

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2002

1. GENERAL

The Company is a listed public limited liability company incorporated in Hong Kong. Its ultimate holding company is Tsim Sha Tsui Properties Limited (“TST Properties”), a public limited company incorporated and listed in Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 45.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts and disclosures reported for the current and prior years.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the balance sheet date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment reporting”. Segment disclosures for the year ended 30th June, 2001 have been amended so that they are presented on a consistent basis.

Goodwill

In the current year, the Group adopted SSAP 30 “Business combinations” and has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation in respect of goodwill between the date of acquisition of the relevant associate and the date of adoption of SSAP 30 has been recognised retrospectively. Following restatement, goodwill arising on the acquisition of the associate is included within the carrying amount of the associate. Goodwill is amortised over its estimated useful life on a straight line basis of 20 years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

Accounting for investments in subsidiaries and associates

In the current year, the Company adopted SSAP 32 "Consolidated financial statements and accounting for investments in subsidiaries" and SSAP 10 (Revised) "Accounting for investments in associates" and has elected to carry its investments in subsidiaries and associates at cost. Accordingly, investments in subsidiaries and associates carried at revalued amount in prior years have been restated at cost.

The financial effect of the adoption of the new and revised accounting policies described above is summarised below:

	THE GROUP		THE COMPANY	
	Retained profits HK\$	Goodwill reserve HK\$	Retained profits HK\$	Investment revaluation reserve HK\$
Balance at 1st July, 2000				
As originally stated	6,959,756,314	—	10,201,640,648	3,515,773,881
Derecognition of liability for final dividend for the year ended 30th June, 2000	181,495,097	—	181,495,097	—
Reclassification of goodwill reserve previously written off against retained profits to interests in associates	185,889,768	(185,889,768)	—	—
Restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation	(37,177,952)	185,889,768	—	—
Restatement of investments in subsidiaries and associates at cost	—	—	—	(3,515,773,881)
As restated	<u>7,289,963,227</u>	<u>—</u>	<u>10,383,135,745</u>	<u>—</u>

The effect of these changes in accounting policies on the results for the current and prior years of the Group is as follows:

	2002 HK\$	2001 HK\$
Amortisation of goodwill	<u>9,294,488</u>	<u>9,294,488</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition over the cost of acquisition. Negative goodwill is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill paid on acquisition in so far as it has not already been amortised, less any identified impairment loss.

In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Where the accounting dates of the associates are different from the Group's accounting date, their results accounted for in the Group's financial statements are based on their latest audited financial statements and/or management accounts made up to 30th June in each year.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in the profit or loss for the year. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in the profit or loss for the year.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the revaluation deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

On disposal of an investment property, the balance of the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewable period, is 20 years or less.

Hotel property

Hotel property is stated at cost and no depreciation is provided on hotel property held on leases of more than 20 years. It is the Group's practice to maintain the properties in a continual state of sound repair and maintenance, and accordingly, the Directors consider that depreciation is not necessary due to their high residual value. The related maintenance expenditure is dealt with in the income statement in the year of expenditure.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Computer systems	20%
Furniture, fixtures and equipment	10% – 20%
Leasehold improvements	20%
Motor vehicles	20%
Plant and machinery	10% – 20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Properties under development

Properties under development which are developed for sale are included in current assets at the lower of cost or carrying value and estimated net realisable value.

Stocks of unsold properties

Stocks of unsold properties are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the unsold properties.

Hotel inventories

Hotel inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted average cost method.

Other non-current assets

Other non-current assets represent club memberships and are stated at cost less any identified impairment loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Deferred loan arrangement fees

Deferred loan arrangement fees represent expenses incurred in obtaining long-term secured bank loans facilities. Such expenses are deferred and amortised to the income statement over the repayment term of the loan on a straight line basis to provide a constant periodic rate of charge.

Convertible bonds/notes

Convertible bonds/notes are stated at the aggregate of the net proceeds from the issue plus finance costs provided.

The net proceeds represent the amount received on the issue of the convertible bonds/notes after deduction of direct issue costs. Direct issue costs are amortised to the income statement on a straight line basis over the period from the date of issue to the date on which the bondholders/noteholders can exercise their redemption option (the “bondholders’/noteholders’ redemption date”). If any of the convertible bonds/notes are purchased and cancelled, redeemed or converted prior to the bondholders’/noteholders’ redemption date, any remaining unamortised costs attributable to the convertible bonds/notes purchased will be written off immediately to the income statement.

Finance costs represent the premium that is to be paid to the bondholders/noteholders’ upon redemption on or before the bondholders’/noteholders’ redemption date. The estimated premium is provided for at a constant rate over the period when the bondholders’/noteholders’ redemption option is outstanding and is charged to the income statement. If any of the convertible bonds/notes are purchased and cancelled prior to the bondholders’/noteholders’ redemption date, any provision of such redemption premium in previous years in respect of the convertible bonds/notes purchased or converted will be taken to the income statement.

The gain or loss on purchase of convertible bonds/notes, representing the difference between the consideration paid and the nominal value of the convertible bonds/notes purchased, is recognised in the income statement.

Revenue and profit recognition

- (a) Revenue and profit on the sales of properties are recognised upon completion of the sale agreements or transfer of risk and reward of ownership, whichever is earlier.
- (b) Income from properties developed for sale is recognised on the execution of a binding sale agreement or when the relevant occupation permit is issued by the respective building authority, whichever is later. Payments received from the purchasers prior to this stage are recorded as deposits received on sales of properties and presented as current liabilities.
- (c) Sales of listed investments are recognised when the title of the investment is transferred and the buyer takes legal possession of the investment.
- (d) Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue and profit recognition *(Continued)*

- (e) Building management and service fee income is recognised on an appropriate basis over the relevant period in which the services are rendered.
- (f) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.
- (g) Where properties are sold under deferred terms, the difference between the sale prices with and without such terms is treated as deferred interest income and is released to the income statement on a straight line basis over the repayment period commencing from the completion of the relevant sales agreements.
- (h) Dividend income from investments is recognised when the Group's rights to receive payment have been established.
- (i) Hotel income is recognised when services are provided.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the approximate rate of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of operations outside Hong Kong which are denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Retirement benefits costs

The retirement benefits costs charged in the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

4. TURNOVER

	2002 HK\$	2001 <i>HK\$</i>
Gross rental income from properties	831,481,466	801,824,816
Sales of investment properties	656,127,000	75,392,000
Sales of properties held for sale	587,750,561	81,363,200
Building management and service fee income	385,110,443	351,342,834
Hotel operations	201,616,565	99,076,418
Dividend income		
listed investments	27,534,104	42,244,406
unlisted investments	11,279,034	24,269,679
Sales of investments in trading securities	6,724,176	1,717
Interest income from loans receivable	5,800,847	14,299,642
	<u>2,713,424,196</u>	<u>1,489,814,712</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions – property, security, financing, hotel and building management and services. These operating divisions are the basis on which the Group reports its primary segment information as follows:

INCOME STATEMENT

For the year ended 30th June, 2002

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$
REVENUE							
Turnover							
Property rental	831,481,466	—	—	—	—	—	831,481,466
Property sales	1,243,877,561	—	—	—	—	—	1,243,877,561
Hotel operations	—	—	—	201,616,565	—	—	201,616,565
Management services	49,886,540	—	—	—	335,223,903	—	385,110,443
Share investment and dealing	—	45,537,314	—	—	—	—	45,537,314
Financing	—	—	5,800,847	—	—	—	5,800,847
	2,125,245,567	45,537,314	5,800,847	201,616,565	335,223,903	—	2,713,424,196
Other income	23,846,900	7,813,949	489,884	2,268,699	26,843,254	—	61,262,686
Inter-segment sales *	—	—	—	—	20,656,524	(20,656,524)	—
Total revenue	<u>2,149,092,467</u>	<u>53,351,263</u>	<u>6,290,731</u>	<u>203,885,264</u>	<u>382,723,681</u>	<u>(20,656,524)</u>	<u>2,774,686,882</u>
SEGMENT RESULT	<u>1,225,463,779</u>	<u>46,849,385</u>	<u>6,290,731</u>	<u>97,393,504</u>	<u>169,681,515</u>	<u>—</u>	<u>1,545,678,914</u>
Unallocated corporate expenses							(804,378,505)
Profit from operations							741,300,409
Net finance costs							(380,443,141)
Share of results of associates	(134,887,334)	(2,679,732)	(483,968)	42,883,500	(3,193,023)	—	(98,360,557)
Profit on disposal of subsidiaries							12,712,419
Profit on disposal of associates							69,611,638
Profit before taxation							344,820,768
Taxation							(89,775,703)
Profit before minority interests							255,045,065
Minority interests							7,742,631
Net profit for the year							<u>262,787,696</u>

* Inter-segment sales were charged on a percentage of costs incurred as agreed between both parties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

BALANCE SHEET

At 30th June, 2002

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$
ASSETS						
Segment assets	24,222,340,539	1,410,918,791	1,468,283,402	1,310,025,379	1,245,880,348	29,657,448,459
Interests in associates	11,085,759,297	(1,500,652)	(1,210,607)	767,547,348	(37,321,252)	11,813,274,134
Consolidated total assets						<u>41,470,722,593</u>
LIABILITIES						
Segment liabilities	6,507,020,776	7,266,997	75,138,315	276,384,585	102,357,509	6,968,168,182
Borrowings						
Segment	4,553,491,086	469,945,716	—	733,072,600	—	5,756,509,402
Corporate						1,559,917,630
Convertible notes						<u>1,465,155,655</u>
Consolidated total liabilities						<u>15,749,750,869</u>

