

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2003

## 1. GENERAL

The Company is a listed public limited liability company incorporated 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. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of a statement of changes in equity, but had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### Foreign currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of subsidiaries outside Hong Kong at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

### Cash flow statements

In the current year, the Group adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating, investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of subsidiaries outside Hong Kong have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

### Employee benefits

In the current year, the Group adopted SSAP 34 "Employee benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

### 3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment 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 a subsidiary or 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. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

#### **Investments in subsidiaries**

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

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### **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 the premium paid and less any discount on acquisition in so far as it has not already been amortised or released to income, less any identified impairment loss.

In the Company's balance sheet, investments in associates are stated at cost, less 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 net 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 previously recognised in equity is included in the net 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 arising 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 on 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.

On disposal of an investment property, the balance on 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 twenty years or less.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### **Hotel property**

Hotel property is stated at cost and no depreciation is provided on hotel property held on leases of more than twenty 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 sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### **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 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.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### **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 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.

#### **Deferred loan arrangement fees**

Deferred loan arrangement fees 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 notes**

Convertible 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 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 noteholders can exercise their redemption option (the "noteholders' redemption date"). If any of the convertible notes are purchased and cancelled, redeemed or converted prior to the noteholders' redemption date, any remaining unamortised costs attributable to the convertible notes purchased will be written off immediately to the income statement.

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

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

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### **Revenue and profit recognition**

- (a) Revenue and profit on the sales of properties are recognised upon completion of the sales 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.
- (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 the resulting 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense as they fall due.

### 4. TURNOVER

|  | 2003<br>HK\$         | 2002<br>HK\$         |
|--|----------------------|----------------------|
| Sales of properties held for sale          | 2,523,490,191        | 587,750,561          |
| Gross rental income from properties        | 857,342,234          | 857,062,710          |
| Building management and service fee income | 392,981,569          | 385,110,443          |
| Hotel operations                           | 196,670,559          | 201,616,565          |
| Interest income from loans receivable      | 102,321,162          | 5,800,847            |
| Sales of investment properties             | 92,233,000           | 656,127,000          |
| Dividend income                            |                      |                      |
| listed investments                         | 58,427,125           | 49,938,568           |
| unlisted investments                       | 10,529,661           | 11,279,034           |
| Sales of investments in trading securities | 3,399,056            | 10,749,889           |
|  | <u>4,237,394,557</u> | <u>2,765,435,617</u> |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 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, 2003

|                                    | Property<br>HK\$     | Security<br>HK\$  | Financing<br>HK\$  | Hotel<br>HK\$      | Building<br>management<br>and services<br>HK\$ | Elimination<br>HK\$ | Consolidated<br>HK\$ |
|------------------------------------|----------------------|-------------------|--------------------|--------------------|--|---------------------|----------------------|
| <b>REVENUE</b>                     |                      |                   |                    |                    |  |                     |                      |
| Turnover                           |                      |                   |                    |                    |  |                     |                      |
| Property rental                    | 857,342,234          | —                 | —                  | —                  | —  | —                   | 857,342,234          |
| Property sales                     | 2,615,723,191        | —                 | —                  | —                  | —  | —                   | 2,615,723,191        |
| Hotel operations                   | —                    | —                 | —                  | 196,670,559        | —  | —                   | 196,670,559          |
| Management services                | 61,551,606           | —                 | —                  | —                  | 331,429,963                                    | —                   | 392,981,569          |
| Share investment and dealing       | —                    | 72,355,842        | —                  | —                  | —  | —                   | 72,355,842           |
| Financing                          | —                    | —                 | 102,321,162        | —                  | —  | —                   | 102,321,162          |
|                                    | <u>3,534,617,031</u> | <u>72,355,842</u> | <u>102,321,162</u> | <u>196,670,559</u> | <u>331,429,963</u>                             | <u>—</u>            | <u>4,237,394,557</u> |
| Other operating income             | 22,509,300           | 1,770,617         | 273,909            | —                  | 30,520,681                                     | —                   | 55,074,507           |
| Inter-segment sales *              | —                    | —                 | —                  | —                  | 23,919,078                                     | (23,919,078)        | —                    |
| Total revenue                      | <u>3,557,126,331</u> | <u>74,126,459</u> | <u>102,595,071</u> | <u>196,670,559</u> | <u>385,869,722</u>                             | <u>(23,919,078)</u> | <u>4,292,469,064</u> |
| <b>SEGMENT RESULT</b>              | <u>989,158,310</u>   | <u>71,976,772</u> | <u>102,595,071</u> | <u>77,064,213</u>  | <u>177,318,702</u>                             | <u>—</u>            | <u>1,418,113,068</u> |
| Unallocated corporate expenses     |                      |                   |                    |                    |  |                     | (906,942,247)        |
| Profit from operations             |                      |                   |                    |                    |  |                     | 511,170,821          |
| Net finance costs                  |                      |                   |                    |                    |  |                     | (538,311,757)        |
| Share of results of associates     | (104,642,853)        | 69,209            | (1,434,347)        | 26,049,520         | 5,287,586                                      | —                   | (74,670,885)         |
| Profit on disposal of an associate |                      |                   |                    |                    |  |                     | 30,528,060           |
| Loss before taxation               |                      |                   |                    |                    |  |                     | (71,283,761)         |
| Taxation                           |                      |                   |                    |                    |  |                     | (77,264,671)         |
| Loss before minority interests     |                      |                   |                    |                    |  |                     | (148,548,432)        |
| Minority interests                 |                      |                   |                    |                    |  |                     | (19,101,163)         |
| Net loss for the year              |                      |                   |                    |                    |  |                     | <u>(167,649,595)</u> |

\* Inter-segment sales were charged at costs plus margin basis as agreed between both parties.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

##### BALANCE SHEET

At 30th June, 2003

|                                   | Property<br>HK\$ | Security<br>HK\$ | Financing<br>HK\$ | Hotel<br>HK\$ | Building<br>management<br>and services<br>HK\$ | Consolidated<br>HK\$  |
|-----------------------------------|------------------|------------------|-------------------|---------------|--|-----------------------|
| <b>ASSETS</b>                     |                  |                  |                   |               |  |                       |
| Segment assets                    | 24,663,663,755   | 2,015,363,876    | 1,048,918,082     | 1,680,301,405 | 832,973,295                                    | 30,241,220,413        |
| Interests in associates           | 10,368,732,728   | 36,861,313       | (2,644,980)       | 790,143,568   | (41,356,951)                                   | 11,151,735,678        |
| Negative goodwill                 |                  |                  |                   |               |  | (850,128,639)         |
| Unallocated corporate assets      |                  |                  |                   |               |  | 31,436,908            |
| Consolidated total assets         |                  |                  |                   |               |  | <u>40,574,264,360</u> |
| <b>LIABILITIES</b>                |                  |                  |                   |               |  |                       |
| Segment liabilities               | 5,550,272,792    | 31,718,632       | 402,007,720       | 264,186,275   | 120,889,457                                    | 6,369,074,876         |
| Borrowings                        |                  |                  |                   |               |  |                       |
| Segment                           | 4,861,333,773    | 5,399,766,353    | —                 | 732,319,500   | —  | 10,993,419,626        |
| Corporate                         |                  |                  |                   |               |  | 2,596,330,151         |
| Convertible notes                 |                  |                  |                   |               |  | 1,489,378,714         |
| Unallocated corporate liabilities |                  |                  |                   |               |  | 106,226,695           |
| Consolidated total liabilities    |                  |                  |                   |               |  | <u>21,554,430,062</u> |

##### OTHER INFORMATION

For the year ended 30th June, 2003

|  | Property<br>HK\$ | Security<br>HK\$ | Financing<br>HK\$ | Hotel<br>HK\$ | Building<br>management<br>and services<br>HK\$ | Consolidated<br>HK\$ |
|--|------------------|------------------|-------------------|---------------|--|----------------------|
| Amortisation of goodwill                                     | 308,611          | —                | —                 | 8,985,877     | —  | 9,294,488            |
| Capital additions  | 794,428          | 5,095            | —                 | 2,282,809     | 5,439,097                                      | 8,521,429            |
| Depreciation   | 414,895          | 970,170          | —                 | 7,968,960     | 7,421,572                                      | 16,775,597           |
| Hotel property additions                                     | —                | —                | —                 | 24,349,375    | —  | 24,349,375           |
| Impairment loss on investments in other securities           | —                | 252,397,016      | —                 | —             | —  | 252,397,016          |
| Investment property additions                                | 27,797,214       | —                | —                 | —             | —  | 27,797,214           |
| Unrealised holding loss on investments in trading securities | —                | 281,778,373      | —                 | —             | —  | 281,778,373          |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

