carried at revalued amounts, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses are recognised as an expense in the profit and loss account.

(i) Recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use.

(ii) Reversals of impairment losses

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

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

(g) Investments in securities

(i) Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised as an expense in the profit and loss account for each security individually.

(ii) Non-trading securities are classified as long-term investments and stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserves 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 surplus or deficit is transferred from the investment revaluation reserves to the profit and loss account.

Transfers from the investment revaluation reserves to the profit and loss account 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.

Profits or losses on disposal of non-trading securities are determined as the difference between the net disposal proceeds and the carrying amount of the securities and are recognised in the profit and loss account as they arise. On disposal of non-trading securities, the relevant revaluation surplus or deficit previously taken to the investment revaluation reserves is also transferred to the profit and loss account for the year.

(iii) Trading securities are classified as short-term investments under current assets and stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

(h) Cash and cash equivalents

The Group defines cash and cash equivalents as cash at bank and on 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, which were 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 consolidated cash flow statement.

(i) Foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the balance sheets of overseas subsidiaries and associates are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the average exchange rates for the year. Differences on foreign currency translation are dealt with in the profit and loss account with the exception of those arising on the translation of the accounts of overseas subsidiaries or associates which are dealt with in capital reserves. On disposal of an overseas subsidiary or associate, the cumulative amount of the exchange difference which related to that overseas subsidiary or associate is included in the calculation of the profit or loss on disposal.

Gains or losses on outstanding forward contracts computed by reference to the forward rates at the balance sheet date are dealt with in the profit and loss account. Gains and losses on forward contracts entered into as hedges against net investments in overseas subsidiaries and associates are offset as reserve movements against the exchange differences arising on the retranslation of the net investments.

(j) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(e) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(k)(i) below.

(k) Recognition of revenue

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

(ii) Income from sale of completed property is recognised upon signing of the sale and purchase agreement and income from pre-sale of property under development for sale is recognised over the course of development (see note 1(d)(ii)).

(iii) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income from dated debt securities intended to be held to maturity is recognised as it accrues, as adjusted by the amortisation of the premium or discount on acquisition, so as to achieve a constant rate of return over the period from the date of purchase to the date of maturity.

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

(l) Deferred taxation

Deferred taxation is calculated at the current tax rate under the liability method in respect of the taxation effect arising from all material timing differences which are expected with reasonable probability to crystallise in the foreseeable future.

(m) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial 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 expenditure for the asset is 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.

(n) Related parties

For the purposes of these accounts, a party is 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.

(o) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the 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 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.

(p) Segment reporting

A segment is a distinguishable component of the Group that is engaged 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. 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 companies 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 borrowings and corporate and financing expenses.

(q) Employee benefits

(i) Defined contribution retirement schemes

Contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

(ii) Central Provident Fund in Singapore

Contributions to the Central Provident Fund in Singapore as required under the Central Provident Fund Act are charged to the profit and loss account when incurred.

(iii) 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.

2. SEGMENT INFORMATION

(a) Business segments

(i) Revenue and results

	Segment Revenue		Segment Results	
	2003	2002	**2003**	2002
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Property development	**1,436.2**	2,725.6	**286.6**	884.8
Property investment	**275.3**	265.1	**199.0**	191.8
Investment and others	**287.5**	339.5	**278.0**	290.0
	1,999.0	3,330.2	**763.6**	1,366.6
Unallocated expenses			**(7.9)**	(22.6)
Operating profit			**755.7**	1,344.0
Borrowing costs			**(102.8)**	(156.1)
Provision for properties				
Property development			**(658.6)**	(373.7)
Property investment			**(500.8)**	–
Associates				
Property development			**85.1**	14.8
Investment and others			**7.0**	11.8
Provision for properties			**(548.7)**	(380.5)
(Loss)/profit before taxation			**(963.1)**	460.3

