

# Notes to the Accounts

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note I (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.

## Notes to the Accounts

### (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

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 and 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.

# Notes to the Accounts

## 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 plus attributable profit, and net realisable value. Net realisable value is determined by the Directors, based on prevailing market conditions.

The amount of any write down 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.

# Notes to the Accounts

## (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 costs, 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

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.

## 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.

# Notes to the Accounts

## **g) Investments in securities**

- (i) 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 impairment 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.

- (ii) Trading securities are classified as short-term investment 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) 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 accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. 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 and associates which are dealt with in capital reserves. On disposal of an overseas subsidiary and associate, the cumulative amount of the exchange difference which related to that overseas subsidiary and associate is included in the calculation of the profit and 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.

## **i) 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(j)(i) below.

# Notes to the Accounts

## j) 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 is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

## k) 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.

## l) 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.

## m) 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.

# Notes to the Accounts

## n) 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.

## o) 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.

# Notes to the Accounts

## 2. SEGMENT INFORMATION

### a) Business segments

#### (i) Revenue and results

	Segment Revenue		Segment Results	
	2002	2001	2002	2001
	HK\$Million	HK\$Million	HK\$Million	HK\$Million
Property development	239.8	130.2	11.6	51.3
Property investment	142.7	135.9	102.5	89.9
Investment and others	121.1	179.3	78.7	361.3
	503.6	445.4	192.8	502.5
Unallocated expenses			(13.1)	(14.2)
Operating profit			179.7	488.3
Borrowing costs			(34.0)	(87.1)
Provision for impairment in value of properties			(217.8)	(338.7)
Associates				
Property development			(1.3)	13.4
Investment and others			1.1	2.3
(Loss)/profit before taxation			(72.3)	78.2

#### (ii) Assets and liabilities

	Assets		Liabilities	
	2002	2001	2002	2001
	HK\$Million	HK\$Million	HK\$Million	HK\$Million
Property development	2,861.8	3,487.1	85.7	92.1
Property investment	2,059.0	2,146.5	29.0	27.0
Investment and others	1,645.9	1,906.7	10.6	40.2
Segment assets and liabilities	6,566.7	7,540.3	125.3	159.3
Unallocated items	19.8	19.0	481.1	923.3
Total assets and liabilities	6,586.5	7,559.3	606.4	1,082.6

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.



# Notes to the Accounts

## b) Geographical segments

### (i) Revenue and results

	Segment Revenue		Segment Results	
	2002 HK\$Million	2001 HK\$Million	2002 HK\$Million	2001 HK\$Million
Hong Kong	468.8	394.0	163.6	260.5
Singapore	34.8	51.4	16.1	227.8
	503.6	445.4	179.7	488.3

### (ii) Assets and liabilities

During the year, more than 90% of the assets and liabilities of the Group in terms of the above items was in Hong Kong.

## 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:

	2002 HK\$Million	2001 HK\$Million
Property development	239.8	130.2
Property investment	142.7	135.9
Investment and others	121.1	179.3
	503.6	445.4

# Notes to the Accounts

## b) Operating profit

	Group	
	2002 HK\$Million	2001 HK\$Million
Operating profit is arrived at:		
after charging:		
Cost of properties sold	208.6	71.0
Auditors' remuneration	0.8	0.9
after crediting:		
Rental income from operating leases less outgoings (including in the rental income above is gross rental income from investment properties of HK\$132.9 million (2001: HK\$125.5 million) of which HK\$5.4 million (2001: HK\$6.3 million) is contingent rentals)	104.2	96.1
Interest income from deposits and advances	46.9	93.6
Dividend income from listed securities	74.2	85.7

## c) Directors' emoluments

	Group	
	2002 HK\$Million	2001 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 (2001: 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 2002 and 31 March 2001 in respect of each of the persons who was a Director of the Company at anytime during the years amounted to less than HK\$1,000,000.

# Notes to the Accounts

## d) Five highest paid employees

The Group has no employees and the Group's management services are provided by the General Managers under the agreements mentioned in the section headed "Management Contracts" in the Report of the Directors.

## 4. OTHER NET (LOSS)/INCOME

	Group	
	2002 HK\$Million	2001 HK\$Million
Net (loss)/profit on disposal of non-trading securities	(32.4)	181.2
Net provision for non-trading securities written back	—	11.0
Others	(5.0)	—
	(37.4)	192.2

Included in the net profit on disposal of non-trading securities for the year ended 31 March 2001 is a net surplus of HK\$73.7 million transferred from the investment revaluation reserves.