#### INCOME STATEMENT

For the year ended 30th June, 2002

|                                    | Property<br>HK\$     | Security<br>HK\$  | Financing<br>HK\$ | Hotel<br>HK\$      | Building<br>management<br>and services<br>HK\$ | Elimination<br>HK\$ | Consolidated<br>HK\$       |
|------------------------------------|----------------------|-------------------|-------------------|--------------------|--|---------------------|----------------------------|
| REVENUE                            |                      |                   |                   |                    |  |                     |                            |
| Turnover                           |                      |                   |                   |                    |  |                     |                            |
| Property rental                    | 857,062,710          | —                 | —                 | —                  | —  | —                   | 857,062,710                |
| 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       | —                    | 71,967,491        | —                 | —                  | —  | —                   | 71,967,491                 |
| Financing                          | —                    | —                 | 5,800,847         | —                  | —  | —                   | 5,800,847                  |
|                                    | 2,150,826,811        | 71,967,491        | 5,800,847         | 201,616,565        | 335,223,903                                    | —                   | 2,765,435,617              |
| Other operating income             | 23,846,900           | 8,840,063         | 489,884           | 2,268,699          | 26,843,254                                     | —                   | 62,288,800                 |
| Inter-segment sales *              | —                    | —                 | —                 | —                  | 20,656,524                                     | (20,656,524)        | —                          |
| Total revenue                      | <u>2,174,673,711</u> | <u>80,807,554</u> | <u>6,290,731</u>  | <u>203,885,264</u> | <u>382,723,681</u>                             | <u>(20,656,524)</u> | <u>2,827,724,417</u>       |
| SEGMENT RESULT                     | <u>1,242,483,322</u> | <u>69,423,575</u> | <u>6,290,731</u>  | <u>97,393,504</u>  | <u>169,681,515</u>                             | <u>—</u>            | <u>1,585,272,647</u>       |
| Unallocated corporate expenses     |                      |                   |                   |                    |  |                     | <u>(883,879,302)</u>       |
| Profit from operations             |                      |                   |                   |                    |  |                     | 701,393,345                |
| Net finance costs                  |                      |                   |                   |                    |  |                     | (504,157,001)              |
| Share of results of associates     | (135,195,945)        | (2,679,732)       | (483,968)         | 36,461,822         | (3,193,023)                                    | —                   | (105,090,846)              |
| Profit on disposal of subsidiaries |                      |                   |                   |                    |  |                     | 12,712,419                 |
| Profit on disposal of associates   |                      |                   |                   |                    |  |                     | <u>69,611,638</u>          |
| Profit before taxation             |                      |                   |                   |                    |  |                     | 174,469,555                |
| Taxation                           |                      |                   |                   |                    |  |                     | <u>(89,815,320)</u>        |
| Profit before minority interests   |                      |                   |                   |                    |  |                     | 84,654,235                 |
| Minority interests                 |                      |                   |                   |                    |  |                     | <u>(118,719,123)</u>       |
| Net loss for the year              |                      |                   |                   |                    |  |                     | <u><u>(34,064,888)</u></u> |

\* Inter-segment sales were charged at costs plus margin basis as agreed between both parties.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

##### BALANCE SHEET

At 30th June, 2002

|                                   | Property<br>HK\$ | Security<br>HK\$ | Financing<br>HK\$ | Hotel<br>HK\$ | Building<br>management<br>and services<br>HK\$ | Consolidated<br>HK\$  |
|-----------------------------------|------------------|------------------|-------------------|---------------|--|-----------------------|
| <b>ASSETS</b>                     |                  |                  |                   |               |  |                       |
| Segment assets                    | 24,294,240,451   | 2,153,203,483    | 1,459,558,713     | 1,310,025,379 | 1,245,857,340                                  | 30,462,885,366        |
| Interests in associates           | 11,118,769,849   | (1,500,652)      | (1,210,607)       | 767,547,348   | (37,319,934)                                   | 11,846,286,004        |
| Negative goodwill                 |                  |                  |                   |               |  | (612,494,477)         |
| Unallocated corporate assets      |                  |                  |                   |               |  | 16,273,646            |
| Consolidated total assets         |                  |                  |                   |               |  | <u>41,712,950,539</u> |
| <b>LIABILITIES</b>                |                  |                  |                   |               |  |                       |
| Segment liabilities               | 6,458,462,279    | 23,491,168       | 74,909,237        | 276,384,585   | 100,753,867                                    | 6,934,001,136         |
| Borrowings                        |                  |                  |                   |               |  |                       |
| Segment                           | 4,553,491,086    | 5,413,511,601    | —                 | 733,072,600   | —  | 10,700,075,287        |
| Corporate                         |                  |                  |                   |               |  | 1,559,917,630         |
| Convertible notes                 |                  |                  |                   |               |  | 1,465,155,655         |
| Unallocated corporate liabilities |                  |                  |                   |               |  | 50,509,860            |
| Consolidated total liabilities    |                  |                  |                   |               |  | <u>20,709,659,568</u> |

##### OTHER INFORMATION

For the year ended 30th June, 2002

|  | Property<br>HK\$ | Security<br>HK\$ | Financing<br>HK\$ | Hotel<br>HK\$ | Building<br>management<br>and services<br>HK\$ | Consolidated<br>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          | 1,123,561        | —                 | 9,277,978     | 7,623,140                                      | 18,288,045           |
| Hotel property additions                                     | —                | —                | —                 | 21,293,305    | —  | 21,293,305           |
| Impairment loss on investments in other securities           | —                | 103,107,616      | —                 | —             | —  | 103,107,616          |
| Investment property additions                                | 148,224,049      | —                | —                 | —             | —  | 148,224,049          |
| Unrealised holding loss on investments in trading securities | —                | 276,725,457      | —                 | —             | —  | 276,725,457          |

#### Geographical segments

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

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

### 6. PROFIT FROM OPERATIONS

|  | <b>2003</b><br><b>HK\$</b> | 2002<br><b>HK\$</b> |
|--|----------------------------|---------------------|
| Profit from operations has been arrived at after charging (crediting): |                            |                     |
| Staff costs including Directors' remuneration                          | <b>407,778,679</b>         | 411,812,718         |
| Retirement benefits scheme contributions                               | <b>20,078,446</b>          | 20,924,363          |
| Total staff costs  | <b>427,857,125</b>         | 432,737,081         |
| Auditors' remuneration   | <b>2,413,106</b>           | 2,040,896           |
| Cost of hotel inventories recognised                                   | <b>19,909,539</b>          | 24,307,804          |
| Depreciation   | <b>16,775,597</b>          | 18,288,045          |
| Loss on disposal of property, plant and equipment                      | <b>31,352</b>              | 67,954              |
| Loss (profit) on disposal of investment properties                     | <b>17,927,321</b>          | (419,515,734)       |
| Net exchange loss  | <b>3,715,771</b>           | 7,442,605           |
| Recognition of negative goodwill, included in administrative expenses  | <b>(33,843,104)</b>        | (21,921,860)        |

### 7. FINANCE INCOME

|   | <b>2003</b><br><b>HK\$</b> | 2002<br><b>HK\$</b> |
|---|----------------------------|---------------------|
| Interest income on advances to associates | <b>63,939,858</b>          | 84,176,147          |
| advances to investee companies            | <b>6,972,510</b>           | 7,016,695           |
| bank deposits                             | <b>26,876,397</b>          | 34,391,583          |
|   | <b>97,788,765</b>          | 125,584,425         |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 8. FINANCE COSTS

|  | 2003<br>HK\$        | 2002<br>HK\$        |
|--|---------------------|---------------------|
| Interest on:   |                     |                     |
| bank loans and overdrafts wholly repayable<br>within five years              | 186,441,466         | 215,413,503         |
| other loans wholly repayable within five years                               | 273,747,183         | 339,877,529         |
| convertible notes  | 56,250,000          | 35,139,814          |
| Finance costs upon early repayment of loans                                  | 107,999,777         | —                   |
| Provision for premium on redemption of<br>convertible notes                  | 16,710,000          | 47,927,392          |
| Write-off of deferred loan arrangement fees upon<br>early repayment of loans | 7,590,415           | —                   |
| Amortisation of issue costs of convertible notes                             | 7,513,059           | 5,565,066           |
| Amortisation of loan arrangement fees  | 20,094,129          | 22,031,730          |
| Commitment fees  | 6,427,590           | 5,325,399           |
|  | <u>682,773,619</u>  | <u>671,280,433</u>  |
| Less: Amounts capitalised to properties<br>under development                 | <u>(46,673,097)</u> | <u>(41,539,007)</u> |
|  | <u>636,100,522</u>  | <u>629,741,426</u>  |

