

(Expressed in millions of Hong Kong dollars)

22. BANK AND OTHER BORROWINGS**The Group**

	Note	2001	2000
Unsecured bank loans repayable			
Within 1 year		4,269	2,074
After 1 year, but within 2 years		6,380	12,193
After 2 years, but within 5 years		8,171	8,422
After 5 years		5,258	379
		24,078	23,068
Other unsecured loans repayable			
Within 1 year		675	2,450
After 1 year, but within 2 years		300	675
After 2 years, but within 5 years		2,302	1,100
After 5 years		1,584	1,036
		4,861	5,261
		28,939	28,329
Less: Amount due within 1 year included under current liabilities	20	(4,944)	(4,524)
		23,995	23,805

(a) The above other unsecured loans are repayable on various dates up to 30th June 2010 at commercial market rates.

(b) Bank loans shown above that are not wholly repayable within 5 years amounted to HK\$7,208 million (2000: HK\$1,023 million).

23. MINORITY INTERESTS**The Group**

	2001	2000
Share of equity and reserves in subsidiaries	729	728
Amounts due to minority shareholders	923	943
Amounts due from minority shareholders	(42)	(60)
	1,610	1,611

24. SHARE CAPITAL

	2001		2000	
	Number of shares in million	Amount	Number of shares in million	Amount
Authorized:				
Ordinary shares of \$0.50 each				
At beginning and end of year	2,900	1,450	2,900	1,450
Issued and fully paid:				
Ordinary shares of \$0.50 each				
At beginning and end of year	2,401	1,201	2,401	1,201

(Expressed in millions of Hong Kong dollars)

25. SHARE OPTION SCHEMES

(a) The Company's share option scheme

In accordance with the Company's share option scheme for employees, the Board of directors of the Company may grant options to eligible employees, including executive directors of the Company or any subsidiary of the Company, to subscribe for shares in the Company. The subscription price is set at not less than the higher of the nominal value of the share and 80 per cent of the average of the closing prices on the five trading days immediately preceding the date of offer of the option. The maximum number of shares over which options may be outstanding may not exceed 1 per cent of the issued share capital of the Company from time to time.

As at 30th June 2001, there were 810,000 share options outstanding, granted at HK\$1 per lot to a number of Directors and senior employees of the Company, which were exercisable, inter alia, between 15th February 2001 and 14th February 2005 at an exercise price of HK\$70 per share and at the maximum of one-third per annum during the first three years. No options were exercised and expired during the year.

(b) Subsidiary's share option scheme

The Company's subsidiary, SUNeVision Holdings Limited ("SUNeVision") operates a share option scheme pursuant to which SUNeVision may grant, for a consideration of HK\$1 for each lot, options to any full time employees, including executive directors of SUNeVision or its subsidiaries to subscribe for shares in SUNeVision. The subscription price is the highest of the closing price of SUNeVision's share on the date of the offer; the average closing price on the five trading days immediately preceding the date of offer; and the nominal value of SUNeVision's share. The maximum number of shares over which options may be granted shall not exceed 10 per cent of the issued share capital of SUNeVision from time to time.

Movements in share options to subscribe for ordinary shares in SUNeVision during the year are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options			
			At beginning of year	Granted during the year	Lapsed during the year	At end of year
28th March 2000	HK\$10.380	31.12.2000 to 30.12.2005	9,920,000	–	(1,685,000)	8,235,000
30th November 2000	HK\$3.885	15.11.2001 to 14.11.2006	–	4,115,500	(240,000)	3,875,500
7th April 2001	HK\$2.340	20.3.2002 to 19.3.2007	–	4,925,000	–	4,925,000
			<u>9,920,000</u>	<u>9,040,500</u>	<u>(1,925,000)</u>	<u>17,035,500</u>

26. SHARE PREMIUM AND RESERVES

	2001		2000	
	The Group	The Company	The Group	The Company
Share premium				
At beginning of year and end of year	17,000	17,000	17,000	17,000
Capital reserve				
At beginning of year	664	5,281	727	5,281
Goodwill on purchase of additional interest in subsidiaries	(94)	–	(88)	–
Net reserve on acquisition of subsidiaries	93	–	–	–
Goodwill on acquisition of associates	(36)	–	(6)	–
Reserve on acquisition of jointly controlled entities	–	–	31	–
At end of year	627	5,281	664	5,281

(Expressed in millions of Hong Kong dollars)