OTHER INFORMATION

For the year ended 30th June, 2002

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$
Amortisation of goodwill	308,611	—	—	8,985,877	—	9,294,488
Capital additions	393,734	—	—	44,172,750	6,241,812	50,808,296
Depreciation	263,366	889,083	—	9,277,978	7,623,140	18,053,567
Hotel property additions	—	—	—	21,293,305	—	21,293,305
Investment property additions	148,224,049	—	—	—	—	148,224,049
Unrealised holding loss on investments in trading securities	—	180,228,233	—	—	—	<u>180,228,233</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

INCOME STATEMENT

For the year ended 30th June, 2001

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$
REVENUE							
Turnover							
Property rental	801,824,816	—	—	—	—	—	801,824,816
Property sales	156,755,200	—	—	—	—	—	156,755,200
Hotel operations	—	—	—	99,076,418	—	—	99,076,418
Management services	45,432,228	—	—	—	305,910,606	—	351,342,834
Share investment and dealing	—	66,515,802	—	—	—	—	66,515,802
Financing	—	—	14,299,642	—	—	—	14,299,642
	1,004,012,244	66,515,802	14,299,642	99,076,418	305,910,606	—	1,489,814,712
Other income	17,704,891	2,376,459	2,751,040	—	39,044,049	—	61,876,439
Inter-segment sales *	—	—	—	—	18,403,860	(18,403,860)	—
Total revenue	<u>1,021,717,135</u>	<u>68,892,261</u>	<u>17,050,682</u>	<u>99,076,418</u>	<u>363,358,515</u>	<u>(18,403,860)</u>	<u>1,551,691,151</u>
SEGMENT RESULT	<u>705,639,480</u>	<u>68,693,860</u>	<u>17,050,682</u>	<u>41,820,173</u>	<u>186,863,899</u>	<u>—</u>	<u>1,020,068,094</u>
Unallocated corporate expenses							(529,752,622)
Profit from operations							490,315,472
Net finance costs							(390,407,572)
Share of results of associates	336,379,033	179,858	(2,254,191)	53,400,000	8,388,727	—	396,093,427
Profit on disposal of associates							77,355,564
Profit before taxation							573,356,891
Taxation							(80,481,062)
Profit before minority interests							492,875,829
Minority interests							(1,194,007)
Net profit for the year							<u>491,681,822</u>

* Inter-segment sales were charged on a percentage of costs incurred as agreed between both parties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

BALANCE SHEET

At 30th June, 2001

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$
ASSETS						
Segment assets	22,862,333,994	1,697,720,903	356,438,686	1,331,611,398	579,792,466	26,827,897,447
Interests in associates	10,582,946,251	10,653,104	(725,965)	708,830,666	(31,922,289)	11,269,781,767
Consolidated total assets						<u>38,097,679,214</u>
LIABILITIES						
Segment liabilities	1,331,482,566	11,605,888	84,091,281	57,788,898	101,192,730	1,586,161,363
Borrowings						
Segment	4,929,212,552	444,280,849	—	696,235,500	—	6,069,728,901
Corporate						1,672,804,864
Convertible bonds						<u>1,117,630,457</u>
Consolidated total liabilities						<u>10,446,325,585</u>

OTHER INFORMATION

For the year ended 30th June, 2001

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$
Amortisation of goodwill	308,611	—	—	8,985,877	—	9,294,488
Capital additions	1,008,631	570,077	—	23,948,048	13,895,397	39,422,153
Depreciation	190,159	1,092,644	—	4,325,098	6,940,472	12,548,373
Investment property additions	229,164,300	—	—	—	—	229,164,300
Unrealised holding loss on investments in trading securities	—	102,399,270	—	—	—	<u>102,399,270</u>

Geographical segments

Most of the activities of the Group are based in Hong Kong and more than 90% of the Group's turnover, profit before taxation, assets and liabilities are derived from Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

6. PROFIT FROM OPERATIONS

	2002 HK\$	2001 HK\$
Profit from operations has been arrived at after charging (crediting):		
Staff costs including Directors' remuneration	411,692,718	364,935,137
Retirement benefits scheme contributions	20,924,363	25,745,392
Total staff costs	<u>432,617,081</u>	<u>390,680,529</u>
Amortisation of goodwill, included in administrative expenses	9,294,488	9,294,488
Auditors' remuneration	1,575,611	1,511,164
Cost of hotel inventories recognised	24,307,804	14,603,406
Depreciation	18,053,567	12,548,373
Loss on disposal of property, plant and equipment	67,954	326,956
Net exchange loss	7,300,968	11,498,834
Recognition of negative goodwill, included in administrative expenses	<u>(2,564,199)</u>	<u>—</u>

7. FINANCE INCOME

	2002 HK\$	2001 HK\$
Interest income on		
advances to associates	84,176,147	218,363,343
advances to investee companies	7,016,695	7,677,945
bank deposits	34,278,031	60,655,214
	<u>125,470,873</u>	<u>286,696,502</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

8. FINANCE COSTS

	2002 HK\$	2001 HK\$
Interest on:		
bank loans and overdrafts wholly repayable		
within five years	179,926,518	254,296,439
other loans wholly repayable within five years	253,821,900	365,425,121
convertible bonds/notes	35,139,814	85,929,103
Provision for premium on redemption of		
convertible bonds	47,927,392	82,559,737
Amortisation of issue costs of convertible bonds/notes	5,565,066	13,500,734
Amortisation of loan arrangement fees	22,031,730	17,484,118
Commitment fees	3,040,601	6,882,671
	<u>547,453,021</u>	<u>826,077,923</u>
Less: Amounts capitalised to properties under		
development	<u>(41,539,007)</u>	<u>(148,973,849)</u>
	<u>505,914,014</u>	<u>677,104,074</u>

9. SHARE OF RESULTS OF ASSOCIATES

For the year ended 30th June, 2002, no impairment loss was recognised for stock of unsold properties of associates by the Group (2001: impairment loss of HK\$300,000,000).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

10. DIRECTORS' REMUNERATION

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Directors' fees:		
Executive Directors	170,000	200,000
Independent Non-executive Directors	120,000	120,000
	<u>290,000</u>	<u>320,000</u>
Other emoluments:		
Executive Directors		
Salaries and other benefits	25,645,602	28,244,236
Contributions to retirement benefits scheme	118,000	164,219
	<u>26,053,602</u>	<u>28,728,455</u>

The remuneration of the Directors was within the following bands:

<i>HK\$</i>	Number of Directors	
	2002	2001
Nil – 1,000,000	2	3
1,000,001 – 1,500,000	1	—
2,500,001 – 3,000,000	1	2
3,500,001 – 4,000,000	1	1
4,000,001 – 4,500,000	3	1
4,500,001 – 5,000,000	—	2
5,000,001 – 5,500,000	1	1
	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group for the year ended 30th June, 2002 and 2001 were all Executive Directors of the Company and details of their emoluments are included in note 10 above.

For the year ended 30th June, 2002 and 2001, no emoluments were paid by the Group to these five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no Director waived any emoluments.

12. TAXATION

	2002 HK\$	2001 HK\$
The charge comprises:		
Hong Kong Profits Tax		
Provision for the year	73,229,538	48,446,702
(Over)under-provision in previous years	<u>(105,468)</u>	<u>21,357,935</u>
Taxation attributable to the Company and its subsidiaries	73,124,070	69,804,637
Share of taxation attributable to associates		
Hong Kong Profits Tax	<u>16,651,633</u>	<u>10,676,425</u>
	<u>89,775,703</u>	<u>80,481,062</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

Details of the potential deferred tax credit not provided for in the year are set out in note 35.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

13. DIVIDENDS

	2002 HK\$	2001 <i>HK\$</i>
Final dividend paid for the year ended 30th June, 2001: HK2 cents (2000: HK5 cents) per share	76,821,664	181,495,097
Interim dividend paid for the year ended 30th June, 2002: HK2 cents (2001: HK2 cents) per share	<u>77,151,732</u>	<u>76,913,023</u>
	<u>153,973,396</u>	<u>258,408,120</u>

During the year, scrip dividends were offered in respect of the 2001 final and 2002 interim dividends. These scrip alternatives were accepted by the majority of shareholders, as follows:

	2002 Interim HK\$	2001 Final <i>HK\$</i>
Dividends:		
Cash	20,958,417	23,243,668
Scrip alternatives	<u>56,193,315</u>	<u>53,577,996</u>
	<u>77,151,732</u>	<u>76,821,664</u>

A final dividend of HK2 cents per share for the year ended 30th June, 2002 (2001: HK2 cents) has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of HK\$262,787,696 (2001: HK\$491,681,822) and on the weighted average number of 3,857,495,004 (2001: 3,729,997,313) ordinary shares in issue throughout the year.

No diluted earnings per share has been compiled and presented for the years ended 30th June, 2002 and 2001 as the effect of the assumed conversion of the Group's outstanding convertible bonds/notes would result in an increase in net profit per share.

The adjustment to comparative basic earnings per share, arising from the effects of adoption of new and revised SSAPs as shown in note 2 above, is as follows:

	<i>HK cents</i>
Reconciliation of basic earnings per share for the year ended 30th June, 2001	
Reported figure before adjustments	13.43
Adjustments arising from adoption of SSAP 30	<u>(0.25)</u>
Restated figure	<u>13.18</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

15. INVESTMENT PROPERTIES

	Investment properties in Hong Kong held under long leases <i>HK\$</i>	Investment properties in Hong Kong held under medium- term leases <i>HK\$</i>	Investment property in Singapore held under a long lease <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP				
VALUATION				
At 1st July, 2001	1,801,000,000	13,747,158,040	349,020,278	15,897,178,318
Transfer from properties under development	—	493,574,677	—	493,574,677
Acquisition of a subsidiary	—	97,000,000	—	97,000,000
Additions	—	42,769,986	8,454,063	51,224,049
Disposal of subsidiaries	—	(28,000,000)	—	(28,000,000)
Disposals	(473,000,000)	(208,827,528)	—	(681,827,528)
Exchange difference	—	—	9,611,203	9,611,203
Deficit on revaluation	(318,000,000)	(1,052,057,455)	(20,156,728)	(1,390,214,183)
At 30th June, 2002	<u>1,010,000,000</u>	<u>13,091,617,720</u>	<u>346,928,816</u>	<u>14,448,546,536</u>

The investment properties of the Group located in Hong Kong and in Singapore are stated at independent professional valuations on an open market value basis at 30th June, 2002 given by Chesterton Petty Limited, Chartered Surveyors, and Knight Frank Pte. Ltd, respectively. The net deficit on revaluation has been charged to the investment property revaluation reserve.