### 9. SHARE OF RESULTS OF ASSOCIATES

|   | 2003<br>HK\$      | 2002<br>HK\$       |
|---|-------------------|--------------------|
| Share of results of associates comprises: |                   |                    |
| Share of losses of associates             | 70,504,794        | 98,360,557         |
| Amortisation of associates' goodwill      | 9,294,488         | 9,294,488          |
| Release of associates' negative goodwill  | (5,128,397)       | (2,564,199)        |
|   | <u>74,670,885</u> | <u>105,090,846</u> |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 10. DIRECTORS' REMUNERATION

|  | <b>2003</b><br><b>HK\$</b> | 2002<br><b>HK\$</b> |
|--|----------------------------|---------------------|
| Directors' fees:                         |                            |                     |
| Executive Directors                      | <b>130,000</b>             | 170,000             |
| Independent Non-Executive Directors      | <b>240,000</b>             | 240,000             |
|  | <b>370,000</b>             | 410,000             |
| Other emoluments:                        |                            |                     |
| Executive Directors                      |                            |                     |
| Salaries and other benefits              | <b>5,183,800</b>           | 10,110,502          |
| Retirement benefits scheme contributions | <b>24,000</b>              | 34,000              |
|  | <b>5,577,800</b>           | 10,554,502          |

The remuneration of the Directors was within the following bands:

| <i>HK\$</i>           | <b>Number of Directors</b> |      |
|-----------------------|----------------------------|------|
|                       | <b>2003</b>                | 2002 |
| Nil – 1,000,000       | <b>2</b>                   | 2    |
| 1,000,001 – 1,500,000 | <b>1</b>                   | 1    |
| 4,000,001 – 4,500,000 | <b>1</b>                   | 2    |
|                       | <b>4</b>                   | 5    |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2002: two) was Executive Director of the Company and details of the emoluments are disclosed in note 10 above. The emoluments of the remaining four (2002: three) individuals disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

|   | <b>2003</b><br><b>HK\$</b> | 2002<br><b>HK\$</b> |
|---|----------------------------|---------------------|
| Salaries and other emoluments (including basic salaries, housing allowances, other allowances and benefits in kind) | <b>11,640,359</b>          | 9,275,100           |
| Retirement benefits scheme contributions  | <b>54,000</b>              | 48,000              |
|   | <b>11,694,359</b>          | 9,323,100           |

The emoluments were within the following bands:

| <b>HK\$</b>           | <b>Number of individuals</b> |      |
|-----------------------|------------------------------|------|
|                       | <b>2003</b>                  | 2002 |
| 2,000,001 – 2,500,000 | <b>1</b>                     | —    |
| 2,500,001 – 3,000,000 | <b>2</b>                     | —    |
| 3,000,001 – 3,500,000 | <b>1</b>                     | —    |
| 3,500,001 – 4,000,000 | —                            | 1    |
| 4,000,001 – 4,500,000 | —                            | 1    |
| 5,000,001 – 5,500,000 | —                            | 1    |

For the year ended 30th June, 2003 and 2002, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no Director waived any emoluments.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 12. TAXATION

|   | <b>2003</b><br><b>HK\$</b> | 2002<br><b>HK\$</b> |
|---|----------------------------|---------------------|
| The charge comprises:                                     |                            |                     |
| Hong Kong Profits Tax                                     |                            |                     |
| Provision for the year                                    | <b>60,056,282</b>          | 73,229,538          |
| Under(over)provision in previous years                    | <b>1,862,356</b>           | (105,468)           |
|   | <b>61,918,638</b>          | 73,124,070          |
| Taxation in other jurisdictions                           |                            |                     |
| Provision for the year                                    | <b>617,320</b>             | —                   |
| (Over)underprovision in previous years                    | <b>(87,756)</b>            | 39,617              |
|   | <b>529,564</b>             | 39,617              |
| Taxation attributable to the Company and its subsidiaries | <b>62,448,202</b>          | 73,163,687          |
| Share of taxation attributable to associates              |                            |                     |
| Hong Kong Profits Tax                                     | <b>14,816,469</b>          | 16,651,633          |
|   | <b>77,264,671</b>          | 89,815,320          |

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. Taxation in other jurisdictions is provided for in accordance with the respective local requirements.

Details of the potential deferred tax credit not recognised for in the year are set out in note 36.

### 13. DIVIDEND

|  | <b>2003</b><br><b>HK\$</b> | 2002<br><b>HK\$</b> |
|--|----------------------------|---------------------|
| Final dividend paid for the year ended 30th June, 2002: Nil (2001: HK1 cent per share) | <b>—</b>                   | <b>13,657,432</b>   |

The Directors do not propose any dividend for the year ended 30th June, 2003.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 14. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$167,649,595 (2002: HK\$34,064,888) and on the number of 1,367,905,827 (2002: weighted average number of 1,366,892,628) ordinary shares in issue throughout the year.

No diluted loss per share has been presented for both years as there is no dilutive effect on the assumed conversion of dilutive potential ordinary shares of a subsidiary.

### 15. INVESTMENT PROPERTIES

|   | Investment<br>properties in<br>Hong Kong<br>held under<br>long leases<br><i>HK\$</i> | Investment<br>properties in<br>Hong Kong<br>held under<br>medium-<br>term leases<br><i>HK\$</i> | Investment<br>property in<br>Singapore<br>held under a<br>long lease<br><i>HK\$</i> | Total<br><i>HK\$</i>  |
|---|--|---|---|-----------------------|
| <b>THE GROUP</b>                              |  |   |   |                       |
| <b>VALUATION</b>                              |  |   |   |                       |
| At 1st July, 2002                             | 1,010,000,000  | 13,091,617,720  | 346,928,816   | 14,448,546,536        |
| Exchange difference                           | —  | —   | 1,744,032   | 1,744,032             |
| Transfer from properties<br>under development | —  | 164,235,090   | —   | 164,235,090           |
| Acquisition of a subsidiary                   | —  | 11,000,000  | —   | 11,000,000            |
| Additions                                     | —  | 9,929,442   | 6,867,772   | 16,797,214            |
| Disposals                                     | —  | (118,300,163)   | —   | (118,300,163)         |
| Deficit on revaluation                        | (127,000,000)  | (1,083,666,589)   | (20,448,970)  | (1,231,115,559)       |
| <b>At 30th June, 2003</b>                     | <b>883,000,000</b>   | <b>12,074,815,500</b>   | <b>335,091,650</b>  | <b>13,292,907,150</b> |

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, 2003 given by Chesterton Petty Limited and Knight Frank Pte. Ltd., Chartered Surveyors, respectively. The net deficit on revaluation has been charged to the investment property revaluation reserve.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 16. HOTEL PROPERTY

|                           | <b>Hotel property<br/>in Singapore held<br/>under a long lease<br/>HK\$</b> |
|---------------------------|---|
| <b>THE GROUP</b>          |   |
| <b>COST</b>               |   |
| At 1st July, 2002         | 1,154,228,706   |
| Additions                 | <u>24,349,375</u>   |
| <b>At 30th June, 2003</b> | <b><u>1,178,578,081</u></b>   |

### 17. PROPERTY, PLANT AND EQUIPMENT

|                           | <b>Motor<br/>vehicles<br/>HK\$</b> |
|---------------------------|------------------------------------|
| <b>THE COMPANY</b>        |                                    |
| <b>COST</b>               |                                    |
| At 1st July, 2002         | 5,048,626                          |
| Disposals                 | <u>(409,603)</u>                   |
| <b>At 30th June, 2003</b> | <b><u>4,639,023</u></b>            |
| <b>DEPRECIATION</b>       |                                    |
| At 1st July, 2002         | 4,909,818                          |
| Provided for the year     | 72,927                             |
| Eliminated on disposals   | <u>(409,603)</u>                   |
| <b>At 30th June, 2003</b> | <b><u>4,573,142</u></b>            |
| <b>NET BOOK VALUES</b>    |                                    |
| <b>At 30th June, 2003</b> | <b><u>65,881</u></b>               |
| At 30th June, 2002        | <u>138,808</u>                     |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

|                           | Computer<br>systems<br><i>HK\$</i> | Furniture,<br>fixtures<br>and<br>equipment<br><i>HK\$</i> | Leasehold<br>improvements<br><i>HK\$</i> | Motor<br>vehicles<br><i>HK\$</i> | Plant and<br>machinery<br><i>HK\$</i> | Total<br><i>HK\$</i> |
|---------------------------|------------------------------------|---|--|----------------------------------|---------------------------------------|----------------------|
| <b>THE GROUP</b>          |                                    |   |  |                                  |                                       |                      |
| <b>COST</b>               |                                    |   |  |                                  |                                       |                      |
| At 1st July, 2002         | 36,291,442                         | 68,632,933  | 18,590,069                               | 17,185,476                       | 9,993,027                             | 150,692,947          |
| Additions                 | 2,118,485                          | 3,538,142   | 199,201                                  | 1,462,311                        | 1,203,290                             | 8,521,429            |
| Disposals                 | (4,440)                            | (252,318)   | —  | (923,251)                        | (814,564)                             | (1,994,573)          |
| <b>At 30th June, 2003</b> | <b>38,405,487</b>                  | <b>71,918,757</b>   | <b>18,789,270</b>                        | <b>17,724,536</b>                | <b>10,381,753</b>                     | <b>157,219,803</b>   |
| <b>DEPRECIATION</b>       |                                    |   |  |                                  |                                       |                      |
| At 1st July, 2002         | 19,512,309                         | 13,417,916  | 14,862,487                               | 13,912,912                       | 8,588,281                             | 70,293,905           |
| Provided for the year     | 6,005,648                          | 7,424,547   | 1,294,206                                | 1,176,912                        | 874,284                               | 16,775,597           |
| Eliminated on disposals   | (2,738)                            | (80,023)  | —  | (923,250)                        | (758,592)                             | (1,764,603)          |
| <b>At 30th June, 2003</b> | <b>25,515,219</b>                  | <b>20,762,440</b>   | <b>16,156,693</b>                        | <b>14,166,574</b>                | <b>8,703,973</b>                      | <b>85,304,899</b>    |
| <b>NET BOOK VALUES</b>    |                                    |   |  |                                  |                                       |                      |
| <b>At 30th June, 2003</b> | <b>12,890,268</b>                  | <b>51,156,317</b>   | <b>2,632,577</b>                         | <b>3,557,962</b>                 | <b>1,677,780</b>                      | <b>71,914,904</b>    |
| At 30th June, 2002        | 16,779,133                         | 55,215,017  | 3,727,582                                | 3,272,564                        | 1,404,746                             | 80,399,042           |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 18. NEGATIVE GOODWILL