26. SHARE PREMIUM AND RESERVES (Continued)

	2001		2000	
	The Group	The Company	The Group	The Company
Property revaluation reserves				
At beginning of year	49,955	–	42,194	–
Surplus on revaluation of properties held by subsidiaries attributable to the Group				
– Investment properties	668	–	7,181	–
– Hotel properties	233	–	356	–
Surplus realized on disposal of investment properties held by				
– Subsidiaries	(278)	–	(117)	–
– Jointly controlled entities	–	–	(55)	–
Share of surplus/(deficit) on revaluation of investment properties held by jointly controlled entities	(96)	–	396	–
At end of year	50,482	–	49,955	–
Building reserve				
At beginning of year	–	–	830	830
Transfer to retained profits	–	–	(830)	(830)
At end of year	–	–	–	–
Dividend equalization reserve				
At beginning of year	–	–	350	350
Transfer to retained profits	–	–	(350)	(350)
At end of year	–	–	–	–
General reserve				
At beginning of year	–	–	5	–
Transfer to retained profits	–	–	(5)	–
At end of year	–	–	–	–
Exchange reserve				
At beginning of year	(4)	–	(9)	–
Exchange difference arising on translation of financial statements of				
– Subsidiaries	6	–	1	–
– Associates	1	–	–	–
– Jointly controlled entities	4	–	4	–
At end of year	7	–	(4)	–
Retained profits				
At beginning of year	52,088	51,681	44,315	46,411
Transfer from building reserve	–	–	830	830
Transfer from dividend equalization reserve	–	–	350	350
Transfer from general reserve	–	–	5	–
Goodwill adjustment on acquisition of a subsidiary by a jointly controlled entity	–	–	(32)	–
Goodwill adjustment on acquisition of a subsidiary by an associate	(6)	–	–	–
Profit for the year retained	4,608	4,697	6,620	4,090
At end of year	56,690	56,378	52,088	51,681
Total share premium and reserves	124,806	78,659	119,703	73,962

Distributable reserves of the Company as at 30th June 2001 amounted to HK\$56,378 million (2000: HK\$51,681 million).

(Expressed in millions of Hong Kong dollars)

26. SHARE PREMIUM AND RESERVES (Continued)

Share premium and reserves of the Group retained by:	2001			2000		
	The Company and subsidiaries	Associates	Jointly controlled entities	The Company and subsidiaries	Associates	Jointly controlled entities
Share premium	17,000	–	–	17,000	–	–
Capital reserve	604	23	–	641	23	–
Investment property revaluation reserve	47,441	–	1,919	47,004	–	2,062
Hotel property revaluation reserve	1,122	–	–	889	–	–
Exchange reserve	12	–	(5)	6	(1)	(9)
Retained profits	55,577	1,030	83	50,740	894	454
	121,756	1,053	1,997	116,280	916	2,507

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of profit from operations to net cash inflow from operating activities**

	2001	2000
Profit from operations	8,329	8,340
Depreciation	223	242
Profit on disposal of investment properties	(289)	(113)
Loss on disposal of other fixed assets	3	–
Loss on disposal of land pending development	–	7
Dividends received from investments	(77)	(25)
Interest income	(242)	(14)
Provision for diminution in value of a jointly controlled entity	–	223
Provision for diminution in value of a long term investment	9	–
Loss on disposal of a jointly controlled entity	–	8
Decrease in stocks	520	7,649
Decrease in trade and other receivables	225	193
Decrease/(increase) in marketable securities	712	(824)
Increase/(decrease) in trade and other payables	(574)	337
Increase/(decrease) in deposits received on sale of properties	3,344	(11,602)
Net cash inflow from operating activities	12,183	4,421

(b) Purchase of subsidiaries

	2001	2000
Net assets acquired:		
Fixed assets	1,105	–
Associates	3	–
Jointly controlled entities	45	–
Land pending development	–	434
Trade and other receivables	13	–
Bank balances and deposits	57	–
Trade and other payables	(291)	(393)
Bank borrowings	(464)	–
Minority interests	(155)	–
	313	41
Less:		
Associates	(2)	–
Jointly controlled entities	(103)	–
	208	41
Net reserve on acquisition	(93)	–
	115	41

(Expressed in millions of Hong Kong dollars)

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)**(b) Purchase of subsidiaries (Continued)**

	2001	2000
Satisfied by:		
Cash paid	115	41
Analysis of net cash outflow of cash and cash equivalents in respect of the purchase of subsidiaries:		
Cash consideration paid	115	41
Bank balances and deposits acquired	(57)	–
	58	41