16. HOTEL PROPERTY

	Hotel property in Singapore held under a long lease <i>HK\$</i>
THE GROUP	
COST	
At 1st July, 2001	1,132,935,401
Additions	21,293,305
At 30th June, 2002	<u>1,154,228,706</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

17. PROPERTY, PLANT AND EQUIPMENT

	Computer systems <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP						
COST						
At 1st July, 2001	25,991,118	32,387,896	18,451,712	9,357,725	5,347,724	91,536,175
Additions	10,361,551	36,590,559	194,012	2,899,674	762,500	50,808,296
Disposals	(61,227)	(345,522)	(55,655)	(120,548)	(111,516)	(694,468)
At 30th June, 2002	36,291,442	68,632,933	18,590,069	12,136,851	5,998,708	141,650,003
DEPRECIATION						
At 1st July, 2001	12,623,778	5,939,113	13,389,880	7,857,369	3,877,574	43,687,714
Provided for the year	6,900,519	7,618,198	1,491,572	1,266,274	777,004	18,053,567
Eliminated on disposals	(11,988)	(139,395)	(18,965)	(120,548)	(21,644)	(312,540)
At 30th June, 2002	19,512,309	13,417,916	14,862,487	9,003,095	4,632,934	61,428,741
NET BOOK VALUES						
At 30th June, 2002	16,779,133	55,215,017	3,727,582	3,133,756	1,365,774	80,221,262
At 30th June, 2001	13,367,340	26,448,783	5,061,832	1,500,356	1,470,150	47,848,461

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$	HK\$
		<i>(As restated)</i>
At cost, less impairment loss recognised	41,698,663	41,700,232
Advances to subsidiaries, less impairment losses recognised	<u>21,770,448,440</u>	<u>22,793,728,906</u>
	<u>21,812,147,103</u>	<u>22,835,429,138</u>

The advances to subsidiaries are unsecured and have no fixed repayment terms. Of the advances, HK\$10,455,597,001 (2001: HK\$8,545,021,005) bears interest at prevailing market rates and the remaining balance is interest-free. In the opinion of the Directors, the Company will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

The carrying amount of the advances to subsidiaries is reduced to their recoverable amounts which is determined by reference to the fair value of the underlying assets of the respective subsidiaries. Accordingly, an impairment loss of HK\$915,176,681 (2001: HK\$1,294,736,722) has been recognised by the Company in the current year.

Particulars of the Company's principal subsidiaries at 30th June, 2002 are set out in note 45.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

19. INTERESTS IN ASSOCIATES

	THE COMPANY		THE GROUP	
	2002 HK\$	2001 HK\$ (As restated)	2002 HK\$	2001 HK\$ (As restated)
Unlisted shares, at cost	516,687,715	538,571,229	—	—
Share of net assets	—	—	2,563,270,441	3,700,870,965
Goodwill (Note)	—	—	130,122,840	139,417,328
Negative goodwill (Note)	—	—	(100,003,741)	—
Advance to associates, less impairment losses recognised	74,713,506	418,037,374	9,219,884,594	7,429,493,474
	<u>591,401,221</u>	<u>956,608,603</u>	<u>11,813,274,134</u>	<u>11,269,781,767</u>

Note:

	THE GROUP	
	Goodwill HK\$	Negative goodwill HK\$
GROSS AMOUNT		
At 1st July, 2001	185,889,768	—
Arising from issue of shares by the associate	—	(102,567,940)
At 30th June, 2002	<u>185,889,768</u>	<u>(102,567,940)</u>
AMORTISATION		
At 1st July, 2001	46,472,440	—
Charge for the year	9,294,488	—
Released for the year	—	(2,564,199)
At 30th June, 2002	<u>55,766,928</u>	<u>(2,564,199)</u>
CARRYING AMOUNT		
At 30th June, 2002	<u>130,122,840</u>	<u>(100,003,741)</u>
At 30th June, 2001	<u>139,417,328</u>	<u>—</u>

The amortisation period adopted for goodwill and negative goodwill is 20 years.

The investment properties of the Group's principal associates were valued at independent professional valuations on an open market value basis at 30th June, 2002 given by Chesterton Petty Limited, Chartered Surveyors. The carrying value shown above includes the Group's attributable share of the revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

19. INTERESTS IN ASSOCIATES (Continued)

The advances to associates are unsecured and have no fixed repayment terms. Of the advances, HK\$1,659,828,988 (2001: HK\$670,897,063) bears interest at prevailing market rates and the remaining balance is interest-free. In the opinion of the Directors, the Group will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

Particulars of the Company's principal associates at 30th June, 2002 are set out in note 46.

Information in respect of the operating results and financial position of the Group's significant associates, which have been extracted from the audited consolidated financial statements of Million Success Limited and the audited financial statements of Greenroll Limited which have been adjusted to conform with the Group's accounting policies, are summarised as follows:

	Million Success Limited		Greenroll Limited	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Results for the year				
Turnover	<u>229,543,271</u>	<u>247,696,269</u>	<u>425,228,000</u>	<u>487,084,000</u>
Profit from ordinary activities before taxation	<u>256,554,765</u>	<u>378,399,762</u>	<u>142,945,000</u>	<u>178,000,000</u>
Profit from ordinary activities before taxation attributable to the Group	<u>64,138,691</u>	<u>94,599,941</u>	<u>42,883,500</u>	<u>53,400,000</u>
Financial position				
Non-current assets	<u>11,615,399,768</u>	<u>8,088,913,151</u>	<u>3,370,582,000</u>	<u>2,588,811,000</u>
Current assets	<u>321,675,267</u>	<u>176,021,401</u>	<u>133,890,000</u>	<u>91,238,000</u>
Current liabilities	<u>(262,972,636)</u>	<u>(331,134,463)</u>	<u>(139,872,000)</u>	<u>(76,249,000)</u>
	<u>58,702,631</u>	<u>(155,113,062)</u>	<u>(5,982,000)</u>	<u>14,989,000</u>
Non-current liabilities	<u>(5,788,336,755)</u>	<u>(1,570,223,503)</u>	<u>(892,104,000)</u>	<u>(690,325,000)</u>
Net assets	<u>5,885,765,644</u>	<u>6,363,576,586</u>	<u>2,472,496,000</u>	<u>1,913,475,000</u>
Net assets attributable to the Group	<u>1,471,441,411</u>	<u>1,590,894,147</u>	<u>741,748,800</u>	<u>574,042,500</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

19. INTERESTS IN ASSOCIATES (Continued)

During the year, the Inland Revenue Department (the “IRD”) initiated a tax inquiry for the years of assessment 1994/95 to 2000/01 on a wholly owned subsidiary, Wide Harvest Investment Limited (“WHI”), of the Group’s associate, Million Success Limited (“MSL”). Notices of additional assessments in an amount of approximately HK\$355,000,000 were issued to WHI for the years under review and objections were properly lodged with the IRD by WHI. The effective share of the amount attributable to the Group as at 30th June, 2002 is estimated to be approximately HK\$89,000,000. In view of the tax inquiry is still at its preliminary stage of fact finding and the fact finding process is likely to continue for some time, the ultimate outcome of the tax inquiry, which may not be known for some years, cannot presently be determined by the management of WHI with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made in the financial statements of WHI.

The Directors of the Company have taken note of the above matters and have made due inquiries. Nothing has come to the attention of the Board of Directors of the Company which indicates that there has been material subsequent development or change in status in respect of the above matters.

20. INVESTMENTS IN SECURITIES

THE COMPANY

	Trading securities		Other securities		Total	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Equity securities:						
Listed	483,776,879	661,613,025	594,678,630	568,817,974	1,078,455,509	1,230,430,999
Unlisted	—	—	19,949,305	19,949,305	19,949,305	19,949,305
	483,776,879	661,613,025	614,627,935	588,767,279	1,098,404,814	1,250,380,304
Total:						
Listed						
Hong Kong	483,754,214	661,584,720	378,371,637	393,909,039	862,125,851	1,055,493,759
Elsewhere	22,665	28,305	216,306,993	174,908,935	216,329,658	174,937,240
Unlisted	—	—	19,949,305	19,949,305	19,949,305	19,949,305
	483,776,879	661,613,025	614,627,935	588,767,279	1,098,404,814	1,250,380,304
Market value of listed securities	483,776,879	661,613,025	594,678,630	568,817,974	1,078,455,509	1,230,430,999
Carrying value analysed for reporting purposes as:						
Current	483,776,879	661,613,025	—	—	483,776,879	661,613,025
Non-current	—	—	614,627,935	588,767,279	614,627,935	588,767,279
	483,776,879	661,613,025	614,627,935	588,767,279	1,098,404,814	1,250,380,304

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

20. INVESTMENTS IN SECURITIES (Continued)

THE GROUP

	Trading securities		Other securities		Total	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Equity securities:						
Listed	485,726,879	664,163,025	735,659,096	834,340,328	1,221,385,975	1,498,503,353
Unlisted	—	—	99,545,135	120,172,623	99,545,135	120,172,623
	485,726,879	664,163,025	835,204,231	954,512,951	1,320,931,110	1,618,675,976
Total:						
Listed						
Hong Kong	485,704,214	664,134,720	466,650,799	504,561,193	952,355,013	1,168,695,913
Elsewhere	22,665	28,305	269,008,297	329,779,135	269,030,962	329,807,440
Unlisted	—	—	99,545,135	120,172,623	99,545,135	120,172,623
	485,726,879	664,163,025	835,204,231	954,512,951	1,320,931,110	1,618,675,976
Market value of listed securities	485,726,879	664,163,025	735,659,096	834,340,328	1,221,385,975	1,498,503,353
Carrying value analysed for reporting purposes as:						
Current	485,726,879	664,163,025	—	—	485,726,879	664,163,025
Non-current	—	—	835,204,231	954,512,951	835,204,231	954,512,951
	485,726,879	664,163,025	835,204,231	954,512,951	1,320,931,110	1,618,675,976

21. ADVANCES TO INVESTEE COMPANIES

The advances to investee companies of the Group are unsecured and have no fixed repayment terms. Of the advances, HK\$18,209,914 (2001: HK\$18,436,098) bears interest at prevailing market rates and the remaining balance is interest-free. In the opinion of the Directors, the Group will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

22. LONG-TERM LOANS RECEIVABLE

	THE GROUP	
	2002	2001
	HK\$	HK\$
Total loans receivable	718,173,792	79,413,001
Less: Current portion shown under current assets	(25,558,437)	(2,787,496)
	<u>692,615,355</u>	<u>76,625,505</u>

The Group offers loans to buyers of properties sold by the Group and the repayment of the loans is specified in the respective loan agreements.