|   | <b>THE GROUP</b><br><i>HK\$</i> |
|---|---------------------------------|
| <b>GROSS AMOUNT</b>   |                                 |
| At 1st July, 2002   | 723,819,000                     |
| Arising on acquisition of additional interest in the Company's listed subsidiary, Sino Land Company Limited ("Sino Land") | <u>271,477,266</u>              |
| <b>At 30th June, 2003</b>   | <b><u>995,296,266</u></b>       |
| <b>RELEASED TO INCOME</b>   |                                 |
| At 1st July, 2002   | 111,324,523                     |
| Released for the year   | <u>33,843,104</u>               |
| <b>At 30th June, 2003</b>   | <b><u>145,167,627</u></b>       |
| <b>CARRYING AMOUNTS</b>   |                                 |
| <b>At 30th June, 2003</b>   | <b><u>850,128,639</u></b>       |
| At 30th June, 2002  | <u>612,494,477</u>              |

The negative goodwill is released to income on a straight line basis of twenty years.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 19. INTERESTS IN SUBSIDIARIES

|  | THE COMPANY          |                      |
|--|----------------------|----------------------|
|  | 2003<br>HK\$         | 2002<br>HK\$         |
| Unlisted shares, at cost less impairment losses recognised | 3,640,370            | 3,640,386            |
| Shares listed in Hong Kong                                 | <u>2,659,718,527</u> | <u>2,620,158,545</u> |
|  | <b>2,663,358,897</b> | 2,623,798,931        |
| Advances to subsidiaries, less allowances                  | <u>2,637,232,544</u> | <u>2,412,063,985</u> |
|  | <b>5,300,591,441</b> | <b>5,035,862,916</b> |
| Market value of Hong Kong listed investments               | <u>2,520,231,439</u> | <u>3,016,070,504</u> |

The advances to subsidiaries are unsecured, interest-free and have no fixed repayment terms. 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.

Particulars of the Company's principal subsidiaries at 30th June, 2003 are set out in note 45.

### 20. INTERESTS IN ASSOCIATES

|   | THE GROUP             |                       |
|---|-----------------------|-----------------------|
|   | 2003<br>HK\$          | 2002<br>HK\$          |
| Unlisted shares, at cost                | —                     | —                     |
| Share of net assets                     | 1,746,841,006         | 2,596,280,993         |
| Goodwill (Note)                         | 120,828,352           | 130,122,840           |
| Negative goodwill (Note)                | <u>(94,875,344)</u>   | <u>(100,003,741)</u>  |
|   | <b>1,772,794,014</b>  | 2,626,400,092         |
| Advances to associates, less allowances | <u>9,378,941,664</u>  | <u>9,219,885,912</u>  |
|   | <b>11,151,735,678</b> | <b>11,846,286,004</b> |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 20. INTERESTS IN ASSOCIATES (Continued)

Note:

|                                       | THE GROUP          |                              |
|---------------------------------------|--------------------|------------------------------|
|                                       | Goodwill<br>HK\$   | Negative<br>goodwill<br>HK\$ |
| <b>GROSS AMOUNT</b>                   |                    |                              |
| At 1st July, 2002 and 30th June, 2003 | <u>185,889,768</u> | <u>(102,567,940)</u>         |
| <b>AMORTISATION</b>                   |                    |                              |
| At 1st July, 2002                     | 55,766,928         | (2,564,199)                  |
| Charged for the year                  | 9,294,488          | —                            |
| Released for the year                 | —                  | (5,128,397)                  |
| At 30th June, 2003                    | <u>65,061,416</u>  | <u>(7,692,596)</u>           |
| <b>CARRYING AMOUNTS</b>               |                    |                              |
| At 30th June, 2003                    | <u>120,828,352</u> | <u>(94,875,344)</u>          |
| At 30th June, 2002                    | <u>130,122,840</u> | <u>(100,003,741)</u>         |

The amortisation period adopted for goodwill and negative goodwill is twenty 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, 2003 given by Chesterton Petty Limited and Debenham Tie Leung, Chartered Surveyors. The carrying value shown above includes the Group's attributable share of the revaluation reserve.

The advances to associates are unsecured and have no fixed repayment terms. Of the advances, HK\$1,924,961,754 (2002: HK\$1,659,828,988) 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 principal associates at 30th June, 2003 are set out in note 46.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 20. INTERESTS IN ASSOCIATES (Continued)

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    |               |
|---|-------------------------|-----------------|----------------------|---------------|
|   | 2003<br>HK\$            | 2002<br>HK\$    | 2003<br>HK\$         | 2002<br>HK\$  |
| <b>Results for the year</b>   |                         |                 |                      |               |
| Turnover  | <b>209,303,037</b>      | 229,543,271     | <b>370,144,000</b>   | 425,228,000   |
| Profit from ordinary activities before taxation                           | <b>87,264,694</b>       | 256,554,765     | <b>99,690,000</b>    | 142,945,000   |
| Profit from ordinary activities before taxation attributable to the Group | <b>11,462,894</b>       | 32,772,498      | <b>15,714,065</b>    | 21,911,882    |
| <b>Financial position</b>   |                         |                 |                      |               |
| Non-current assets  | <b>10,938,919,541</b>   | 11,615,399,768  | <b>3,380,422,000</b> | 3,370,582,000 |
| Current assets  | <b>301,628,135</b>      | 321,675,267     | <b>93,864,000</b>    | 133,890,000   |
| Current liabilities   | <b>(215,747,054)</b>    | (262,972,636)   | <b>(126,511,000)</b> | (139,872,000) |
|   | <b>85,881,081</b>       | 58,702,631      | <b>(32,647,000)</b>  | (5,982,000)   |
| Non-current liabilities   | <b>(5,739,938,620)</b>  | (5,788,336,755) | <b>(787,100,000)</b> | (892,104,000) |
| Net assets  | <b>5,284,862,002</b>    | 5,885,765,644   | <b>2,560,675,000</b> | 2,472,496,000 |
| Net assets attributable to the Group                                      | <b>704,605,548</b>      | 759,733,158     | <b>409,683,161</b>   | 382,978,999   |

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

### 20. INTERESTS IN ASSOCIATES *(Continued)*

The Inland Revenue Department (the "IRD") initiated tax inquiries for the years of assessment 1994/95 to 2001/02 on a wholly-owned subsidiary, Wide Harvest Investment Limited ("WHI"), of the Group's associate, Million Success Limited ("MSL") and for the years of assessment 1994/95 to 1997/98 on a wholly-owned subsidiary, Murdoch Investments Inc. ("MII"), of the Group's associate, Erleigh Investment Limited. Notices of assessment for additional tax in the aggregate amounts of approximately HK\$406,000,000 and HK\$33,000,000 were issued to WHI and MII for the years under review, respectively, and objections were properly lodged with the IRD by WHI and MII. The effective share of the amount attributable to the Group as at 30th June, 2003 is estimated to be approximately HK\$55,000,000 and HK\$8,000,000, respectively. In view of the tax inquiries are still at the stage of collation of evidence, the management of WHI and of MII are of the opinion that the ultimate outcome of the tax inquiries, which may not be known for some years, cannot presently be determined 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 and of MII.