(ii) Assets and liabilities

	Assets		Liabilities	
	2003	2002	**2003**	2002
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Property development	**2,703.5**	3,787.2	**337.6**	236.6
Property investment	**3,172.6**	3,913.0	**113.9**	99.1
Investment and others	**3,563.7**	4,559.2	**13.5**	20.3
Segment assets and liabilities	**9,439.8**	12,259.4	**465.0**	356.0
Associates				
Property development	**3,358.3**	4,210.4	**–**	–
Investment and others	**85.2**	103.4	**–**	–
Unallocated items	**2,802.1**	2,990.8	**4,255.0**	4,878.6
Total assets and liabilities	**15,685.4**	19,564.0	**4,720.0**	5,234.6

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

The Group has no significant capital expenditure and depreciation and amortisation.

(b) Geographical segments

(i) Revenue and results

	Segment Revenue		Segment Results (Operating profit)	
	2003	2002	**2003**	2002
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**927.8**	650.7	**272.8**	308.5
Singapore	**1,071.2**	2,679.5	**482.9**	1,035.5
	1,999.0	3,330.2	**755.7**	1,344.0

(ii) Assets

	Assets	
	2003	2002
	HK$ Million	HK$ Million
Hong Kong	**5,354.0**	7,358.6
Singapore	**4,085.8**	4,900.8
	9,439.8	12,259.4

3. TURNOVER AND OPERATING PROFIT

(a) Turnover

The principal activities of the Group are property development, property investment, treasury management and investment holding. An analysis of the Group's turnover is as follows:

	Group	
	2003	2002
	HK$ Million	HK$ Million
Property development	**1,436.2**	2,725.6
Property investment	**275.3**	265.1
Investment and others	**287.5**	339.5
	1,999.0	3,330.2

(b) Operating profit

	Group	
	2003	2002
	HK$ Million	HK$ Million
Operating profit is arrived at:		
after charging:		
Staff costs	**15.5**	22.3
– included contributions to defined contribution retirement schemes and the Central Provident Fund in Singapore of HK$1.5 million (2002 : HK$2.0 million)		
Cost of properties sold	**1,096.8**	1,782.7
Depreciation	**0.9**	1.0
Auditors' remuneration	**1.4**	1.8
after crediting:		
Rental income from operating leases less outgoings	**216.4**	195.8
– included gross rental income from investment properties of HK$259.0 million (2002 : HK$247.0 million) of which HK$1.4 million (2002 : HK$6.5 million) is contingent rentals		
Dividend income from listed securities	**177.0**	191.6

In addition, staff costs of HK$7.2 million (2002 : HK$28.3 million) were capitalised as part of the costs of properties under development for sale.

(c) **Directors' emoluments**

	Group 2003 HK$ Million	2002 HK$ Million
Fees	**0.1**	0.1
Salaries and other benefits	**–**	–
Retirement scheme contributions	**–**	–
Discretionary bonuses and/or performance-related bonuses	**–**	–
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–

For the year under review, total emoluments (including any reimbursement of expenses) amounting to HK$40,000 (2002 : HK$40,000), being wholly in the form of Directors' fees, were paid/payable to independent non-executive Directors of the Company.

The aggregate emoluments paid or payable by the Company and/or its subsidiaries for the two financial years ended 31 March 2003 and 31 March 2002 in respect of each of the persons who was a Director of the Company at any time during the years amounted to less than HK$1,000,000.

(d) **Five highest paid employees**

Set out below are analyses of the emoluments (excluding amounts paid or payable by way of commissions on sales generated by the employees concerned) for the year ended 31 March 2003 of the five highest paid employees of the Group, none of whom is a Director of the Company:

(i) Aggregate Emoluments

	Group 2003 HK$ Million	2002 HK$ Million
Basic salaries, housing allowances, other allowances and benefits in kind	**4.9**	9.0
Retirement scheme contributions	**0.3**	0.4
Discretionary bonuses and/or performance-related bonuses	**2.1**	23.3
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–
	7.3	32.7

(ii) Bandings

Bands (in HK$)	**2003 Number**	2002 Number
Not more than $1,000,000	**2**	2
$1,000,001 – $1,500,000	**2**	2
$3,000,001 – $3,500,000	**1**	–
$28,500,001 – $29,000,000 *(Note)*	**–**	1
	5	5

Note: Included in this banding are emoluments paid to a director of the 75% owned listed subsidiary, Marco Polo Developments Limited, which is listed in Singapore.