23. STOCKS OF UNSOLD PROPERTIES

The amount of stocks of unsold properties of the Group carried at net realisable value is HK\$51,914,313 (2001: HK\$52,056,790).

24. ACCOUNTS AND OTHER RECEIVABLES

Included in accounts and other receivables are trade receivables of HK\$110,246,363 (2001: HK\$113,040,533) mainly comprising rental receivables which are billed in advance and settlements are expected upon receipt of billings.

The following is an aged analysis of trade receivables at the reporting date:

	THE GROUP	
	2002	2001
	HK\$	HK\$
0 – 30 days	51,044,761	52,240,474
31 – 60 days	5,175,369	3,819,254
61 – 90 days	4,053,142	5,193,552
Over 90 days	49,973,091	51,787,253
	<u>110,246,363</u>	<u>113,040,533</u>

Trade receivables over 90 days amounting to HK\$49,973,091 (2001: HK\$51,787,253) are sufficiently covered by rental deposits received from the respective tenants and no provision is required for these receivables under the Group's provision policy.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

25. ACCOUNTS AND OTHER PAYABLES

Included in accounts and other payables are trade payables of HK\$102,519,775 (2001: HK\$60,696,457).

The following is an aged analysis of trade payables at the reporting date:

	THE GROUP	
	2002	2001
	HK\$	HK\$
0 – 30 days	56,781,885	45,753,001
31 – 60 days	27,050,075	4,037,286
61 – 90 days	2,287,755	801,970
Over 90 days	16,400,060	10,104,200
	<u>102,519,775</u>	<u>60,696,457</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

26. LONG-TERM BORROWINGS

	THE COMPANY		THE GROUP	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Unsecured bank loans				
Within one year	—	—	31,198,800	31,200,000
More than one year but not exceeding two years	—	—	187,192,800	31,200,000
More than two years but not exceeding five years	—	—	—	233,990,500
	—	—	218,391,600	296,390,500
Less: Current portion shown under current liabilities	—	—	(31,198,800)	(31,200,000)
	—	—	187,192,800	265,190,500
Secured bank loans				
Within one year	—	—	237,664,400	202,000,000
More than one year but not exceeding two years	—	—	492,664,400	1,155,391,000
More than two years but not exceeding five years	—	—	2,984,531,565	2,024,724,500
	—	—	3,714,860,365	3,382,115,500
Less: Current portion shown under current liabilities	—	—	(237,664,400)	(202,000,000)
	—	—	3,477,195,965	3,180,115,500
Secured other loans				
More than two years but not exceeding five years	—	—	1,814,889,000	2,006,888,998
Unsecured other loans				
More than two years but not exceeding five years	—	—	1,000,000,000	900,000,000
	—	—	2,814,889,000	2,906,888,998
Total bank and other loans	—	—	6,479,277,765	6,352,194,998
Less: Deferred loan arrangement fees (Note 27)	—	—	(36,758,718)	(47,953,184)
	—	—	6,442,519,047	6,304,241,814
Convertible bonds/notes (Note 28)	—	1,122,351,591	1,465,155,655	1,117,630,457
Less: Current portion shown under current liabilities	—	(1,122,351,591)	—	(1,117,630,457)
	—	—	1,465,155,655	—
	—	—	7,907,674,702	6,304,241,814

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

27. DEFERRED LOAN ARRANGEMENT FEES

	THE GROUP	
	2002	2001
	HK\$	HK\$
COST		
At 1st July	79,474,348	55,317,017
Additions	10,837,264	24,157,331
	<hr/>	<hr/>
At 30th June	90,311,612	79,474,348
	<hr/>	<hr/>
AMORTISATION		
At 1st July	31,521,164	14,037,046
Provided for the year	22,031,730	17,484,118
	<hr/>	<hr/>
At 30th June	53,552,894	31,521,164
	<hr/>	<hr/>
Deferred loan arrangement fees at 30th June	36,758,718	47,953,184
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

28. CONVERTIBLE BONDS/NOTES

	THE COMPANY		THE GROUP	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Principal amount:				
At 1st July	891,909,900	2,428,035,500	891,909,900	2,428,035,500
New issue	—	—	1,500,000,000	—
Redemption	(891,909,900)	(1,536,125,600)	(891,909,900)	(1,536,125,600)
At 30th June	—	891,909,900	1,500,000,000	891,909,900
Add: Provision for premium on redemption				
At 1st July	230,441,691	298,492,139	230,441,691	298,492,139
Provided for during the year	—	82,559,737	47,927,392	82,559,737
Written back upon redemption	(230,441,691)	(150,610,185)	(276,492,069)	(150,610,185)
At 30th June	—	230,441,691	1,877,014	230,441,691
Less: Issue costs				
At 1st July	—	—	4,721,134	18,221,868
Addition during the year	—	—	37,565,291	—
Amortised during the year including amounts written back upon redemption	—	—	(5,565,066)	(13,500,734)
At 30th June	—	—	36,721,359	4,721,134
Carrying value at 30th June	—	1,122,351,591	1,465,155,655	1,117,630,457

In April 1997, the Company issued US\$145,000,000 4% convertible bonds due in April 2002 ("2002 Bonds"). The 2002 Bonds carried a right to convert at any time from 18th June, 1997 to 11th April, 2002 into ordinary shares of the Company at an initial conversion price of HK\$8.50 per share (subject to adjustment) with a fixed exchange rate on conversion of HK\$7.749 = US\$1.00. The bonds were redeemable at a premium accruing on a straight line basis over the terms of the bonds up to a maximum of 31% of their face value. During the year, the remaining of the 2002 Bonds in amount of US\$115,100,000 was redeemed on maturity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

28. CONVERTIBLE BONDS/NOTES (Continued)

In June 2002, a wholly-owned subsidiary of the Company, Golden Million Finance Corporation ("Golden Million"), issued HK\$1,500,000,000 3.75% guaranteed convertible notes due in May 2007 ("2007 Notes"). The 2007 Notes carry a right to convert at any time from 20th June, 2002 to 14th May, 2007 into ordinary shares of the Company at an initial conversion price of HK\$4.00 per share (subject to adjustment). All or some of the 2007 Notes are redeemable at the option of the relevant holder at a premium of 3.184% of their outstanding principal amount on 21st May, 2005. Golden Million may redeem all or some of the 2007 Notes at any time during the period from 21st May, 2004 to 21st May, 2007, both dates inclusive, upon satisfying certain requirements. The 2007 Notes are redeemable at a premium of 5.57% of their outstanding principal amount on 21st May, 2007.

29. SHARE CAPITAL

	2002		2001	
	Number of ordinary shares of HK\$1.00 each	Nominal value HK\$	Number of ordinary shares of HK\$1.00 each	Nominal value HK\$
Authorised:				
At 1st July and at 30th June	<u>6,000,000,000</u>	<u>6,000,000,000</u>	<u>6,000,000,000</u>	<u>6,000,000,000</u>
Issued and fully paid:				
At 1st July	3,860,583,211	3,860,583,211	3,629,901,942	3,629,901,942
Private placement	—	—	180,000,000	180,000,000
Issued in lieu of cash dividend	37,928,619	37,928,619	52,181,269	52,181,269
Cancellation upon repurchase of own shares	<u>(24,300,000)</u>	<u>(24,300,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>
At 30th June	<u>3,874,211,830</u>	<u>3,874,211,830</u>	<u>3,860,583,211</u>	<u>3,860,583,211</u>

On 17th December, 2001 and 21st May, 2002, the Company issued and allotted a total of 21,303,378 shares and 16,625,241 shares of HK\$1.00 each at an issue price of HK\$2.515 and HK\$3.380 each in lieu of cash for the 2001 final and 2002 interim dividends pursuant to the scrip dividend circulars despatched to shareholders on 16th November, 2001 and 18th April, 2002, respectively. These shares rank pari passu in all respects with the existing shares.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

29. SHARE CAPITAL (Continued)

During the year, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 24,300,000 ordinary shares of HK\$1.00 each of the Company at an aggregate consideration of HK\$57,599,045, all of these shares were subsequently cancelled. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration was paid out of the retained profits.