## 5. BORROWING COSTS

	Group	
	2002 HK\$Million	2001 HK\$Million
Interest payable on:		
Bank loans and overdrafts	27.6	75.7
Other loans repayable within 5 years	—	7.3
	27.6	83.0
Other borrowing costs	6.4	4.1
	34.0	87.1

# Notes to the Accounts

## 6. 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% (2001: 16%). The taxation charge is made up as follows:

	Group	
	2002 HK\$Million	2001 HK\$Million
Company and subsidiaries		
Hong Kong profits tax for the year	7.5	13.6
Associates		
Hong Kong profits tax for the year	1.4	1.7
	<b>8.9</b>	<b>15.3</b>

There are no timing differences which would give rise to a material provision for deferred taxation in the Company and its subsidiaries.

## 7. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(Loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK\$150.3 million (2001: HK\$150.4 million).

## 8. DIVIDENDS

### a) Dividends attributable to the year

	2002 HK\$Million	2001 HK\$Million
Interim dividend declared and paid of 3.0 cents (2001: 3.0 cents) per share	34.5	34.5
Final dividend proposed after the balance sheet date of 6.0 cents (2001: 6.0 cents) per share	69.1	69.1
	<b>103.6</b>	<b>103.6</b>

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

# Notes to the Accounts

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

	2002 HK\$Million	2001 HK\$Million
Final dividend in respect of the previous financial year, approved and paid during the year, of 6.0 cents (2001: 6.0 cents) per share	69.1	69.1

## 9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the year of HK\$81.3 million (2001: profit of HK\$62.6 million) and 1,151.4 million ordinary shares in issue throughout the two financial years ended 31 March 2002.

## 10. CHANGES IN ACCOUNTING POLICIES

### a) Proposed dividends

In prior years, dividends proposed after the balance sheet date were accrued as liabilities at the balance sheet date. With effect from 1 April 2001, dividends proposed after the balance sheet date are not recognised as a liability in the accounting period to which they relate in accordance with the revised SSAP 9 "Events after the balance sheet date" issued by the Hong Kong Society of Accountants. The new accounting policy has been adopted retrospectively. In adjusting prior years' figures, shareholders' funds as at 1 April 2001, were restated and increased by HK\$69.1 million (1 April 2000: HK\$69.1 million) representing the proposed final dividend for the year ended 31 March 2001.

As a result of the adoption of SSAP 9 and restating the prior years' reserves, the Group's shareholders' funds at 31 March 2002 have increased by HK\$69.1 million (2001: HK\$69.1 million).

### b) 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. Inter-segment pricing is based on similar terms as those available to other external parties.

In note 2 to the accounts, the Group has disclosed segment revenue and results as defined under SSAP 26 "Segment reporting" issued by the Hong Kong Society of Accountants. In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

# Notes to the Accounts

## II. INVESTMENT PROPERTIES

	Long leasehold investment properties in Hong Kong HK\$Million
<b>Group</b>	
At valuation	
At 1 April 2001	2,146.5
Additions	1.0
Disposals	(3.4)
Revaluation deficit	(85.1)
<b>At 31 March 2002</b>	<b>2,059.0</b>
At 31 March 2001	2,146.5

**a) The analysis of valuation of investment properties is as follows:**

Valuation at 31 March 2002	2,059.0
Valuation at 31 March 2001	2,146.5

**b) Properties revaluation**

The Group's investment properties have been revalued as at 31 March 2002 by Harriman Realty Company, Limited, a fellow subsidiary engaged in professional valuation, on an open market value basis, after taking into consideration the net income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The surplus or deficit arising on revaluation is dealt with in the investment property revaluation reserves.

- c)** The gross amounts of fixed assets of the Group held for use in operating leases is HK\$2,059.0 million (2001: HK\$2,146.5 million).
- d)** The Group leases out properties under operating leases, which generally run for an initial period of two to five 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.