4. OTHER NET INCOME/(LOSS)

	Group	
	2003 HK$ Million	2002 HK$ Million
Net loss on disposal of non-trading equity securities	**(2.0)**	(32.4)
Others	**5.7**	(0.9)
	3.7	(33.3)

Included in the net loss on disposal of non-trading equity securities is a net deficit, before deduction of minority interests, of HK$16.6 million (2002 : Nil) transferred from the investment revaluation reserves.

5. BORROWING COSTS

	Group	
	2003 HK$ Million	2002 HK$ Million
Interest payable on bank loans and overdrafts	**86.1**	141.4
Other borrowing costs	**19.0**	18.9
	105.1	160.3
Less: Amount capitalised	**(2.3)**	(4.2)
	102.8	156.1

The Group's average borrowing interest rate for the year was 2.3% (2002 : 3.7%) per annum.

6. PROVISION FOR PROPERTIES

Following a review based on the property market conditions prevailing at 31 March 2003, the Group has made an aggregate property provision of HK$1,159.4 million, including provision of HK$658.6 million for impairment in value of the Group's properties under development for sale and HK$500.8 million in respect of the attributable deficits on revaluation of the Group's investment properties.

The provision of HK$373.7 million for the previous year was principally made for impairment in value of the Group's properties under development for sale.

7. SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

Share of profits less losses of associates for the year ended 31 March 2003 principally comprise the attributable losses in respect of provision for impairment in value of the Sorrento and the Bellagio projects (2002 : principally provision for the Bellagio project).

8. TAXATION

The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16% (2002 : 16%). Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

	Group	
	2003	2002
	HK$ Million	HK$ Million
Company and subsidiaries		
Hong Kong profits tax for the year	**25.4**	7.5
Overseas taxation for the year	**164.7**	904.3
Over-provision in respect of prior years *(Note)*	**(102.7)**	–
Deferred taxation *(Note 26)*	**(107.8)**	(672.0)
	(20.4)	239.8
Associates		
Hong Kong profits tax for the year	**–**	2.8
Overseas taxation for the year	**6.6**	7.8
	6.6	10.6
Tax (credit)/charge	**(13.8)**	250.4

Note: The over-provision represents the write-back of a tax provision made in prior years for the Ardmore Park project in Singapore resulting from a reduction of Singapore income tax rate from 24.5% to 22.0%.

9. GROUP (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group (loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK$44.3 million (2002 : HK$44.3 million).

10. DIVIDENDS

(a) Dividends attributable to the year

	2003 HK$ Million	2002 HK$ Million
Interim dividend declared and paid of 2.0 cents (2002 : 2.0 cents) per share	41.4	41.4
Final dividend proposed after the balance sheet date of 5.0 cents (2002 : 5.0 cents) per share	103.5	103.5
	144.9	144.9

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

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

	2003 HK$ Million	2002 HK$ Million
Final dividend in respect of the previous financial year, approved and paid during the year, of 5.0 cents (2002 : 5.0 cents) per share	103.5	103.5

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on loss for the year of HK$781.8 million (2002 : profit of HK$86.3 million) and 2,069.6 million ordinary shares in issue throughout the two financial years ended 31 March 2003.

12. CHANGES IN ACCOUNTING POLICIES

(a) SSAP 1 (Revised) "Presentation of financial statements"

With effect from 1 April 2002, the consolidated statement of recognised gains and losses has been replaced by the consolidated statement of changes in equity.

(b) SSAP 11 (Revised) "Foreign currency translation"

In prior years, the profit and loss accounts of foreign enterprises were translated at the exchange rates ruling at the balance sheet date. With effect from 1 April 2002, these are translated into Hong Kong dollars at the average exchange rates for the year. The effect of such change is not material to the accounts and, therefore, the comparative figures have not been restated.