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 21. INVESTMENTS IN SECURITIES

| <b>THE COMPANY</b>  |                           |                      |                         |                      |                      |                      |
|---|---------------------------|----------------------|-------------------------|----------------------|----------------------|----------------------|
|   | <b>Trading securities</b> |                      | <b>Other securities</b> |                      | <b>Total</b>         |                      |
|   | <b>2003<br/>HK\$</b>      | <b>2002<br/>HK\$</b> | <b>2003<br/>HK\$</b>    | <b>2002<br/>HK\$</b> | <b>2003<br/>HK\$</b> | <b>2002<br/>HK\$</b> |
| Equity securities<br>listed in Hong Kong<br>at market value | <b>318,575</b>            | 475,297              | —                       | —                    | <b>318,575</b>       | 475,297              |
| Carrying value<br>analysed for<br>reporting<br>purposes as: |                           |                      |                         |                      |                      |                      |
| Current   | <b>318,575</b>            | 475,297              | —                       | —                    | <b>318,575</b>       | 475,297              |
| <b>THE GROUP</b>  |                           |                      |                         |                      |                      |                      |
|   | <b>Trading securities</b> |                      | <b>Other securities</b> |                      | <b>Total</b>         |                      |
|   | <b>2003<br/>HK\$</b>      | <b>2002<br/>HK\$</b> | <b>2003<br/>HK\$</b>    | <b>2002<br/>HK\$</b> | <b>2003<br/>HK\$</b> | <b>2002<br/>HK\$</b> |
| Equity securities:  |                           |                      |                         |                      |                      |                      |
| Listed  | <b>806,145,256</b>        | 1,088,565,285        | <b>1,023,192,860</b>    | 852,210,002          | <b>1,829,338,116</b> | 1,940,775,287        |
| Unlisted  | —                         | —                    | <b>66,918,469</b>       | 99,545,135           | <b>66,918,469</b>    | 99,545,135           |
|   | <b>806,145,256</b>        | 1,088,565,285        | <b>1,090,111,329</b>    | 951,755,137          | <b>1,896,256,585</b> | 2,040,320,422        |
| Total:  |                           |                      |                         |                      |                      |                      |
| Listed  |                           |                      |                         |                      |                      |                      |
| Hong Kong   | <b>683,580,290</b>        | 943,962,318          | <b>658,249,307</b>      | 583,201,705          | <b>1,341,829,597</b> | 1,527,164,023        |
| Elsewhere   | <b>122,564,966</b>        | 144,602,967          | <b>364,943,553</b>      | 269,008,297          | <b>487,508,519</b>   | 413,611,264          |
| Unlisted  | —                         | —                    | <b>66,918,469</b>       | 99,545,135           | <b>66,918,469</b>    | 99,545,135           |
|   | <b>806,145,256</b>        | 1,088,565,285        | <b>1,090,111,329</b>    | 951,755,137          | <b>1,896,256,585</b> | 2,040,320,422        |
| Market value of<br>listed securities                        | <b>806,145,256</b>        | 1,088,565,285        | <b>1,023,192,860</b>    | 852,210,002          | <b>1,829,338,116</b> | 1,940,775,287        |
| Carrying value<br>analysed for<br>reporting<br>purposes as: |                           |                      |                         |                      |                      |                      |
| Current   | <b>806,145,256</b>        | 1,088,565,285        | —                       | —                    | <b>806,145,256</b>   | 1,088,565,285        |
| Non-current   | —                         | —                    | <b>1,090,111,329</b>    | 951,755,137          | <b>1,090,111,329</b> | 951,755,137          |
|   | <b>806,145,256</b>        | 1,088,565,285        | <b>1,090,111,329</b>    | 951,755,137          | <b>1,896,256,585</b> | 2,040,320,422        |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 22. ADVANCES TO INVESTEE COMPANIES

The advances to investee companies of the Group are unsecured and have no fixed repayment terms. Of the advances, HK\$22,175,697 (2002: HK\$18,209,914) 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.

### 23. LONG-TERM LOANS RECEIVABLE

|  | THE GROUP                 |                           |
|--|---------------------------|---------------------------|
|  | 2003<br>HK\$              | 2002<br>HK\$              |
| Total loans receivable                           | 595,682,276               | 718,173,792               |
| Less: Current portion shown under current assets | <u>(22,097,946)</u>       | <u>(25,558,437)</u>       |
|  | <b><u>573,584,330</u></b> | <b><u>692,615,355</u></b> |

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.

### 24. STOCKS OF UNSOLD PROPERTIES

The amount of stocks of unsold properties of the Group carried at net realisable value is HK\$263,338,168 (2002: HK\$51,914,313).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 25. ACCOUNTS AND OTHER RECEIVABLES

Included in accounts and other receivables are trade receivables of HK\$405,071,031 (2002: HK\$110,910,467) mainly comprising sales proceeds receivables and 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          |                    |
|--------------|--------------------|--------------------|
|              | 2003<br>HK\$       | 2002<br>HK\$       |
| 0 – 30 days  | 343,724,049        | 51,258,529         |
| 31 – 60 days | 10,720,029         | 5,236,417          |
| 61 – 90 days | 8,555,179          | 4,104,956          |
| Over 90 days | 42,071,774         | 50,310,565         |
|              | <u>405,071,031</u> | <u>110,910,467</u> |

Trade receivables over 90 days amounting to HK\$42,071,774 (2002: HK\$50,310,565) are sufficiently covered by rental deposits received from the respective tenants and no allowance is required for these receivables under the Group's allowance policy.

### 26. ACCOUNTS AND OTHER PAYABLES

Included in accounts and other payables are trade payables of HK\$100,730,647 (2002: HK\$102,672,456).

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

|              | THE GROUP          |                    |
|--------------|--------------------|--------------------|
|              | 2003<br>HK\$       | 2002<br>HK\$       |
| 0 – 30 days  | 36,608,482         | 56,882,751         |
| 31 – 60 days | 9,701,886          | 27,070,575         |
| 61 – 90 days | 1,217,255          | 2,311,995          |
| Over 90 days | 53,203,024         | 16,407,135         |
|              | <u>100,730,647</u> | <u>102,672,456</u> |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 27. LONG-TERM BORROWINGS

|   | THE COMPANY  |              | THE GROUP     |               |
|---|--------------|--------------|---------------|---------------|
|   | 2003<br>HK\$ | 2002<br>HK\$ | 2003<br>HK\$  | 2002<br>HK\$  |
| Unsecured bank loans  |              |              |               |               |
| Within one year   | —            | —            | 13,100,640    | 31,198,800    |
| More than one year but<br>not exceeding two years           | —            | —            | 13,100,640    | 187,192,800   |
| More than two years but<br>not exceeding five years         | —            | —            | 82,970,720    | —             |
|   | —            | —            | 109,172,000   | 218,391,600   |
| Less: Current portion shown<br>under current<br>liabilities | —            | —            | (13,100,640)  | (31,198,800)  |
|   | —            | —            | 96,071,360    | 187,192,800   |
| Secured bank loans  |              |              |               |               |
| Within one year   | —            | —            | 337,753,200   | 302,664,400   |
| More than one year but<br>not exceeding two years           | —            | —            | 2,125,547,765 | 515,164,400   |
| More than two years but<br>not exceeding five years         | —            | —            | 4,088,906,300 | 2,984,531,565 |
|   | —            | —            | 6,552,207,265 | 3,802,360,365 |
| Less: Current portion shown<br>under current<br>liabilities | —            | —            | (337,753,200) | (302,664,400) |
|   | —            | —            | 6,214,454,065 | 3,499,695,965 |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 27. LONG-TERM BORROWINGS (Continued)

|   | THE COMPANY                 |                      | THE GROUP                    |                       |
|---|-----------------------------|----------------------|------------------------------|-----------------------|
|   | 2003<br>HK\$                | 2002<br>HK\$         | 2003<br>HK\$                 | 2002<br>HK\$          |
| Secured other loans   |                             |                      |                              |                       |
| More than one year but<br>not exceeding two years           | —                           | —                    | —                            | 37,536,850            |
| More than two years but<br>not exceeding five years         | —                           | —                    | <b>186,408,600</b>           | 1,973,868,600         |
|   | <u>—</u>                    | <u>—</u>             | <u><b>186,408,600</b></u>    | <u>2,011,405,450</u>  |
| Unsecured other loans                                       |                             |                      |                              |                       |
| Within one year   | —                           | —                    | <b>300,000,000</b>           | —                     |
| More than one year but<br>not exceeding two years           | <b>1,337,931,300</b>        | 1,173,294,136        | <b>3,204,836,681</b>         | 2,718,916,652         |
| More than two years but<br>not exceeding five years         | —                           | —                    | <b>750,000,000</b>           | 1,000,000,000         |
|   | <u><b>1,337,931,300</b></u> | <u>1,173,294,136</u> | <u><b>4,254,836,681</b></u>  | <u>3,718,916,652</u>  |
| Less: Current portion shown<br>under current<br>liabilities | —                           | —                    | <b>(300,000,000)</b>         | —                     |
|   | <u><b>1,337,931,300</b></u> | <u>1,173,294,136</u> | <u><b>3,954,836,681</b></u>  | <u>3,718,916,652</u>  |
| Total bank and other loans                                  | <b>1,337,931,300</b>        | 1,173,294,136        | <b>10,451,770,706</b>        | 9,417,210,867         |
| Less: Deferred loan<br>arrangement fees<br>(Note 28)        | —                           | —                    | <b>(18,695,841)</b>          | (36,758,718)          |
|   | <u><b>1,337,931,300</b></u> | <u>1,173,294,136</u> | <u><b>10,433,074,865</b></u> | <u>9,380,452,149</u>  |
| Convertible notes (Note 29)                                 | —                           | —                    | <b>1,489,378,714</b>         | 1,465,155,655         |
|   | <u><b>1,337,931,300</b></u> | <u>1,173,294,136</u> | <u><b>11,922,453,579</b></u> | <u>10,845,607,804</u> |