(c) Analysis of changes in financing during the year

	Share capital and share premium	Bank and other borrowings	Minority interests	Total
At 1st July 1999	18,201	20,979	967	40,147
Net cash inflow from financing	–	7,350	23	7,373
Minority interests in				
– losses	–	–	(13)	(13)
– investment property revaluation reserve	–	–	18	18
– exchange reserve	–	–	3	3
Dividends paid to minority shareholders	–	–	(56)	(56)
Partial disposal of interest in a subsidiary	–	–	694	694
Effect of purchase of additional interest in a subsidiary	–	–	(25)	(25)
At 30th June 2000 and 1st July 2000	18,201	28,329	1,611	48,141
Net cash inflow/(outflow) from financing	–	146	(148)	(2)
Arising on purchase of subsidiaries	–	464	155	619
Minority interests in				
– profits	–	–	10	10
– investment property revaluation reserve	–	–	16	16
Dividends paid to minority shareholders	–	–	(48)	(48)
Effect of purchase of additional interest in subsidiaries	–	–	14	14
At 30th June 2001	18,201	28,939	1,610	48,750

(d) Analysis of the balances of cash and cash equivalents at end of year

	2001	2000
Short term bank deposits	8,736	10,205
Bank balances and cash	325	209
Bank overdrafts	(53)	(60)
	9,008	10,354

(Expressed in millions of Hong Kong dollars)

28. JOINTLY CONTROLLED ASSETS

At the date of the balance sheet, the aggregate amounts of assets and liabilities recognized in the financial statements relating to the Group's interests in jointly controlled assets are as follows:

	2001	2000
Investment properties	5,980	5,980
Land pending development	71	70
Land under development	1,889	–
Stocks of completed properties for sale	58	58
	7,998	6,108
Creditors and accrued expenses	93	94

29. RELATED PARTY TRANSACTIONS

During the year, the Group undertook various transactions with related parties for provision of finance, lease of premises, purchasing of goods and rendering of certain services related to property construction, management and marketing activities. The following is a summary of significant transactions between the Group and related parties, which were carried out at similar terms to other customers or suppliers and at market prices:

	Associates		Jointly controlled entities	
	2001	2000	2001	2000
Interest income	131	140	357	48
Rental income	76	48	4	4
Other revenue from services rendered	63	966	1,051	929
Purchase of goods and services	–	–	442	276

The outstanding balances with associates and jointly controlled entities at the balance sheet date were disclosed in Notes (13) and (14).

30. CONTINGENT LIABILITIES AND COMMITMENTS**The Group**

At the date of the balance sheet, the Group had contingent liabilities and commitments, so far as not provided for in the consolidated financial statements, as follows:

	2001	2000
(a) Capital commitments in respect of fixed assets		
Contracted but not provided for	1,685	1,713
Authorized but not contracted for	363	–
(b) Group's share of capital commitments of joint ventures:		
Contracted but not provided for	3,629	858
Authorized but not contracted for	156	209
(c) Guarantees given to banks and financial institutions in respect of facilities drawn by an associate and jointly controlled entities amounting to approximately HK\$1,046 million (2000: HK\$1,463 million) and HK\$6,652 million (2000: HK\$4,651 million) respectively.		

(Expressed in millions of Hong Kong dollars)

30. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)**The Company**

At the date of the balance sheet, the Company had contingent liabilities, not included in the Company's financial statements, in respect of guarantees for bank and other borrowings drawn by:

	2001	2000
Subsidiaries	28,849	27,922
Associate	1,046	1,463
Jointly controlled entities	6,575	4,651
	36,470	34,036

31. FINANCIAL INSTRUMENTS

Details of the Group's outstanding interest rate swaps and currency swaps at balance sheet date are as follows:

	Net notional principal amount	
	2001	2000
Interest rate swaps		
– Less than 1 year	675	1,800
– 1 to 5 years	1,700	1,775
– After 5 years	1,250	100
	3,625	3,675
Currency swaps		
– After 5 years	234	234
	234	234

Counterparties to swap transactions are reputable international financial institutions with strong credit ratings. The Group has established treasury policies and control procedures to assess and monitor the counterparty limits and exposure. The Group does not consider that it has any significant exposure to any individual counterparty, nor does it anticipate non-performance by any of its counterparties.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 90 to 123 were approved by the board of directors on 27th September, 2001.