(c) SSAP 15 (Revised) "Cash flow statements"

With effect from 1 April 2002, with the introduction of the revised SSAP 15 "Cash flow statements", a revised classification of activities from which cash flows are derived has been made and the Group defines cash and cash equivalents as cash at bank and on 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, which were within three months of maturity at acquisition.

In prior years, for the purpose of preparing the consolidated cash flow statement, cash equivalents were shown net of advances from banks repayable within three months from the date of advance. By adoption of the revised SSAP 15, 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 consolidated cash flow statement. The accounting policy has been adopted retrospectively. In adjusting prior year's figures, cash and cash equivalents as at 1 April 2002 was restated and increased by HK$202.9 million (1 April 2001 : HK$257.3 million). In addition, certain presentational changes have been made on adoption of the revised SSAP 15.

13. FIXED ASSETS

	Investment properties HK$ Million	Other fixed assets HK$ Million	Total HK$ Million
Group			
Cost or valuation			
At 1 April 2002	3,909.6	7.5	3,917.1
Exchange differences	78.8	0.3	79.1
Additions	12.6	0.2	12.8
Disposals	(12.9)	(0.1)	(13.0)
Revaluation deficit	(826.8)	–	(826.8)
At 31 March 2003	3,161.3	7.9	3,169.2
Accumulated depreciation			
At 1 April 2002	–	5.0	5.0
Exchange differences	–	0.2	0.2
Charge for the year	–	0.9	0.9
At 31 March 2003	–	6.1	6.1
Net book value			
At 31 March 2003	3,161.3	1.8	3,163.1
At 31 March 2002	3,909.6	2.5	3,912.1

(a) The analysis of cost or valuation of the above assets is as follows:

Balance at 31 March 2003			
2003 valuation	3,161.3	–	3,161.3
At cost	–	7.9	7.9
	3,161.3	7.9	3,169.2
Balance at 31 March 2002			
2002 valuation	3,909.6	–	3,909.6
At cost	–	7.5	7.5
	3,909.6	7.5	3,917.1

(b) **Tenure of title to properties:**

	2003 HK$ Million	2002 HK$ Million
Long lease		
Held in Hong Kong	1,588.9	2,067.1
Held outside Hong Kong	1,572.4	1,842.5
	3,161.3	3,909.6

(c) **Properties revaluation**

The Group's investment properties in Hong Kong and Singapore have been revalued as at 31 March 2003 by Chesterton Petty Limited and CB Richard Ellis (Pte) Ltd, respectively, both are independent firms of property consultants, on an open market value basis, after taking into consideration the net rental income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The deficit arising on revaluation, less minority interests where appropriate, is dealt with in the investment property revaluation reserves or the consolidated profit and loss account in accordance with the Group's accounting policies.

(d) The gross amount of fixed assets of the Group held for use in operating leases was HK$3,161.3 million (2002 : HK$3,909.6 million).

(e) The Group leases out properties under operating leases, which generally run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease income may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.

(f) The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	Group	
	2003 HK$ Million	2002 HK$ Million
Within 1 year	192.3	208.8
After 1 year but within 5 years	202.8	269.2
After 5 years	4.7	7.2
	399.8	485.2

14. SUBSIDIARIES

	Company 2003 HK$ Million	Company 2002 HK$ Million
Shares listed in Hong Kong, at cost	–	332.6
Unlisted shares, at cost	1,837.6	483.5
	1,837.6	816.1
Amounts due from subsidiaries	984.8	1,087.6
	2,822.4	1,903.7
Market value of the above shares listed in Hong Kong	–	1,000.8

Details of principal subsidiaries at 31 March 2003 are shown on page 55.