At 30th June, 2003, the secured and unsecured other loans of the Group amounting to HK\$1,536,408,600 (2002: HK\$3,011,405,450) bear interest at prevailing market rates, the remaining balance is interest-free.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 28. DEFERRED LOAN ARRANGEMENT FEES

|  | THE GROUP         |                   |
|--|-------------------|-------------------|
|  | 2003<br>HK\$      | 2002<br>HK\$      |
| <b>COST</b>  |                   |                   |
| At 1st July  | 90,311,612        | 79,474,348        |
| Additions  | 9,621,667         | 10,837,264        |
| Write-off upon early repayment of loans            | (42,232,017)      | —                 |
|  | <hr/>             | <hr/>             |
| <b>At 30th June</b>                                | <b>57,701,262</b> | <b>90,311,612</b> |
|  | <hr/>             | <hr/>             |
| <b>AMORTISATION</b>                                |                   |                   |
| At 1st July  | 53,552,894        | 31,521,164        |
| Provided for the year                              | 20,094,129        | 22,031,730        |
| Eliminated upon early repayment of loans           | (34,641,602)      | —                 |
|  | <hr/>             | <hr/>             |
| <b>At 30th June</b>                                | <b>39,005,421</b> | <b>53,552,894</b> |
|  | <hr/>             | <hr/>             |
| <b>Deferred loan arrangement fees at 30th June</b> | <b>18,695,841</b> | <b>36,758,718</b> |
|  | <hr/>             | <hr/>             |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 29. CONVERTIBLE NOTES

|   | THE GROUP            |                      |
|---|----------------------|----------------------|
|   | 2003<br>HK\$         | 2002<br>HK\$         |
| <b>Principal amount:</b>  |                      |                      |
| At 1st July   | 1,500,000,000        | 891,909,900          |
| New issue   | —                    | 1,500,000,000        |
| Redemption  | —                    | (891,909,900)        |
|   | <hr/>                | <hr/>                |
| <b>At 30th June</b>   | <b>1,500,000,000</b> | <b>1,500,000,000</b> |
|   | <hr/>                | <hr/>                |
| <b>Add: Provision for premium on redemption</b>                             |                      |                      |
| At 1st July   | 1,877,014            | 230,441,691          |
| Provided for during the year  | 16,710,000           | 47,927,392           |
| Written back upon redemption  | —                    | (276,492,069)        |
|   | <hr/>                | <hr/>                |
| <b>At 30th June</b>   | <b>18,587,014</b>    | <b>1,877,014</b>     |
|   | <hr/>                | <hr/>                |
| <b>Less: Issue costs</b>  |                      |                      |
| At 1st July   | 36,721,359           | 4,721,134            |
| Additions   | —                    | 37,565,291           |
| Amortised during the year including<br>amounts written back upon redemption | (7,513,059)          | (5,565,066)          |
|   | <hr/>                | <hr/>                |
| <b>At 30th June</b>   | <b>29,208,300</b>    | <b>36,721,359</b>    |
|   | <hr/>                | <hr/>                |
| <b>Carrying value at 30th June</b>  | <b>1,489,378,714</b> | <b>1,465,155,655</b> |
|   | <hr/>                | <hr/>                |

In 2002, Golden Million Finance Corporation (“Golden Million”), a wholly-owned subsidiary of Sino Land, 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 Sino Land 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 30. SHARE CAPITAL

|                                 | 2003                                       |                    | 2002                                       |                    |
|---------------------------------|--|--------------------|--|--------------------|
|                                 | Number of ordinary shares of HK\$0.20 each | Nominal value HK\$ | Number of ordinary shares of HK\$0.20 each | Nominal value HK\$ |
| <i>Authorised:</i>              |  |                    |  |                    |
| At 1st July and 30th June       | <b>2,500,000,000</b>                       | <b>500,000,000</b> | 2,500,000,000                              | 500,000,000        |
| <i>Issued and fully paid:</i>   |  |                    |  |                    |
| At 1st July                     | <b>1,367,905,827</b>                       | <b>273,581,165</b> | 1,365,743,151                              | 273,148,630        |
| Issued in lieu of cash dividend | —  | —                  | 2,162,676                                  | 432,535            |
| <b>At 30th June</b>             | <b>1,367,905,827</b>                       | <b>273,581,165</b> | 1,367,905,827                              | 273,581,165        |

### 31. SHARE PREMIUM AND RESERVES

|  | Share premium<br>HK\$ | Capital redemption reserve<br>HK\$ | Retained profits<br>HK\$ | Total<br>HK\$        |
|--|-----------------------|------------------------------------|--------------------------|----------------------|
| <b>THE COMPANY</b>                             |                       |                                    |                          |                      |
| At 1st July, 2001                              | 2,438,803,366         | 224,000                            | 222,764,753              | 2,661,792,119        |
| Premium on issue of shares upon scrip dividend | 12,846,299            | —                                  | —                        | 12,846,299           |
| Shares issue expenses                          | (12,897)              | —                                  | —                        | (12,897)             |
| Net profit for the year                        | —                     | —                                  | 85,044,910               | 85,044,910           |
| Final dividend – 2001                          | —                     | —                                  | (13,657,432)             | (13,657,432)         |
| At 30th June, 2002 and 1st July, 2002          | 2,451,636,768         | 224,000                            | 294,152,231              | 2,746,012,999        |
| Net profit for the year                        | —                     | —                                  | 28,598,667               | 28,598,667           |
| <b>At 30th June, 2003</b>                      | <b>2,451,636,768</b>  | <b>224,000</b>                     | <b>322,750,898</b>       | <b>2,774,611,666</b> |

Note: The reserve available for distribution by the Company to the shareholders at 30th June, 2003 is HK\$322,750,898 (2002: HK\$294,152,231).

## **NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

For the year ended 30th June, 2003

### **32. 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.

### **33. ADVANCES FROM ASSOCIATES**

The advances from associates of the Group are unsecured and have no fixed repayment terms. Of the advances from associates of the Group, HK\$383,086,114 (2002: HK\$244,909,786) 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.

### **34. 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.

### **35. ADVANCES FROM MINORITY SHAREHOLDERS**

The advances from minority shareholders of the Group are unsecured, bear interest at cost of funds plus a margin 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 36. DEFERRED TAXATION

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

|   | THE COMPANY      |                  | THE GROUP          |                    |
|---|------------------|------------------|--------------------|--------------------|
|   | 2003<br>HK\$     | 2002<br>HK\$     | 2003<br>HK\$       | 2002<br>HK\$       |
| Tax effect of timing differences attributable to: |                  |                  |                    |                    |
| Unutilised tax losses                             | 1,249,000        | 1,351,000        | 542,911,000        | 461,612,000        |
| Excess of tax allowances over depreciation        | (1,000)          | (9,000)          | (1,565,000)        | (1,745,000)        |
| Other timing differences                          | —                | —                | (890,000)          | (11,757,000)       |
|   | <u>1,248,000</u> | <u>1,342,000</u> | <u>540,456,000</u> | <u>448,110,000</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         |                   |
|--|-----------------|--------------------|-------------------|-------------------|
|  | 2003<br>HK\$    | 2002<br>HK\$       | 2003<br>HK\$      | 2002<br>HK\$      |
| Tax effect of timing differences attributable to:  |                 |                    |                   |                   |
| Tax losses arising                                 | 354,000         | 311,000            | 39,333,000        | 76,737,000        |
| Overprovision in previous years                    | (583,000)       | (10,275,000)       | (1,310,000)       | (10,275,000)      |
| Difference between tax allowances and depreciation | 9,000           | 27,000             | 344,000           | 547,000           |
| Other timing differences                           | —               | —                  | 11,969,000        | (3,329,000)       |
| Effect of change in tax rate                       | 126,000         | —                  | 42,010,000        | —                 |
|  | <u>(94,000)</u> | <u>(9,937,000)</u> | <u>92,346,000</u> | <u>63,680,000</u> |

No deferred taxation is provided on the surplus on the revaluation of investment properties situated in Hong Kong and in Singapore 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, 2003

### 37. ACQUISITION OF A SUBSIDIARY

On 26th June, 2003, the Group acquired the entire equity interest in Jade Bird Development Limited at a consideration of HK\$100,000.