30. SHARE PREMIUM AND RESERVES

	Share premium HK\$	Investment revaluation reserve HK\$	Other security revaluation reserve HK\$	Capital redemption reserve HK\$	Retained profits HK\$	Total HK\$
THE COMPANY						
At 1st July, 2000						
As previously stated	8,495,721,378	3,515,773,881	(47,179,631)	99,020,000	10,201,640,648	22,264,976,276
Prior period adjustments (Note 2)	—	(3,515,773,881)	—	—	181,495,097	(3,334,278,784)
As restated	8,495,721,378	—	(47,179,631)	99,020,000	10,383,135,745	18,930,697,492
Premium on issue of shares upon scrip dividend	127,436,311	—	—	—	—	127,436,311
Premium on issue of shares upon private placement	603,000,000	—	—	—	—	603,000,000
Shares issue expenses	(14,761,873)	—	—	—	—	(14,761,873)
Cancellation upon repurchase of own shares	—	—	—	1,500,000	(4,868,553)	(3,368,553)
Deficit on revaluation	—	—	(13,855,976)	—	—	(13,855,976)
Impairment loss charged to income statement	—	—	6,856,943	—	—	6,856,943
Net profit for the year	—	—	—	—	289,559,132	289,559,132
Final dividend – 2000	—	—	—	—	(181,495,097)	(181,495,097)
Interim dividend – 2001	—	—	—	—	(76,913,023)	(76,913,023)
At 30th June, 2001 and 1st July, 2001	9,211,395,816	—	(54,178,664)	100,520,000	10,409,418,204	19,667,155,356
Premium on issue of shares upon scrip dividend	71,842,692	—	—	—	—	71,842,692
Shares issue expenses	(60,100)	—	—	—	—	(60,100)
Cancellation upon repurchase of own shares	—	—	—	24,300,000	(57,599,045)	(33,299,045)
Surplus on revaluation	—	—	19,469,449	—	—	19,469,449
Net profit for the year	—	—	—	—	142,855,800	142,855,800
Final dividend – 2001	—	—	—	—	(76,821,664)	(76,821,664)
Interim dividend – 2002	—	—	—	—	(77,151,732)	(77,151,732)
At 30th June, 2002	9,283,178,408	—	(34,709,215)	124,820,000	10,340,701,563	19,713,990,756

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

30. SHARE PREMIUM AND RESERVES (Continued)

	Share premium HK\$	Investment property revaluation reserve HK\$	Other security revaluation reserve HK\$	Capital redemption reserve HK\$	Exchange reserve HK\$	Retained profits (deficit) HK\$	Total HK\$
THE GROUP							
At 1st July, 2000							
As previously stated	8,495,721,378	8,219,225,128	(289,628,303)	99,020,000	—	6,959,756,314	23,484,094,517
Prior period adjustments (Note 2)	—	—	—	—	—	330,206,913	330,206,913
As restated	8,495,721,378	8,219,225,128	(289,628,303)	99,020,000	—	7,289,963,227	23,814,301,430
Premium on issue of shares upon scrip dividend	127,436,311	—	—	—	—	—	127,436,311
Premium on issue of shares upon private placement	603,000,000	—	—	—	—	—	603,000,000
Shares issue expenses	(14,761,873)	—	—	—	—	—	(14,761,873)
Cancellation upon repurchase of own shares	—	—	—	1,500,000	—	(4,868,553)	(3,368,553)
Surplus (deficit) on revaluation	—	364,072,044	(216,767,062)	—	—	—	147,304,982
Revaluation reserves released on disposal	—	(12,195,631)	—	—	—	—	(12,195,631)
Share of deficit on revaluation of property interest by minority shareholders	—	35,665,732	—	—	—	—	35,665,732
Share of deficit on revaluation of property interests of associates	—	(186,612,555)	—	—	—	—	(186,612,555)
Share of revaluation reserves released on disposal of an associate	—	(77,355,563)	—	—	—	—	(77,355,563)
Share of revaluation reserves released on disposal of property interests of associates	—	(915,178,813)	—	—	—	—	(915,178,813)
Impairment loss charged to income statement	—	—	6,856,943	—	—	—	6,856,943
Exchange rate adjustment	—	—	—	—	10,215,468	—	10,215,468
Net profit for the year	—	—	—	—	—	491,681,822	491,681,822
Final dividend – 2000	—	—	—	—	—	(181,495,097)	(181,495,097)
Interim dividend – 2001	—	—	—	—	—	(76,913,023)	(76,913,023)
At 30th June, 2001 and 1st July, 2001	9,211,395,816	7,427,620,342	(499,538,422)	100,520,000	10,215,468	7,518,368,376	23,768,581,580
Premium on issue of shares upon scrip dividend	71,842,692	—	—	—	—	—	71,842,692
Shares issue expenses	(60,100)	—	—	—	—	—	(60,100)
Cancellation upon repurchase of own shares	—	—	—	24,300,000	—	(57,599,045)	(33,299,045)
Deficit on revaluation	—	(1,390,214,183)	(46,127,198)	—	—	—	(1,436,341,381)
Revaluation reserves released on disposal	—	(445,216,262)	76,055,952	—	—	—	(369,160,310)
Revaluation reserves released on disposal of a subsidiary	—	(12,712,419)	—	—	—	—	(12,712,419)
Share of deficit on revaluation of property interest by minority shareholders	—	39,611,429	—	—	—	—	39,611,429
Share of deficit on revaluation of property interests of associates	—	(319,709,648)	—	—	—	—	(319,709,648)
Share of revaluation reserves released on disposal of associates	—	(68,913,770)	—	—	—	—	(68,913,770)
Impairment loss charged to income statement	—	—	103,107,616	—	—	—	103,107,616
Exchange rate adjustment	—	—	—	—	(7,409,687)	—	(7,409,687)
Net profit for the year	—	—	—	—	—	262,787,696	262,787,696
Final dividend – 2001	—	—	—	—	—	(76,821,664)	(76,821,664)
Interim dividend – 2002	—	—	—	—	—	(77,151,732)	(77,151,732)
At 30th June, 2002	9,283,178,408	5,230,465,489	(366,502,052)	124,820,000	2,805,781	7,569,583,631	21,844,351,257
Including reserves of associates	—	1,791,048,859	—	—	—	(860,229,432)	930,819,427
At 30th June, 2002	—	1,791,048,859	—	—	—	(860,229,432)	930,819,427
At 30th June, 2001	—	2,179,672,777	—	—	—	3,318,029	2,182,990,806

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

30. SHARE PREMIUM AND RESERVES *(Continued)*

Notes:

- (i) At 30th June, 2002, retained profits in the sum of HK\$28,316,019 (2001: HK\$14,922,244) of certain associates attributable to the Group are distributable by way of dividend subject to the prior consent of their bankers.
- (ii) The reserve available for distribution by the Company to the shareholders as at 30th June, 2002 is HK\$10,340,701,563 (2001: HK\$10,409,418,204).

31. ADVANCES FROM ASSOCIATES

The advances from associates of the Group and the Company are unsecured and have no fixed repayment terms. Of the advance of the Group, HK\$244,909,786 (2001: HK\$542,809,950) bears interest at prevailing market rates and the remaining balance is interest-free. The advances will not be repayable within twelve months from the balance sheet date and the advances are therefore shown as non-current.

32. ADVANCES FROM INVESTEE COMPANIES

The advances from investee companies of the Group are unsecured, interest-free and have no fixed repayment terms. The advances will not be repayable within twelve months from the balance sheet date and the advances are therefore shown as non-current.

33. ADVANCES FROM SUBSIDIARIES

The advances from subsidiaries of the Company are unsecured, interest-free and have no fixed repayment terms. The advances will not be repayable within twelve months from the balance sheet date and the advances are therefore shown as non-current.

34. ADVANCE FROM A MINORITY SHAREHOLDER

The advance from a minority shareholder of the Group is unsecured, bears interest at cost of funds plus a margin and has no fixed repayment term. The advance will not be repayable within twelve months from the balance sheet date and the advance is therefore shown as non-current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

35. DEFERRED TAXATION

At the balance sheet date, the major components of the unrecognised deferred tax assets are analysed as follows:

	THE COMPANY		THE GROUP	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences attributable to:				
Unutilised tax losses	181,038,000	185,650,000	381,309,000	329,490,000
Excess of tax allowances over depreciation	—	—	(1,737,000)	(2,255,000)
Other timing differences	—	—	(11,757,000)	(8,427,000)
	<u>181,038,000</u>	<u>185,650,000</u>	<u>367,815,000</u>	<u>318,808,000</u>

No deferred tax asset has been recognised in the financial statements as it is not certain that the asset will be realised in the foreseeable future.

The amount of the unrecognised deferred tax credit (charge) for the year is analysed as follows:

	THE COMPANY		THE GROUP	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences attributable to:				
Tax losses (utilised) incurred	(4,612,000)	13,467,214	51,819,000	66,546,409
Difference between tax allowances and depreciation	—	—	518,000	(125,554)
Other timing differences	—	—	(3,330,000)	1,003,726
	<u>(4,612,000)</u>	<u>13,467,214</u>	<u>49,007,000</u>	<u>67,424,581</u>

No deferred taxation is provided on the surplus on the revaluation of investment properties situated in Hong Kong as future profits arising on the disposal of these assets would not be subject to taxation. The revaluation surplus therefore does not constitute a timing difference for taxation purpose.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

36. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	2002 HK\$	2001 HK\$ <i>(As restated)</i>
Profit before taxation	344,820,768	573,356,891
Share of results of associates	98,360,557	(396,093,427)
Interest income	(125,470,873)	(286,696,502)
Interest expenses	427,349,225	556,676,814
Amortisation of loan arrangement and commitment fees	25,072,331	24,366,789
Amortisation of issue costs of convertible bonds/notes	5,565,066	13,500,734
Depreciation	18,053,567	12,548,373
Amortisation of goodwill	9,294,488	9,294,488
Recognition of negative goodwill	(2,564,199)	—
Impairment loss on investments in other securities	103,107,616	6,856,943
Unrealised holding loss on investments in trading securities	180,228,233	102,399,270
Provision for premium on redemption of convertible bonds	47,927,392	82,559,737
Loss on disposal of investments in other securities	129,255,068	—
Profit on disposal of investment properties	(419,515,734)	(1,347,982)
Loss on disposal of property, plant and equipment	67,954	326,956
Profit on dissolution of an associate	—	(13,376)
Profit on disposal of subsidiaries	(12,712,419)	—
Profit on disposal of associates	(69,611,638)	(77,355,564)
Increase in properties under development	(2,722,275,273)	(1,737,259,151)
Decrease in stocks of unsold properties	13,300,958	91,464,090
Increase in hotel inventories	(2,115,691)	(19,830,630)
Increase in investments in securities	(1,792,087)	—
(Increase) decrease in accounts and other receivables	(28,303,748)	238,132,257
Increase (decrease) in accounts and other payables	4,061,854,746	(1,915,447)
Net change in current accounts with associates	697,664,344	(102,973,382)
Net cash inflow (outflow) from operating activities	<u>2,777,560,651</u>	<u>(912,002,119)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