15. ASSOCIATES

	Group 2003 HK$ Million	Group 2002 HK$ Million
Share of net deficits	(932.4)	(478.3)
Amounts due from associates	4,397.1	4,812.8
Amounts due to associates	(21.2)	(20.7)
	3,443.5	4,313.8

(a) Included in the amounts due from associates are loans and advances made by the Group to certain associates of HK$4,064.9 million (2002 : HK$4,457.3 million) involved in the Sorrento and the Bellagio property development projects. Such loans and advances are in proportion to the Group's equity interest in the respective associates.

Loans in the amount of HK$1,617.0 million (2002 : HK$1,803.8 million) for the Sorrento project bear interest at rates as determined by shareholders of the associate with reference to the prevailing market rates which were between 2.5% to 3.5% (2002 : 3.5% to 7.1%) per annum for the current financial year. Interest income in respect of loans to the associate for the year ended 31 March 2003 amounted to HK$55.8 million (2002 : HK$101.8 million). The loans are unsecured and have no fixed terms of repayment.

An advance in the amount of HK$2,447.9 million (2002 : HK$2,653.5 million) for the Bellagio project bears interest at such rate as may from time to time be agreed by the shareholders of the associate. For the current financial year, the advance is interest free, unsecured and has no fixed terms of repayment.

(b) The following supplementary information is disclosed relating to significant associates of the Group:

	2003 **HK$ Million**	2002 HK$ Million
Diamond Hill Development Holdings Limited		
Consolidated balance sheet		
Non-current assets	**281.4**	–
Current assets	**5,232.8**	6,327.2
Current liabilities	**(520.2)**	(179.6)
Non-current liabilities	**(7,343.8)**	(7,962.6)
Consolidated profit and loss account		
Turnover	**2,922.1**	–
Loss for the year	**(534.8)**	(1,116.0)
Hopfield Holdings Limited		
Consolidated balance sheet		
Current assets	**5,453.4**	8,387.8
Current liabilities	**(1,851.2)**	(3,237.4)
Non-current liabilities	**(4,042.3)**	(5,113.7)
Consolidated profit and loss account		
Turnover	**3,083.6**	1,760.6
(Loss)/profit for the year	**(476.8)**	36.7

(c) Details of principal associates at 31 March 2003 are shown on page 56.

16. LONG-TERM INVESTMENTS

	Group	
	2003 **HK$ Million**	2002 HK$ Million
Non-trading equity securities, at market value		
Listed in Hong Kong	**2,749.1**	3,558.6
Listed outside Hong Kong	**557.9**	847.2
	3,307.0	4,405.8
Held-to-maturity securities		
Listed outside Hong Kong	**–**	38.6
Unlisted	**–**	23.4
	3,307.0	4,467.8
Market value of the above listed held-to-maturity securities	**–**	38.3

Included in the above equity securities are investments in a listed company the carrying value of which constituted more than 10% of the Group's total assets. Details of this listed company are shown as follows:

Name of company	Place of incorporation	Percentage of total issued ordinary shares held
The Wharf (Holdings) Limited	Hong Kong	7.0

17. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

18. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD FOR SALE

(a) The amount of properties under development for sale and properties held for sale carried at net realisable value is HK$2,398.4 million (2002 : HK$1,691.4 million).

(b) Properties under development for sale in the amount of HK$473.1 million (2002 : HK$2,317.5 million) are expected to be completed after more than one year.

(c) Properties under development for sale with a carrying value of HK$1,499.9 million (2002 : HK$1,734.2 million) are pledged as security for banking facilities made available to the Group.

(d) The carrying amount of properties under development for sale of the Group held for use in operating leases, which run for a period of one to two years with no option to renew upon expiry, is HK$325.5 million (2002 : HK$335.1 million). The related provision for diminution in value of these properties is HK$181.2 million (2002 : HK$155.9 million).

19. SHORT-TERM INVESTMENTS

	Group	
	2003	2002
	HK$ Million	HK$ Million
Held-to-maturity securities listed outside Hong Kong	**23.0**	–
Unlisted investment	**79.0**	–
	102.0	–
Market value of the above listed held-to-maturity securities	**23.5**	–

20. TRADE AND OTHER RECEIVABLES

The Group maintains defined credit policies for its businesses and trade debtors are closely monitored in order to control the credit risk associated with trade debtors.