## Notes to the Accounts

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

	Group	
	2002 HK\$Million	2001 HK\$Million
Within 1 year	106.5	90.5
After 1 year but within 5 years	117.5	157.9
After 5 years	7.2	11.1
	<b>231.2</b>	<b>259.5</b>

### 12. SUBSIDIARIES

	Company	
	2002 HK\$Million	2001 HK\$Million
Unlisted shares, at cost	1,469.7	1,469.7
Amounts due from subsidiaries	541.0	498.8
	<b>2,010.7</b>	<b>1,968.5</b>

Details of principal subsidiaries at 31 March 2002 are shown on page 48.

### 13. ASSOCIATES

	Group		Company	
	2002 HK\$Million	2001 HK\$Million	2002 HK\$Million	2001 HK\$Million
Unlisted shares, at cost	—	—	0.5	0.5
Share of net assets	64.1	69.5	—	—
	<b>64.1</b>	<b>69.5</b>	<b>0.5</b>	<b>0.5</b>
Amounts due from associates	1,225.9	1,492.7	—	—
Amounts due to associates	(11.1)	(11.1)	(1.3)	(1.3)
	<b>1,278.9</b>	<b>1,551.1</b>	<b>(0.8)</b>	<b>(0.8)</b>

## Notes to the Accounts

- a) Included in the amounts due from associates is a loan of HK\$901.9 million (2001: HK\$1,181.4 million) advanced to an associate for a property development project. The loan bears interest at rates determined by shareholders of the associate with reference to prevailing market rates which were between 3.5% and 7.1% for the current year (2001: 6.7% to 8.2%). Interest income in respect of loans to the associate for the year ended 31 March 2002 amounted to HK\$50.9 million (2001: HK\$81.6 million). The loan is unsecured and has no fixed terms of repayment.
- b) The following supplementary financial information is disclosed relating to a significant associate of the Group, Hopfield Holdings Limited:

	2002 HK\$Million	2001 HK\$Million
Consolidated balance sheet		
Current assets	8,387.8	6,009.7
Current liabilities	(3,237.4)	(102.7)
Non-current liabilities	(5,113.7)	(5,907.0)
Consolidated profit and loss account		
Turnover	1,760.6	—
Profit for the year	36.7	—

Details of principal associates at 31 March 2002 are shown on page 48.

### 14. LONG-TERM INVESTMENTS

	Group 2002 HK\$Million	2001 HK\$Million
Non-trading equity securities, at market value		
Listed in Hong Kong	957.3	1,055.4
Listed outside Hong Kong	590.1	733.4
	1,547.4	1,788.8

### 15. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.



# Notes to the Accounts

## 16. PROPERTIES UNDER DEVELOPMENT FOR SALE AND HELD FOR SALE

- a) The amount of properties under development for sale/held for sale carried at net realisable value is HK\$1,356.3 million (2001: HK\$1,021.6 million).
- b) Properties under development for sale in the amount of HK\$681.3 million (2001: HK\$1,290.5 million) are expected to be completed after more than one year.
- c) Properties under development for sale with a carrying value of HK\$433.0 million (2001: HK\$Nil) have been pledged as security for banking facilities made available to the Group.

## 17. 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 2002 as follows:

	Group	
	2002 HK\$Million	2001 HK\$Million
Current	13.1	15.2
31 – 60 days	0.2	0.2
61 – 90 days	0.2	0.2
Over 90 days	0.9	0.4
	14.4	16.0

## 18. BANK LOANS AND OVERDRAFTS

	Group	
	2002 HK\$Million	2001 HK\$Million
Bank loans and overdrafts		
Secured	—	133.0
Unsecured	—	—
	—	133.0
Current portion of long-term bank loans (secured)	—	30.0
	—	163.0

# Notes to the Accounts

## 19. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis as at 31 March 2002 as follows:

	Group	
	2002 HK\$Million	2001 HK\$Million
Amounts payable in the next:		
0 – 30 days	18.8	9.4
31 – 60 days	0.9	14.5
61 – 90 days	15.4	12.9
Over 90 days	30.9	5.6
	66.0	42.4

## 20. SHARE CAPITAL

	2002 No. of shares Million	2001 No. of shares Million	2002 HK\$Million	2001 HK\$Million
Authorised:				
Ordinary shares of HK\$0.2 each	1,500.0	1,500.0	300.0	300.0
Issued and fully paid:				
Ordinary shares of HK\$0.2 each	1,151.4	1,151.4	230.3	230.3