37. DISPOSAL OF SUBSIDIARIES

	2002 HK\$	2001 HK\$
Net assets disposed of		
Investment properties	28,000,000	—
Interests in associates	32,599,728	—
Accounts and other receivables	656,446	—
Bank balances and cash	2,346,640	—
Accounts and other payables	(9,377,809)	—
Taxation payable	(296,839)	—
Minority interests	(8,526,989)	—
	<u>45,401,177</u>	—
Investment properties revaluation reserve released upon disposal	(12,712,419)	—
Profit on disposal of subsidiaries	12,712,419	—
	<u>45,401,177</u>	—
Satisfied by		
Cash received	<u>45,401,177</u>	—
Net cash inflow arising on disposal		
Cash received	45,401,177	—
Bank balances and cash disposed of	(2,346,640)	—
	<u>43,054,537</u>	—

The subsidiaries disposed of during the year did not contribute significantly to the turnover, operating results or cash flows of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

38. ACQUISITION OF A SUBSIDIARY

On 25th June, 2002, the Group acquired the entire equity interest in Mass Fame Investment Limited at a consideration of HK\$1.

The acquisition has been accounted for using the acquisition method and particulars of the acquisition are:

	2002 HK\$	2001 HK\$
Net assets acquired of		
Investment properties	97,000,000	204,750,000
Property, plant and equipment	—	12,767
Stocks of unsold properties	—	34,137,532
Accounts and other receivables	1,669,892	1,710,770
Bank balances and cash	1,658,545	428,539
Accounts and other payables	(3,769,660)	(56,451,323)
Taxation payable	—	(303,478)
Unsecured loan payable	(96,558,776)	(19,792,891)
	<u>1</u>	<u>164,491,916</u>
Satisfied by		
Cash	1	80,427,192
Interest in an associate	—	84,064,724
	<u>1</u>	<u>164,491,916</u>
Net cash inflow (outflow) arising on acquisition		
Cash consideration	(1)	(80,427,192)
Bank balances and cash acquired	1,658,545	428,539
	<u>1,658,544</u>	<u>(79,998,653)</u>

The subsidiary acquired during the year did not contribute significantly to the turnover, operating results or cash flows of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

39. MAJOR NON-CASH TRANSACTIONS

During the year, properties under development of HK\$493,574,677 (2001: HK\$2,739,570,039) were transferred to investment properties.

On 17th December, 2001 and 21st May, 2002, the Company issued and allotted a total of 21,303,378 shares and 16,625,241 shares of HK\$2.515 and HK\$3.380 each, respectively, in the Company in lieu of cash for the 2001 final and 2002 interim dividends pursuant to the scrip dividend circulars despatched to the shareholders.

40. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital, share premium and capital redemption reserve HK\$	Bank loans, other loans and other long-term liabilities HK\$	Convertible bonds/notes HK\$	Minority interests and advance from a minority shareholder HK\$	Advances from associates HK\$	Advances from investee companies HK\$
At 1st July, 2000	12,224,643,320	5,903,148,688	2,708,305,771	270,241,009	478,928,835	570,034
New secured bank loans	—	2,506,092,069	—	—	—	—
Issue of new shares	783,000,000	—	—	—	—	—
Advances from associates	—	—	—	—	63,881,115	—
Repayments of advances from investee companies	—	—	—	—	—	(496,393)
Advance from a minority shareholder	—	—	—	10,546,817	—	—
Redemption of convertible bonds	—	—	(1,686,735,785)	—	—	—
Repayments of bank loans	—	(656,027,234)	—	—	—	—
Shares issue expenses	(14,761,873)	—	—	—	—	—
Shares issued in lieu of cash dividend	179,617,580	—	—	—	—	—
Amortisation of issue costs	—	—	13,500,734	—	—	—
Provision for premium on redemption	—	—	82,559,737	—	—	—
Minority shareholders' share of						
– profit	—	—	—	1,194,007	—	—
– investment property revaluation deficit	—	—	—	(35,665,732)	—	—
Dividends paid to minority shareholders	—	—	—	(1,900,000)	—	—
Exchange rate adjustments	—	(31,279,500)	—	—	—	—
Addition to deferred loan arrangement fees	—	(24,157,331)	—	—	—	—
Amortisation of deferred loan arrangement fees	—	17,484,118	—	—	—	—
At 30th June, 2001 and 1st July, 2001	13,172,499,027	7,715,260,810	1,117,630,457	244,416,101	542,809,950	73,641
New secured bank loans	—	2,584,530,587	—	—	—	—
Issue of convertible notes	—	—	1,500,000,000	—	—	—
Issue costs of convertible notes	—	—	(37,565,291)	—	—	—
Disposal of a subsidiary	—	—	—	(8,526,989)	—	—
Advances from associates	—	—	—	—	1,161,240,598	—
Advances from investee companies	—	—	—	—	—	1,220,126
Advance from a minority shareholder	—	—	—	9,621,415	—	—
Redemption of convertible bonds	—	—	(1,168,401,969)	—	—	—
Repayments of bank loans	—	(3,019,296,631)	—	—	—	—
Shares issue expenses	(60,100)	—	—	—	—	—
Shares issued in lieu of cash dividend	109,771,311	—	—	—	—	—
Amortisation of issue costs	—	—	5,565,066	—	—	—
Provision for premium on redemption	—	—	47,927,392	—	—	—
Minority shareholders' share of						
– loss	—	—	—	(7,742,631)	—	—
– investment property revaluation deficit	—	—	—	(39,611,429)	—	—
Dividends paid to minority shareholders	—	—	—	(1,600,000)	—	—
Exchange rate adjustments	—	19,173,800	—	—	—	—
Addition to deferred loan arrangement fees	—	(10,837,264)	—	—	—	—
Amortisation of deferred loan arrangement fee	—	22,031,730	—	—	—	—
At 30th June, 2002	13,282,210,238	7,310,863,032	1,465,155,655	196,556,467	1,704,050,548	1,293,767

During the year, the Company repurchased 24,300,000 (2001: 1,500,000) of its own shares at a total consideration of HK\$57,599,045 (2001: HK\$4,868,553).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

41. PLEDGE OF ASSETS

- (a) At 30th June, 2002, the aggregate facilities of bank loans, overdrafts and other loans amounting to HK\$7,986,797,050 (2001: HK\$9,025,589,429) were secured by the Group's listed investments, properties, bank deposits and bank balances. At that date, the facilities were utilised to the extent of HK\$6,134,794,150 (2001: HK\$6,575,287,494).
- (b) At 30th June, 2002, investments and the benefits in the advances to certain associates were pledged or assigned to secure loan facilities made available by banks or financial institutions to such associates. The Group's attributable portion of these facilities amounted to HK\$3,246,286,070 (2001: HK\$5,314,459,891), of which HK\$2,290,321,403 (2001: HK\$4,799,509,891) were utilised, and in respect of the amounts utilised, HK\$2,290,321,403 (2001: HK\$4,475,680,000) was guaranteed by the Company.

42. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date, the Company and the Group had the following commitments and contingent liabilities not provided for in the financial statements:

	THE COMPANY		THE GROUP	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
(a) Commitments in respect of property development expenditure:				
Authorised but not contracted for	—	—	101,831,529	418,688,891
Contracted but not provided for	—	—	2,582,818,009	762,904,815
	<u>—</u>	<u>—</u>	<u>2,684,649,538</u>	<u>1,181,593,706</u>
(b) Guarantees in respect of banking facilities and other liabilities of:				
Subsidiaries				
Utilised	6,628,977,786	5,252,901,921	—	—
Not utilised	2,374,365,100	3,046,645,705	—	—
	<u>9,003,342,886</u>	<u>8,299,547,626</u>	<u>—</u>	<u>—</u>
Associates				
Utilised	2,293,486,403	4,475,680,000	2,293,486,403	4,475,680,000
Not utilised	955,964,667	514,950,000	955,964,667	514,950,000
	<u>3,249,451,070</u>	<u>4,990,630,000</u>	<u>3,249,451,070</u>	<u>4,990,630,000</u>
	<u>12,252,793,956</u>	<u>13,290,177,626</u>	<u>3,249,451,070</u>	<u>4,990,630,000</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

42. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

- (c) On 30th June, 1998, the Company and its wholly-owned subsidiary, Mariner International Hotels Limited ("Mariner") terminated a sale and purchase agreement ("Agreement") entered into by the Company and Mariner on 19th December, 1996 with Hang Lung Development Company Limited ("Hang Lung") and Atlas Limited ("Atlas") and is now the subject of a litigation between the parties. The Agreement was in relation to the acquisition of a company which owns a property in Yau Kom Tau, Tsuen Wan, New Territories which was developed into a hotel. The total consideration payable by Mariner for the purchase is HK\$1,070,000,000, in respect of which deposit and part payments in the total sum of HK\$321,000,000 were paid by Mariner.

On the day of and immediately following the termination of the Agreement by Mariner and the Company, Mariner issued a writ against Hang Lung and Atlas claiming, inter alia, for the return of the deposit paid and part payments made in the total sum of HK\$321,000,000 and damages for breach of contract. Mariner continues to pursue its claims vigorously. Legal proceedings have also been commenced by Atlas against Mariner and the Company by way of counter claim seeking, inter alia, damages in respect of the termination of the Agreement and forfeiture of the above deposit and part payments totalling HK\$321,000,000 made by Mariner under the Agreement.