Included in trade and other receivables are trade debtors with an ageing analysis as at 31 March 2003 as follows:

	Group	
	2003	2002
	HK$ Million	HK$ Million
Current	**15.1**	13.5
31 – 60 days	**4.6**	0.5
61 – 90 days	**0.2**	0.2
Over 90 days	**0.8**	0.9
	20.7	15.1

21. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2003	2002	**2003**	2002
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Unsecured bank loans and overdrafts	**1,170.0**	202.9	**1,016.1**	–
Current portion of long-term bank loans				
Secured	**–**	298.9	**–**	298.9
Unsecured	**300.0**	–	**–**	–
	1,470.0	501.8	**1,016.1**	298.9

The unsecured bank loan of HK$1,016.1 million borrowed by the Company was for the payment in respect of the privatisation of Realty Development Corporation Limited.

22. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis at 31 March 2003 as follows:

	Group	
	2003	2002
	HK$ Million	HK$ Million
Amount payable in the next:		
0 – 30 days	**180.8**	162.2
31 – 60 days	**1.1**	1.4
61 – 90 days	**52.0**	15.4
Over 90 days	**95.9**	41.1
	329.8	220.1

23. SHARE CAPITAL

	2003	2002		
	No. of shares	No. of shares	**2003**	2002
	Million	Million	**HK$ Million**	HK$ Million
Authorised:				
Ordinary shares of HK$0.20 each	**3,000.0**	3,000.0	**600.0**	600.0
Issued and fully paid:				
Ordinary shares of HK$0.20 each	**2,069.6**	2,069.6	**413.9**	413.9

24. RESERVES

	Capital redemption reserve HK$ Million	Investment property revaluation reserves HK$ Million	Investment revaluation reserves HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
(a) **Group**						
Company and subsidiaries						
Balance at 1 April 2002	4.9	202.7	(120.0)	(83.4)	11,635.9	11,640.1
Final dividend approved in respect of the previous year *(Note 10b)*	–	–	–	–	(103.5)	(103.5)
Revaluation deficit	–	(196.2)	(780.8)	–	–	(977.0)
Realised on disposal	–	(6.5)	11.9	–	–	5.4
Exchange difference	–	–	–	137.9	–	137.9
Loss for the year absorbed	–	–	–	–	(388.4)	(388.4)
Interim dividend declared in respect of the current year *(Note 10a)*	–	–	–	–	(41.4)	(41.4)
Balance at 31 March 2003	4.9	–	(888.9)	54.5	11,102.6	10,273.1
Associates						
Balance at 1 April 2002	–	–	8.1	1.7	(580.4)	(570.6)
Revaluation deficit	–	–	(7.9)	–	–	(7.9)
Exchange difference	–	–	–	1.6	–	1.6
Loss for the year absorbed	–	–	–	–	(393.4)	(393.4)
Balance at 31 March 2003	–	–	0.2	3.3	(973.8)	(970.3)
Total reserves at 31 March 2003	4.9	–	(888.7)	57.8	10,128.8	9,302.8
Company and subsidiaries						
Balance at 1 April 2001	4.9	411.7	334.0	(17.6)	11,322.7	12,055.7
Final dividend approved in respect of the previous year *(Note 10b)*	–	–	–	–	(103.5)	(103.5)
Revaluation deficit	–	(206.8)	(454.0)	–	–	(660.8)
Realised on disposal	–	(2.2)	–	(1.0)	–	(3.2)
Exchange difference	–	–	–	(64.8)	–	(64.8)
Profit for the year retained	–	–	–	–	458.1	458.1
Interim dividend declared in respect of the current year *(Note 10a)*	–	–	–	–	(41.4)	(41.4)
Balance at 31 March 2002	4.9	202.7	(120.0)	(83.4)	11,635.9	11,640.1
Associates						
Balance at 1 April 2001	–	–	12.7	0.7	(208.6)	(195.2)
Revaluation deficit	–	–	(4.6)	–	–	(4.6)
Exchange difference	–	–	–	1.0	–	1.0
Loss for the year absorbed	–	–	–	–	(371.8)	(371.8)
Balance at 31 March 2002	–	–	8.1	1.7	(580.4)	(570.6)
Total reserves at 31 March 2002	4.9	202.7	(111.9)	(81.7)	11,055.5	11,069.5

Included in other capital reserves of the Group is negative goodwill of HK$176.1 million (2002 : HK$176.1 million).