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

|   | 2003<br>HK\$   | 2002<br>HK\$     |
|---|----------------|------------------|
| <b>Net assets acquired</b>                    |                |                  |
| Investment properties                         | 11,000,000     | 97,000,000       |
| Stocks of unsold properties                   | 84,000,000     | —                |
| Accounts and other receivables                | 988,249        | 1,669,892        |
| Bank balances and cash                        | 222,321        | 1,658,545        |
| Accounts and other payables                   | (3,345,160)    | (3,769,660)      |
| Unsecured loan payable                        | (92,765,410)   | (96,558,776)     |
|   | <u>100,000</u> | <u>1</u>         |
| <b>Satisfied by</b>                           |                |                  |
| Cash  | <u>100,000</u> | <u>1</u>         |
| <b>Net cash inflow arising on acquisition</b> |                |                  |
| Cash consideration                            | (100,000)      | (1)              |
| Bank balances and cash acquired               | <u>222,321</u> | <u>1,658,545</u> |
|   | <u>122,321</u> | <u>1,658,544</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, 2003

### 38. DISPOSAL OF SUBSIDIARIES

|   | 2003<br>HK\$ | 2002<br>HK\$ |
|---|--------------|--------------|
| <b>Net assets disposed of</b>                                     |              |              |
| 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)  |
|   | —            | 45,401,177   |
| Investment property revaluation reserve<br>released upon disposal | —            | (12,712,419) |
| Profit on disposal of subsidiaries                                | —            | 12,712,419   |
|   | —            | 45,401,177   |
| <b>Satisfied by</b>   |              |              |
| Cash  | —            | 45,401,177   |
| <b>Net cash inflow arising on disposal</b>                        |              |              |
| Cash received   | —            | 45,401,177   |
| Bank balances and cash disposed of                                | —            | (2,346,640)  |
|   | —            | 43,054,537   |

The subsidiaries disposed of during the year ended 30th June, 2002 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, 2003

### 39. MAJOR NON-CASH TRANSACTIONS

During the year, properties under development of HK\$164,235,090 (2002: HK\$493,574,677) and HK\$2,526,157,276 (2002: Nil) were transferred to investment properties and stocks of unsold properties, respectively.

On 18th December, 2001, the Company issued and allotted 2,162,676 shares in the Company at HK\$6.14 per share to the shareholders in lieu of cash for 2001 final dividend pursuant to the scrip dividend circular dispatched to shareholders.

### 40. PLEDGE OF ASSETS

- (a) At 30th June, 2003, the aggregate facilities of bank loans, overdrafts and other loans amounting to HK\$14,675,879,838 (2002: HK\$10,078,233,065) were secured by certain of the Group's listed investments, properties, bank deposits, bank balances and shares of Sino Land. At that date, the facilities were utilised to the extent of HK\$8,794,601,238 (2002: HK\$8,156,230,165).
- (b) At 30th June, 2003, 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\$3,952,733,333 (2002: HK\$3,246,286,070), of which HK\$2,894,146,090 (2002: HK\$2,290,321,403) was utilised and was guaranteed by Sino Land.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 41. 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            |                      |
|---|--------------------|--------------------|----------------------|----------------------|
|   | 2003<br>HK\$       | 2002<br>HK\$       | 2003<br>HK\$         | 2002<br>HK\$         |
| (a) Commitments in respect of property development expenditure:           |                    |                    |                      |                      |
| Authorised but not contracted for   | —                  | —                  | 1,184,813,547        | 101,831,530          |
| Contracted but not provided for   | —                  | —                  | 973,447,137          | 2,582,818,009        |
|   | <u>—</u>           | <u>—</u>           | <u>2,158,260,684</u> | <u>2,684,649,539</u> |
| (b) Guarantees in respect of banking facilities and other liabilities of: |                    |                    |                      |                      |
| Subsidiaries  |                    |                    |                      |                      |
| Utilised  | 797,040,000        | 844,284,750        | —                    | —                    |
| Not utilised  | 70,000,000         | 70,000,000         | —                    | —                    |
|   | <u>867,040,000</u> | <u>914,284,750</u> | <u>—</u>             | <u>—</u>             |
| Associates  |                    |                    |                      |                      |
| Utilised  | —                  | —                  | 2,894,146,090        | 2,293,486,403        |
| Not utilised  | —                  | —                  | 1,061,092,243        | 955,964,667          |
|   | <u>—</u>           | <u>—</u>           | <u>3,955,238,333</u> | <u>3,249,451,070</u> |
|   | <u>867,040,000</u> | <u>914,284,750</u> | <u>3,955,238,333</u> | <u>3,249,451,070</u> |

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

### 41. COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

- (c) On 30th June, 1998, Sino Land and its wholly-owned subsidiary, Mariner International Hotels Limited ("Mariner") terminated a sale and purchase agreement (the "Agreement") entered into by Sino Land and Mariner on 19th December, 1996 with Hang Lung Development Company Limited ("Hang Lung") and Atlas Limited ("Atlas") which is now the subject of 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 to be developed into a hotel. The total consideration payable by Mariner for the purchase was HK\$1,070,000,000, in respect of which a deposit and part payments in the total sum of HK\$321,000,000 have been paid by Mariner.

On the day of and immediately following the termination of the Agreement by Mariner and Sino Land, Mariner issued a writ against Hang Lung and Atlas claiming, inter alia, 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 Sino Land 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 both parties are seeking the discovery and inspection of specific documents. For the year ended 30th June, 2003, there is no material progress or discovery in 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 allowance in respect of the deposit or provision for any contingent liabilities have made for the year ended 30th June, 2003.

- (d) The IRD initiated tax inquiries for the years of assessment 1995/96 and 1996/97 on a wholly-owned subsidiary of Sino Land, Sing-Ho Finance Company Limited ("Sing-Ho Finance"). Notices of assessment for additional tax in an aggregate sum of approximately HK\$60,000,000 were issued to Sing-Ho Finance for the years under review and objections were properly lodged with the IRD by Sing-Ho Finance. In the opinion of the Directors, in view of the tax inquiries are still at the facts finding stage and such process is likely to continue for some time, the ultimate outcome of the tax inquiries, which may not be known for some years, cannot presently be determined by the management of Sing-Ho Finance with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result have been made in the financial statements of Sing-Ho Finance.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 42. OPERATING LEASE ARRANGEMENTS

#### The Group as lessor

Property rental income earned during the year, net of outgoings of HK\$107,459,139 (2002: HK\$109,025,303) was HK\$749,883,095 (2002: HK\$748,037,407). Most of the properties held have committed tenants with rental fixed for an average term of two years.

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

|                                       | 2003<br>HK\$         | 2002<br>HK\$         |
|---------------------------------------|----------------------|----------------------|
| Within one year                       | 605,883,274          | 600,033,039          |
| In the second to fifth year inclusive | 586,654,547          | 746,524,242          |
| After five years                      | 60,000               | 21,655,730           |
|                                       | <u>1,192,597,821</u> | <u>1,368,213,011</u> |

### 43. RETIREMENT BENEFITS SCHEME

The Group participates in a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 44. RELATED PARTY TRANSACTIONS

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

|   | 2003<br>HK\$   | 2002<br>HK\$   |
|---|----------------|----------------|
| <b>(a) Related companies</b>                |                |                |
| Service fees received therefrom (Note 1)    | 1,505,789      | 1,656,000      |
| Management fees received therefrom (Note 1) | <u>640,914</u> | <u>698,630</u> |

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

#### (b) Associates

|   | 2003<br>HK\$     | 2002<br>HK\$      |
|---|------------------|-------------------|
| Management fees received therefrom (Note 1) | 17,679,215       | 15,128,093        |
| Management fees paid thereto (Note 1)       | 7,488,675        | 9,451,249         |
| Interest income received therefrom (Note 2) | 63,939,858       | 84,176,147        |
| Interest expenses paid thereto (Note 2)     | <u>7,068,668</u> | <u>27,788,136</u> |

#### (c) Acquisition of Shares and Taking Up of a Loan

On 26th June, 2003, King Chance Development Limited ("King Chance") and Sing-Ho Finance Company Limited ("Sing-Ho Finance"), both being wholly-owned subsidiaries of the Company's listed subsidiary, Sino Land Company Limited ("Sino Land"), entered into respective agreements with Millwood Limited ("Millwood") and Cliveden Finance Company Limited ("Cliveden Finance"). Pursuant to such agreements, inter alia, (a) King Chance agreed to acquire 100,000 shares, representing 100% of the issued shares, of Jade Bird Development Limited ("Jade Bird") which holds 100% interest in Cambridge Plaza, an industrial building, from Millwood at a consideration of HK\$100,000, and (b) Sing-Ho Finance agreed to take up the assignment from Cliveden Finance of a loan in the amount of HK\$104,817,784 due by Jade Bird to Cliveden Finance at a consideration of HK\$92,568,458, in each case subject to adjustment by reference to the post-completion audited accounts. Completion took place on 26th June, 2003.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

### 44. RELATED PARTY TRANSACTIONS *(Continued)*

#### (c) Acquisition of Shares and Taking Up of a Loan *(Continued)*

Millwood and Cliveden Finance are both indirect wholly-owned subsidiaries of Boswell Holdings Limited ("Boswell"), in which Mr. Robert Ng Chee Siong, 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.