Pleadings in the actions have been closed and the parties are seeking against each other for further and better recovery and inspection of specific documents. For the year ended 30th June, 2002, there was no material progress on the case and, accordingly, the Directors are of the opinion that it is unlikely that there will be a conclusion to the case within a short period of time. Mariner will vigorously contest its claim and the counterclaim against it and accordingly, no provision either in respect of the deposit or for any contingent liability has been made for the year ended 30th June, 2002.

43. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year, net of outgoings of HK\$100,463,602 (2001: HK\$84,722,402), was HK\$731,017,864 (2001: HK\$717,102,414). Most of the properties held have committed tenants for the next two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts, which fall due:

	2002 HK\$	2001 HK\$
Within one year	578,491,531	631,136,105
In the second to fifth year inclusive	739,804,481	831,666,917
After five years	21,655,730	101,828,294
	<u>1,339,951,742</u>	<u>1,564,631,316</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

44. RELATED PARTY AND CONNECTED TRANSACTIONS

In the ordinary course of business, the Group had the following transactions with related parties:

	2002 HK\$	2001 HK\$
(a) Related companies		
Management fees received therefrom <i>(Note 1)</i>	<u>698,630</u>	<u>2,500,147</u>
(b) Associates		
Interest income received therefrom <i>(Note 2)</i>	84,176,147	218,363,343
Interest expenses paid thereto <i>(Note 2)</i>	<u>27,788,136</u>	<u>68,968,754</u>

Mr. Robert Ng Chee Siong, Director of the Company, was interested in these transactions as a director of the above mentioned related parties.

(c) Acquisition of Shares and Loans

- (i) On 15th November, 2001, the Company's wholly-owned subsidiary, Sino Land (Shanghai) Company Limited ("SL-Shanghai") entered into agreements with Shanghai Square Pte Ltd ("Shanghai Square") for the acquisition by SL-Shanghai, or by its nominee, of 200,000 ordinary shares in Hua Qing Holdings Pte Ltd ("Hua Qing"), being 20% of the issued ordinary shares thereof at a consideration of S\$200,000 (or HK\$0.9 million) and for taking up by SL-Shanghai, or by its nominee, the assignment of the shareholder's loans of S\$0.06 million (or HK\$0.3 million) and US\$29.4 million (or HK\$228.4 million) (together with accrued interest thereon) due from Hua Qing to Shanghai Square at a consideration of US\$20.9 million (or HK\$162.5 million).

The acquisitions of shares and loans were completed on 18th December, 2001 in accordance with the respective terms of the agreements by the Company's another wholly-owned subsidiary, Vasilon Pte Ltd. as the purchaser in place of SL-Shanghai.

Shanghai Square is a wholly-owned subsidiary of Orchard Parade Holdings Limited ("Orchard Parade"). Mr. Ng Teng Fong is a common substantial shareholder of the Company and Orchard Parade and is therefore a connected party to the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). As such, the above transactions constituted connected transactions for the Company.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

44. RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

(c) Acquisition of Shares and Loans *(Continued)*

(i) *(Continued)*

The acquisitions of shares and loans in Hua Qing enable the Company to hold a 19% effective interest in Raffles City project in Shanghai, thus allowing the Company to have an immediate and quality investment in a major and rapidly developing city in the People's Republic of China (the "PRC") and enhancing the Company's portfolio of development properties in the PRC. The Company also benefits from partnering shareholders with reputable entities. In addition, the aggregate consideration of the acquisitions of shares and loans is at a discount to the market value of the Raffles City project and to the book value of Hua Qing.

- (ii) On 25th June, 2002, the Company's wholly-owned subsidiaries, King Chance Development Limited ("King Chance") and Sing-Ho Finance Company Limited ("Sing-Ho Finance") entered into an agreement with Millwood Limited ("Millwood") and Cliveden Finance Company Limited ("Cliveden Finance") whereby: (a) King Chance agreed to acquire 100,000 shares of Mass Fame Investment Limited ("Mass Fame"), being 100% of the issued shares thereof, from Millwood at a consideration of HK\$1; and (b) Sing-Ho Finance agreed to take up the assignment from Cliveden Finance of a loan of HK\$98,815,848 due by Mass Fame to Cliveden Finance at a consideration of HK\$96,558,776. Mass Fame indirectly held 100% interest in an industrial building, Sunley Centre.

The acquisitions of shares and loans were completed on 25th June, 2002 in accordance with their respective terms.

Millwood and Cliveden Finance are both indirect wholly-owned subsidiaries of Boswell Holdings Limited ("Boswell"), in which Mr. Robert Ng Chee Siong, being the Chairman and Executive Director of the Company, has a 50% interest. Boswell is an associate of Mr. Ng, and therefore, a connected party to the Company under the Listing Rules. As such, the above transactions constituted connected transactions for the Company.

The acquisitions of shares and loans enable the Company to hold Sunley Centre, thus increasing and enhancing its industrial property portfolio, and also provide an opportunity for the Company to maximize the value of the property. The Company also benefits from economy of scale with the leasing and management expertise in industrial properties.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

44. RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

(d) Disposal of Shares and Loans

- (i) On 25th June, 2002, the Company and Sing-Ho Finance entered into an agreement with Gornik Securities Limited (“Gornik”) and Seaview Finance Company Limited (“Seaview Finance”) whereby: (a) the Company agreed to sell 2 shares in Maba Trading S.A. (“Maba”), being 100% of the issued shares thereof, to Gornik at a consideration of HK\$32,610,693; (b) Sing-Ho Finance agreed to assign to Seaview Finance a loan of HK\$9,521,342 due by Prestige Development Limited to Sing-Ho Finance on a dollar for dollar basis; and (c) Sing-Ho Finance agreed to assign to Seaview Finance a loan of HK\$8,878,650 due by Pariv Limited to Sing-Ho Finance on a dollar for dollar basis. Maba indirectly holds a 50% interest in the carparking spaces and a few unsold residential units of Miami Beach Towers Phase I and carparking spaces of Miami Beach Towers Phase II.
- (ii) On the same day, King Chance and Sing-Ho Finance entered into an agreement with Osborne Investments Ltd. (“Osborne”) and Seaview Finance whereby: (a) King Chance agreed to sell 500,000 shares in Lead Talent Investment Limited (“Lead Talent”), being 50% of the issued shares thereof, to Osborne at a consideration of HK\$7,120,032; and (b) Sing-Ho Finance agreed to assign to Seaview Finance a loan of HK\$13,740,449 due by Lead Talent to Sing-Ho Finance on a dollar for dollar basis. Lead Talent holds certain carparking spaces of Villa Oceania.
- (iii) On the same day, King Chance and Sing-Ho Finance entered into an agreement with Osborne and Seaview Finance whereby: (a) King Chance agreed to sell 60,000 shares in Allways Success Development Limited (“Allways Success”), being 60% of the issued shares thereof, to Osborne at a consideration of HK\$12,790,484; and (b) Sing-Ho Finance agreed to assign to Seaview Finance a loan of HK\$5,108,686 due by Allways Success to Sing-Ho Finance on a dollar for dollar basis. Allways Success holds the interest in certain carparking spaces of Serenity Park Phase I.

The disposals of shares and loans were all completed on 25th June, 2002 in accordance with their respective terms.

Gornik, Seaview Finance and Osborne are all indirect wholly-owned subsidiaries of Boswell, in which Mr. Robert Ng Chee Siong, being the Chairman and Executive Director of the Company, has a 50% interest. Boswell is an associate of Mr. Ng, and therefore, a connected party to the Company under the Listing Rules. As such, the above transactions constituted connected transactions for the Company.

The disposals of shares and loans allow the Company to dispose of the interest in the carparking spaces of Miami Beach Towers Phase I and Phase II, Villa Oceania, and Serenity Park Phase I, as the Company does not have controlling interest in these properties.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

44. RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

- (e) During the year, the Group made advances totaling HK\$23,000,302 to its 70% owned subsidiary, Firm Wise Investment Limited ("Firm Wise"), to finance the development and operating cost of the property, the Centrium. The advances are unsecured, bear interest at cost of funds plus a margin and have no fixed repayment term. The advances made are proportional to the shareholding interest of the Group in Firm Wise, the remaining share interests in which are held by an independent third party which is connected to the Group only through its substantial shareholding in Firm Wise.

Details of the balances with associates at the balance sheet date are set out in the balance sheets and in notes 19 and 31.

Notes:

- (1) Management fees were charged on a cost-plus-profit margin basis agreed between the Group and the related party.
- (2) Interest income and expenses were charged at cost of funds plus margin basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

45. PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries which materially affect the results or assets and liabilities of the Group.

A complete list of all the subsidiaries will be annexed to the Company's next annual return.