	Capital redemption reserve HK$ Million	Investment property revaluation reserves HK$ Million	Investment revaluation reserves HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
(b) Company						
Balance at 1 April 2002	4.9	–	–	50.6	932.6	988.1
Final dividend approved in respect of the previous year *(Note 10b)*	–	–	–	–	(103.5)	(103.5)
Profit for the year	–	–	–	–	44.3	44.3
Interim dividend declared in respect of the current year *(Note 10a)*	–	–	–	–	(41.4)	(41.4)
Total reserves at 31 March 2003	4.9	–	–	50.6	832.0	887.5
Balance at 1 April 2001	4.9	–	–	50.6	1,033.2	1,088.7
Final dividend approved in respect of the previous year *(Note 10b)*	–	–	–	–	(103.5)	(103.5)
Profit for the year	–	–	–	–	44.3	44.3
Interim dividend declared in respect of the current year *(Note 10a)*	–	–	–	–	(41.4)	(41.4)
Total reserves at 31 March 2002	4.9	–	–	50.6	932.6	988.1

Reserves of the Company available for distribution to shareholders amounted to HK$832.0 million (2002 : HK$932.6 million). The application of the capital redemption reserve account is governed by section 49H of the Hong Kong Companies Ordinance. The revaluation reserves and other capital reserves have been set up and will be dealt with in accordance with the accounting policies adopted by the Group.

25. LONG-TERM BANK LOANS

	Group		Company	
	2003	2002	**2003**	2002
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Secured bank loans				
Repayable after 2 years, but within 5 years	**1,635.7**	476.0	**498.5**	–
Repayable after 5 years	**–**	953.0	**–**	–
	1,635.7	1,429.0	**498.5**	–
Unsecured bank loans				
Repayable after 1 year, but within 2 years	**700.0**	1,800.0	**–**	200.0
Repayable after 2 years, but within 5 years	**–**	100.0	**–**	–
	2,335.7	3,329.0	**498.5**	200.0

26. DEFERRED TAXATION

	Group	
	2003	2002
	HK$ Million	HK$ Million
At 1 April	**103.4**	790.8
Exchange differences	**4.4**	(15.4)
Transferred to the profit and loss account *(Note 8)*	**(107.8)**	(672.0)
At 31 March	**–**	103.4

Major components of deferred taxation provided are set out below:		
Profit on pre-sale of properties	**–**	64.4
Surplus on revaluation of a property on acquisition of subsidiaries	**–**	39.0
	–	103.4

27. DEFERRED ITEM

	Group 2003 HK$ Million	Group 2002 HK$ Million
Negative goodwill		
Cost		
Balance at 1 April	–	–
Addition through increase in interests in subsidiaries	222.7	–
Balance at 31 March	222.7	–

Negative goodwill, mainly arising from the privatisation of Realty Development Corporation Limited completed on 19 March 2003, represents the excess of the Group's interest in the fair values of the net assets acquired over the cost of the acquisition. The assets acquired mainly comprise investment properties, interests in associates, long-term investments and properties under development/held for sale. Negative goodwill will be released to the profit and loss account, on a proportional basis, when the relevant assets acquired are sold or otherwise realised.

28. CONTINGENT LIABILITIES

	Group		Company	
	2003 HK$ Million	2002 HK$ Million	2003 HK$ Million	2002 HK$ Million
(a) Guarantees given in respect of banking facilities available to:				
Subsidiaries	–	–	2,303.0	2,253.0
Associates	697.6	2,459.2	136.7	1,566.1

Of the banking facilities available to associates which are guaranteed by the Group, HK$349.9 million (2002 : HK$552.8 million) had been drawn at the balance sheet date.