# Notes to the Accounts

## 21. 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 (Restated) HK\$Million
<b>a) Group</b>						
<b>Company and subsidiaries</b>						
Balance at 1 April 2001						
As previously reported	0.5	881.1	(349.7)	392.0	5,217.7	6,141.6
Prior year adjustment (Note 10a)	–	–	–	–	69.1	69.1
As restated	0.5	881.1	(349.7)	392.0	5,286.8	6,210.7
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	(69.1)	(69.1)
Revaluation deficits	–	(85.1)	(221.0)	–	–	(306.1)
Realised on disposal	–	(3.0)	–	–	–	(3.0)
Loss for the year absorbed	–	–	–	–	(78.6)	(78.6)
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	(34.5)	(34.5)
Balance at 31 March 2002	0.5	793.0	(570.7)	392.0	5,104.6	5,719.4
<b>Associates</b>						
Balance at 1 April 2001	–	–	7.4	–	22.9	30.3
Revaluation deficits	–	–	(2.7)	–	–	(2.7)
Loss for the year absorbed	–	–	–	–	(2.7)	(2.7)
Balance at 31 March 2002	–	–	4.7	–	20.2	24.9
<b>Total reserves at 31 March 2002</b>	<b>0.5</b>	<b>793.0</b>	<b>(566.0)</b>	<b>392.0</b>	<b>5,124.8</b>	<b>5,744.3</b>

# Notes to the Accounts

	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 (Restated) HK\$Million
<b>Company and subsidiaries</b>						
Balance at 1 April 2000						
As previously reported	0.5	1,250.0	(493.9)	392.0	5,376.6	6,525.2
Prior year adjustment (Note 10a)	—	—	—	—	69.1	69.1
As restated	0.5	1,250.0	(493.9)	392.0	5,445.7	6,594.3
Final dividend approved in respect of the previous year (Note 8b)	—	—	—	—	(69.1)	(69.1)
Revaluation (deficits)/surpluses	—	(368.9)	256.4	—	—	(112.5)
Realised on disposal	—	—	(73.7)	—	—	(73.7)
Reclassification	—	—	(27.5)	—	(107.8)	(135.3)
Net provision for non-trading securities written back	—	—	(11.0)	—	—	(11.0)
Profit for the year retained	—	—	—	—	52.5	52.5
Interim dividend declared in respect of the current year (Note 8a)	—	—	—	—	(34.5)	(34.5)
Balance at 31 March 2001	0.5	881.1	(349.7)	392.0	5,286.8	6,210.7
<b>Associates</b>						
Balance at 1 April 2000	—	—	(27.5)	—	(95.0)	(122.5)
Reclassification	—	—	27.5	—	107.8	135.3
Revaluation surplus	—	—	7.4	—	—	7.4
Profit for the year retained	—	—	—	—	10.1	10.1
Balance at 31 March 2001	—	—	7.4	—	22.9	30.3
Total reserves at 31 March 2001	0.5	881.1	(342.3)	392.0	5,309.7	6,241.0

# Notes to the Accounts

	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 (Restated) HK\$Million
<b>b) Company</b>						
Balance at 1 April 2001						
As previously reported	0.5	–	–	156.6	1,468.9	1,626.0
Prior year adjustment (Note 10a)	–	–	–	–	69.1	69.1
As restated	0.5	–	–	156.6	1,538.0	1,695.1
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	(69.1)	(69.1)
Profit for the year retained	–	–	–	–	150.3	150.3
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	(34.5)	(34.5)
<b>Balance at 31 March 2002</b>	<b>0.5</b>	<b>–</b>	<b>–</b>	<b>156.6</b>	<b>1,584.7</b>	<b>1,741.8</b>
Balance at 1 April 2000						
As previously reported	0.5	–	–	156.6	1,422.1	1,579.2
Prior year adjustment (Note 10a)	–	–	–	–	69.1	69.1
As restated	0.5	–	–	156.6	1,491.2	1,648.3
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	(69.1)	(69.1)
Profit for the year retained	–	–	–	–	150.4	150.4
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	(34.5)	(34.5)
<b>Total reserves at 31 March 2001</b>	<b>0.5</b>	<b>–</b>	<b>–</b>	<b>156.6</b>	<b>1,538.0</b>	<b>1,695.1</b>

Reserves of the Company available for distribution to shareholders amount to HK\$1,584.7 million (2001: restated – HK\$1,538.0 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.