Name	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Direct:</i>					
Best Result Cleaning Services Limited	Hong Kong	Ordinary	HK\$2	100	Cleaning services
Fu King Investment Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Investment holding
Glorypark Limited	Hong Kong	Ordinary	HK\$1,000	100	Property investment
Golden Million Finance Corporation	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Financing
King Chance Development Limited	Hong Kong	Ordinary	HK\$2	100	Investment holding
Landscape Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Prime Reward Finance Limited	Hong Kong	Ordinary	HK\$2	100	Financing
Serenity Park Building Management Limited	Hong Kong	Ordinary	HK\$10	60	Building management
Sharp Rise Company Limited	Hong Kong	Ordinary	HK\$2	100	Property trading
Sing-Ho Finance Company Limited	Hong Kong	Ordinary	HK\$30,000,000	100	Financing

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Direct (Continued):</i>					
Sing-Ho Security Services Limited	Hong Kong	Ordinary	HK\$2	100	Security services
Sino Administration Services Limited	Hong Kong	Ordinary	HK\$3	100	Administration services
Sino Estates Management Limited	Hong Kong	Ordinary	HK\$2	100	Building management
Sino Estates Services Limited	Hong Kong	Ordinary	HK\$20	100	Building management
<i>Indirect:</i>					
Ackerley Estates Limited	Hong Kong	Ordinary	HK\$20,000,000	100	Property investment
Active Success Development Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Advance Profit Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Alfaso Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Allways Success Finance Limited	Hong Kong	Ordinary	HK\$10	60	Mortgage loan financing
Apex Speed Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Beauty Plaza Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Best Origin Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Better Sino Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Century Profit Limited	Hong Kong	Ordinary	HK\$2	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Indirect (Continued):</i>					
Cheer Result Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Dragon View (HK) Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
e.Sino Company Limited	Hong Kong	Ordinary	HK\$2	100	Investment holding
Elegant Lane Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Enterpreneurs United Land and Property Development Limited	Hong Kong	Ordinary	HK\$14,000,000	100	Property investment
Entertainment City Limited	Hong Kong	Ordinary	HK\$4,500,000	100	Property investment
Ever Champion Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading
Famous General Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Famous Palace Properties Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Firm Wise Investment Limited	Hong Kong	Ordinary	HK\$10	70	Property investment
Forlink Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Fortune Garden Inc.	Republic of Liberia/ Hong Kong	Registered/ Bearer	US\$1	100	Share investment
Free Champion Limited	Hong Kong	Ordinary	HK\$2	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

45. PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Indirect (Continued):</i>					
Fung Yuen Construction Company Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Building construction
Glenery Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Globaland Development Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Global Honest Finance Limited	Hong Kong	Ordinary	HK\$2	100	Mortgage loan financing
Golden Leaf Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Grand Idea Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Grandeal Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Great Land (HK) Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Property trading and investment
Handsome Lift Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Harvestrade Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property trading and investment
Hickson Limited	Hong Kong	Ordinary	HK\$20	100	Property investment
High Elite Finance Limited	Hong Kong	Ordinary	HK\$2	100	Mortgage loan financing
High Elite Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2002

45. PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Indirect (Continued):</i>					
Jade Pine Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Jade Queen Properties Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Kingdom Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Land Success Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Lucky Fortress Inc.	Republic of Liberia/ Hong Kong	Registered/ Bearer	US\$1	100	Share investment
Mackey Limited	Hong Kong	Ordinary	HK\$100	100	Property development
Mander Investment Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Mass Success Limited	Hong Kong	Ordinary	HK\$1,000	55	Property trading
Morbest Profits Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Multipurpose Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property trading and investment
Octerworth Enterprises Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Peace Success Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Indirect (Continued):</i>					
Perfect Sun Properties Limited	Hong Kong	Ordinary	HK\$2	100	Property development
port88 Limited	Hong Kong	Ordinary	HK\$2	100	Internet services provider
Precious Land Pte. Limited	Singapore	Ordinary	S\$2	100	Property development
Precious Treasure Pte Ltd	Singapore	Ordinary	S\$20,000,000	100	Hotel operation and property investment
Pridegate (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Primewin Properties Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Rankchief Company Limited	Hong Kong	Ordinary	HK\$200	100	Property trading
Real Maker Development Limited	Hong Kong	Ordinary	HK\$200,000	90	Property investment
Regent Profit Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Rich Tact International (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Saky Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Salia Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Sidak Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property trading and investment

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Indirect (Continued):</i>					
Silver Palm Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Sino Broadband Technology Limited	Hong Kong	Ordinary	HK\$2	100	Broadband infrastructure
Sino Estates Management (China) Limited	Hong Kong/ The People's Republic of China	Ordinary	HK\$2	100	Building management
Sino Land Finance Limited	Hong Kong	Ordinary	HK\$2	100	Deposit placing
Sino Land Investment (Holdings) Ltd.	Cayman Islands/ Hong Kong	Ordinary	US\$6,000,000	100	Investment holding
Sino Technology Corporation Limited	Hong Kong	Ordinary	HK\$2	100	High technology business
Standard Union Investment Limited	Hong Kong	Ordinary	HK\$2	100	Share investment
Success One Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Sunair Investment Company Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Sunny Force Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Super One Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Sunrise Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Ten Treasure Limited	Hong Kong	Ordinary	HK\$2	100	Property development

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Indirect (Continued):</i>					
Thousand Growth Development Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Timeshare Development (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Trans China Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Triple Reach International (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Union Development Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Vasilon Pte Ltd	Singapore	Ordinary	S\$2	100	Investment holding
Weiland Development Company Limited	Hong Kong	Ordinary	HK\$33,140,000	100	Property investment
Wendia Limited	Hong Kong	Ordinary	HK\$20	100	Property investment
Wicorp Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading
Will Glory Company (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
World Empire Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment

Except for the convertible notes of a subsidiary as disclosed in note 28, none of the subsidiaries had any debt securities outstanding at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

46. PRINCIPAL ASSOCIATES

The Directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the following list contains only the particulars of associates which materially affect the results of the year or form a substantial portion of the net assets of the Group.

A complete list of all the associates will be annexed to the Company's next annual return.

Name	Place of incorporation/ operation	Class of share held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
Asian Success Investments Limited	Hong Kong	Ordinary	—	33.3	33.3	Property development
Astoria Estate Management Company Limited	Hong Kong	Ordinary	—	50	50	Building management
Benefit Bright Limited	Hong Kong	Ordinary	—	42.5	42.5	Property trading and investment
Better Chief Limited	Hong Kong	Ordinary	50	—	50	Property investment
Beverhill Limited	Hong Kong	Ordinary	—	20	20	Property investment
Boatswain Enterprises Limited	Hong Kong	Ordinary	—	20	20	Property investment
Brisbane Trading Company Limited	Hong Kong	Ordinary and Non-voting Deferred	—	50	50	Property development
Cheer City Properties Limited	Hong Kong	Ordinary	—	20	20	Property investment
C.H.K.C. Building Management Limited	Hong Kong	Ordinary	—	25	25	Building management
Cosmos Door Limited	Hong Kong	Ordinary	—	50	50	Property investment
Credit World Limited	Hong Kong	Ordinary	—	20	20	Property trading
Direct Win Development Limited	Hong Kong	Ordinary	—	33.3	33.3	Property development
Dramstar Company Limited	Hong Kong	Ordinary	—	22	22	Property trading

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

46. PRINCIPAL ASSOCIATES *(Continued)*

Name	Place of incorporation/ operation	Class of share held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
Empire Funds Limited	Hong Kong	Ordinary	—	50	50	Property trading
Eternal Honest Finance Company Limited	Hong Kong	Ordinary	—	50	50	Mortgage loan financing
Famous Empire Finance Limited	Hong Kong	Ordinary	—	40	40	Mortgage loan financing
Famous Empire Properties Limited	Hong Kong	Ordinary	—	40	40	Property trading and investment
Finedale Industries Limited	Hong Kong	Ordinary	—	33.3	33.3	Property investment
Gloryland Limited	Hong Kong	Ordinary	—	33.3	33.3	Property investment
Golden Famous International Limited	Hong Kong	Ordinary	—	25	25	Property development
Grace Sign Limited	Hong Kong	Ordinary	—	30	30	Property development
Grand Palisades Finance Company Limited	Hong Kong	Ordinary	—	20	20	Mortgage loan financing
Greenroll Limited	Hong Kong	Ordinary	—	30	30	Property investment
Harvet Sun Limited	Hong Kong	Ordinary	—	30	30	Property trading and investment
Hua Qing Holdings Pte Ltd	Singapore	Ordinary	—	20	20	Investment holding
Island Resort Estate Management Company Limited	Hong Kong	Ordinary	—	50	50	Building management
Jumbo Funds Limited	Hong Kong	Ordinary	—	50	50	Property investment
Kotachi Limited	Hong Kong	Ordinary	50	—	50	Property investment
Lead Bright Finance Limited	Hong Kong	Ordinary	—	20	20	Mortgage loan financing

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

46. PRINCIPAL ASSOCIATES *(Continued)*

Name	Place of incorporation/ operation	Class of share held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
Lead Bright Limited	Hong Kong	Ordinary	—	20	20	Property trading
Million Success Limited	Hong Kong	Ordinary	—	25	25	Property investment
More Treasure Company Limited	Hong Kong	Ordinary	—	25	25	Property investment
Murdoch Investments Inc.	Republic of Panama/ Hong Kong	Ordinary	—	45	45	Property investment
Olympian City 1 (Project Management) Limited	Hong Kong	Ordinary	—	30	30	Project management
Olympian City 2 (Project Management) Limited	Hong Kong	Ordinary	—	42.5	42.5	Project management
Perfect Finance Limited	Hong Kong	Ordinary	—	50	50	Mortgage loan financing
Prime Force Limited	Hong Kong	Ordinary	—	50	50	Property development
Pui Hay Enterprises Limited	Hong Kong	Ordinary	—	50	50	Property trading
Rich Century Investment Limited	Hong Kong	Ordinary	50	—	50	Property development
Silver Link Investment Limited	Hong Kong	Ordinary	—	40	40	Property trading and investment
Sino Parking Services Limited	Hong Kong	Ordinary	50	—	50	Carpark operation
Sino Real Estate Agency Limited	Hong Kong	Ordinary	50	—	50	Real estate agency

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2002

46. PRINCIPAL ASSOCIATES *(Continued)*

Name	Place of incorporation/ operation	Class of share held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
Tat Lee Construction Company Limited	Hong Kong	Ordinary	25	—	25	Building construction
Victory World Finance Limited	Hong Kong	Ordinary	—	50	50	Mortgage loan financing
Victory World Limited	Hong Kong	Ordinary	—	50	50	Property trading and investment
Wide Harvest Investment Limited	Hong Kong	Ordinary	—	25	25	Property investment
Win Chanford Enterprises Limited	Hong Kong	Ordinary	5	45	50	Property investment