(b) The Company, a wholly-owned subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms under an agreement to develop the Sorrento project.

29. COMMITMENTS

	Group 2003 HK$ Million	2002 HK$ Million
(a) Acquisition of and future development expenditure relating to properties:		
Contracted but not provided for	**306.6**	904.0
Authorised but not contracted for	**31.1**	–

(b) At 31 March 2003, forward exchange contracts amounting to HK$4,868.7 million (2002 : HK$1,703.4 million) were outstanding.

30. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group and the Company have not been a party to any material related party transaction during the year ended 31 March 2003.

(a) **Sorrento project**

(i) Included in interest in associates are loans of HK$1,617.0 million (2002 : HK$1,803.8 million) made by the Group to an associate involved in the Sorrento project. The loans bear interest at rates as determined by shareholders of the associate with reference to prevailing market rates which were between 2.5% and 3.5% (2002 : 3.5% to 7.1%) per annum for the year. Interest income in respect of loans to the associate for the year ended 31 March 2003 amounted to HK$55.8 million (2002 : HK$101.8 million). The loans are unsecured and have no fixed terms of repayment.

(ii) As disclosed in note 28(b) to the accounts, the Company, a wholly-owned subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms under an agreement to develop the Sorrento project.

The above are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. A waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.

(b) **Bellagio project**

(i) Included in interest in associates is an advance of HK$2,447.9 million (2002 : HK$2,653.5 million) made by the Group to an associate involved in the Bellagio project. The loan bears interest at such rate as may from time to time be agreed by the shareholders of the associate. For the current financial year, the advance is interest free, unsecured and has no fixed terms of repayment.

(ii) The Company together with the ultimate holding company and an associate of the ultimate holding company have severally guaranteed bank loans facilities granted to a subsidiary of an associate, Diamond Hill Development Holdings Limited, to finance the Bellagio project. The amount of the guarantee given attributable to the Group and the Company was HK$136.7 million (2002 : HK$1,266.7 million).

The above are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. A waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1994.

(c) The King's Park development

(i) Included in interest in associates is an advance of HK$296.1 million (2002 : HK$284.3 million) made by the Group to an associate involved in a development project at King's Park, Homantin. The loan bears interest at such rate as may from time to time be agreed by the shareholders of the associate. For the current financial year, the advance is interest free, unsecured and has no fixed terms of repayment.

(ii) The Group together with other shareholders have severally guaranteed bank loans facilities granted to an associate, Grace Sign Limited, to finance the King's Park development project. The amount of the guarantee given attributable to the Group was HK$500.8 million (2002 : HK$500.8 million).

These transactions do not constitute connected transactions as defined under the Listing Rules.

(d) The Group paid a General Managers' Commission to a related party of HK$5.5 million (2002 : HK$5.5 million) for the provision of management services to the Group during the year. The payment of such an amount to the General Managers was in accordance with an agreement dated 31 March 1992, which constitutes a connected transaction as defined under the Listing Rules, but is exempted from the requirements of the Listing Rules under paragraph 14.24(2) thereof relating to connected transactions.

(e) The Group received dividend income in the amount of HK$134.1 million during the year ended 31 March 2003 (2002 : HK$134.1 million) in respect of investments in a related company.

31. POST BALANCE SHEET EVENT

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 10 to the accounts.

32. COMPARATIVE FIGURES

Certain comparative figures have been adjusted for cash and cash equivalents in the consolidated cash flow statement in order to comply with SSAP 15 (Revised). As a result, certain advances from banks have been excluded from the definition of cash equivalents and cash flows from taxation, returns on investment and servicing of finance have been classified into operating and financing activities respectively.

33. ULTIMATE HOLDING COMPANY

The ultimate holding company is Wheelock and Company Limited, incorporated in Hong Kong.

34. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 10 June 2003.