After the balance sheet date the Directors proposed a final dividend of 6.0 cents (2001: 6.0 cents) per share amounting to HK\$69.1 million (2001: HK\$69.1 million). This dividend has not been recognised as a liability at the balance sheet date.

# Notes to the Accounts

## 22. LONG-TERM BANK LOANS

	Group	
	2002 HK\$Million	2001 HK\$Million
Bank loans (secured)		
Repayable after 1 years, but within 2 years	—	28.0
Repayable after 2 years, but within 5 years	476.0	718.0
	476.0	746.0

- a) As at 31 March 2002, the Group's net debts, representing the total loans less deposits and cash, are analysed as follows:

	2002 HK\$Million	2001 HK\$Million
Short-term bank loans	—	163.0
Long-term bank loans	476.0	746.0
	476.0	909.0
Bank balances and deposits	(19.8)	(19.0)
	456.2	890.0

- b) To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars. The Group has no significant exposure to foreign exchange rate fluctuations.

## 23. CONTINGENT LIABILITIES

	Group		Company	
	2002 HK\$Million	2001 HK\$Million	2002 HK\$Million	2001 HK\$Million
a) Guarantees given in respect of banking facilities available to:				
Subsidiaries	—	—	1,840.0	1,426.0
Associates	800.2	1,180.8	800.2	1,180.8

## Notes to the Accounts

Of the banking facilities available to associates which are guaranteed by the Company and the Group HK\$372.4 million (2001: HK\$251.0 million) had been drawn at the balance sheet date.

- b)** The Company, a fellow subsidiary and the ultimate holding company together with two associates have jointly and severally guaranteed the performance and observance of the terms under an agreement for the development of the Sorrento project.

### 24. COMMITMENTS

	Group	
	2002 HK\$Million	2001 HK\$Million
Acquisition of and future development expenditure relating to properties:		
Contracted but not provided for	379.0	356.7

### 25. 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 2002.

#### a) Sorrento project

- (i) Included in amounts due from associates as disclosed in note 13 to the accounts is an advance made by the Group to an associate of HK\$901.9 million (2001: HK\$1,181.4 million) involved in the Sorrento project. Details of the interest received by the Group in connection with this loan are set out in note 13.
- (ii) The Company, a fellow subsidiary and the ultimate holding company together with its two associates have severally guaranteed bank loan facilities granted to a subsidiary of an associate, Hopfield Holdings Limited, to finance the Sorrento project. The amount of guarantee given attributable to the Company was HK\$299.4 million (2001: HK\$680.0 million).
- (iii) As disclosed in note 23(b) to the accounts, the Company, a fellow subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms by the subsidiary of an associate 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 requirement was granted by the Stock Exchange in 1997.

# Notes to the Accounts

## **b) The King's Park development**

Included in amounts due from associates as disclosed in note 13 to the accounts is an advance made by the Group to an associate involved in a development project at King's Park, Ho Man Tin of HK\$284.3 million (2001: HK\$266.8 million). The loan bears interest, at such rate as may from time to time be agreed by the shareholders of the associate. At present, the interest rate of the loan has yet to be agreed.

The Group together with other shareholders have severally guaranteed bank loan facilities granted to an associate, Grace Sign Limited, to finance the King's Park development project. The amount of guarantee given attributable to the Group was HK\$500.8 million (2001: HK\$500.8 million). These transactions do not constitute connected transactions as defined under the Listing Rules.

- c)** No General Managers' Commission (2001: HK\$4.1 million) was paid by the Group to a related party for the provision of management services to the Group during the year as the Group sustained a loss. The payment of amounts to the General Managers is governed by agreements dated 31 March 1992 and 3 March 2000 respectively, which constitute connected transactions as defined under the Listing Rules, but are exempted from the requirements of the Listing Rules under paragraph 14.24 (2) thereof relating to connected transactions.

## **26. POST BALANCE SHEET EVENTS**

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 8 to the accounts.

## **27. COMPARATIVE FIGURES**

Certain comparative figures have been adjusted as a result of changes in accounting policies for proposed dividends and segment reporting in order to comply with SSAPs 9 and 26 respectively, details of which are set out in note 10.

## **28. ULTIMATE HOLDING COMPANY**

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

## **29. APPROVAL OF THE ACCOUNTS**

The accounts were approved and authorised for issue by the Board of Directors on 7 June 2002.