Both the Company and Sino Land have substantial experience and expertise in managing industrial buildings. The acquisition of shares and taking up of a loan enable Sino Land to hold the entire interest in Cambridge Plaza, providing an opportunity for the Company and Sino Land to maximise and capitalise on the value of such property.

#### (d) Share Disposal and Loan Assignment

On 26th June, 2003, Sino Land and Sing-Ho Finance entered into respective agreements with Erleigh Property Limited ("Erleigh") and Seaview Finance Company Limited ("Seaview Finance"). Pursuant to such agreements, inter alia, (a) Sino Land agreed to sell one share, representing 50% of the issued shares, of Kotachi Limited ("Kotachi") which holds 100% interest in Pacific Trade Centre, an industrial building, to Erleigh at a consideration of HK\$30,755,779; and (b) Sing-Ho Finance agreed to assign to Seaview Finance a loan in the amount of HK\$61,921,021 due by Kotachi to Sing-Ho Finance on a dollar-for-dollar basis, in each case subject to adjustment by reference to the post-completion audited accounts. Completion took place on 26th June, 2003.

Seaview Finance and Erleigh are both indirect wholly-owned subsidiaries of Boswell.

Since Sino Land did not have a controlling interest in the industrial property of Pacific Trade Centre, further capitalisation on the value of this property would be limited. The share disposal and loan assignment as mentioned above allow the Company and Sino Land to divest their respective interests in Pacific Trade Centre.

The Directors consider the above acquisition and disposal of shares and taking up and assignment of loans enable the Company to enhance the control over its industrial property portfolio.

- (e) During the year, Sino Land's wholly-owned subsidiary made advances totalling HK\$40,329,706 to Firm Wise Investment Limited ("Firm Wise"), a 70% owned subsidiary of Sino Land, to finance the 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 terms. The advances made are proportional to the shareholding interest of Sino Land in Firm Wise, the remaining share interests in which are held by an independent third party which is connected to Sino Land only through its substantial shareholding in Firm Wise.

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

### 44. RELATED PARTY TRANSACTIONS *(Continued)*

- (f) During the year, Sino Land's wholly-owned subsidiary made advances totalling HK\$529,761,006 to Grand Creator Investment (BVI) Limited ("Grand Creator"), a 60% owned subsidiary of Sino Land, to finance the loan on-lent to Grand Creator's wholly-owned subsidiary, Grand Creator Investment Limited. The loan is to finance the development cost of MTR Hang Hau Station development. The advances are unsecured, bear interest at cost of funds plus a margin and have no fixed repayment terms. The advances made are proportional to the shareholding interest of Sino Land in Grand Creator, the remaining share interests in which are held by an independent third party which is connected to Sino Land only through its substantial shareholding in Grand Creator.

Details of the balances with associates at the balance sheet date are set out in the balance sheets and in notes 20 and 33.

*Notes:*

- (1) Service and 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, 2003

### 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 the subsidiaries at 30th June, 2003, 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 of subsidiary                 | Place of incorporation/ operation | Class of shares held | Issued share capital | Proportion of nominal value of issued share capital held by the Company |              | Principal activities            |
|------------------------------------|-----------------------------------|----------------------|----------------------|---|--------------|---------------------------------|
|                                    |                                   |                      |                      | Directly %  | Indirectly % |                                 |
| Acclaim Investment Limited         | Hong Kong                         | Ordinary             | HK\$2                | 100   | —            | Share investment                |
| Accomplishment Investment Limited  | Hong Kong                         | Ordinary             | HK\$2                | 100   | —            | Share investment                |
| 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             |
| Allbright Global Investments, S.A. | Republic of Panama/<br>Hong Kong  | Bearer               | US\$200              | 100   | —            | Share investment                |
| Allways Success Finance Limited    | Hong Kong                         | Ordinary             | HK\$10               | —   | 60           | Mortgage loan financing         |
| Apex Speed Limited                 | Hong Kong                         | Ordinary             | HK\$2                | —   | 100          | Property trading and investment |
| Beauty Plaza Limited               | Hong Kong                         | Ordinary             | HK\$20,000           | —   | 100          | Property investment             |
| Best General Limited               | Hong Kong                         | Ordinary             | HK\$2                | 100   | —            | Provision of financial services |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 45. PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                    | Place of incorporation/<br>operation | Class of shares held | Issued share capital | Proportion of nominal value of issued share capital held by the Company |                 | Principal activities            |
|---------------------------------------|--------------------------------------|----------------------|----------------------|---|-----------------|---------------------------------|
|                                       |                                      |                      |                      | Directly<br>%   | Indirectly<br>% |                                 |
| Best Origin Limited                   | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Property investment             |
| Best Result Cleaning Services Limited | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Cleaning services               |
| Better Sino Limited                   | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Property development            |
| Brighter Investment Company Limited   | Hong Kong                            | Ordinary             | HK\$400,000          | 100   | —               | Share investment                |
| Century Profit Limited                | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Property investment             |
| Cheer Result Limited                  | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Property trading and investment |
| Crenshaw Investment Limited           | Hong Kong                            | Ordinary             | HK\$2                | 100   | —               | Share investment                |
| e.Sino Company Limited                | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Investment holding              |
| Elegant Lane Limited                  | Hong Kong                            | Ordinary             | HK\$2                | —   | 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             |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 45. PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                     | Place of incorporation/<br>operation | Class of shares held  | Issued share capital | Proportion of nominal value of issued share capital held by the Company |              | Principal activities    |
|--|--------------------------------------|-----------------------|----------------------|---|--------------|-------------------------|
|  |                                      |                       |                      | Directly %  | Indirectly % |                         |
| Fo Tan Construction Consultant Limited | Hong Kong                            | Ordinary              | HK\$2                | —   | 100          | Project management      |
| Forlink Limited                        | Hong Kong                            | Ordinary              | HK\$2                | —   | 100          | Property investment     |
| Fortune Garden Inc.                    | Republic of Liberia/<br>Hong Kong    | Registered/<br>Bearer | US\$1                | —   | 100          | Share investment        |
| Free Champion Limited                  | Hong Kong                            | Ordinary              | HK\$2                | —   | 100          | Property investment     |
| Fu King Investment Limited             | Hong Kong                            | Ordinary              | HK\$1,000,000        | —   | 100          | Investment holding      |
| Full Fair Limited                      | Hong Kong                            | Ordinary              | HK\$2                | —   | 100          | Property development    |
| Fung Yuen Construction Company Limited | Hong Kong                            | Ordinary              | HK\$1,000,000        | —   | 100          | Building construction   |
| Glenery Limited                        | British Virgin Islands/<br>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 |
| Glorypark Limited                      | Hong Kong                            | Ordinary              | HK\$1,000            | —   | 100          | Property investment     |
| Golden Leaf Investment Limited         | Hong Kong                            | Ordinary              | HK\$20,000           | —   | 100          | Property investment     |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 45. PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                            | Place of incorporation/<br>operation | Class of shares held | Issued share capital | Proportion of nominal value of issued share capital held by the Company |              | Principal activities            |
|---|--------------------------------------|----------------------|----------------------|---|--------------|---------------------------------|
|   |                                      |                      |                      | Directly %  | Indirectly % |                                 |
| Golden Million Finance Corporation            | British Virgin Islands/<br>Hong Kong | Ordinary             | US\$1                | —   | 100          | Financing                       |
| Grand Creator Investment (BVI) Limited        | British Virgin Islands/<br>Hong Kong | Ordinary             | US\$10               | —   | 60           | Investment holding              |
| Grand Creator Investment Limited              | Hong Kong                            | Ordinary             | HK\$2                | —   | 60           | Property development            |
| Grand Idea Investment (CI) Limited            | Cayman Islands/<br>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/<br>Hong Kong         | Ordinary             | US\$1                | —   | 100          | Property investment             |
| Hang Hau Station (Project Management) Limited | Hong Kong                            | Ordinary             | HK\$2                | —   | 60           | Project management              |
| Hang Hau Station Construction Limited         | Hong Kong                            | Ordinary             | HK\$2                | —   | 60           | Building construction           |
| Harvestrade Investment Limited                | Hong Kong                            | Ordinary             | HK\$20,000           | —   | 100          | Property trading and investment |
| Hickson Limited                               | Hong Kong                            | Ordinary             | HK\$20               | —   | 100          | Property investment             |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 45. PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary               | Place of incorporation/<br>operation | Class of shares held  | Issued share capital | Proportion of nominal value of issued share capital held by the Company |                 | Principal activities            |
|----------------------------------|--------------------------------------|-----------------------|----------------------|---|-----------------|---------------------------------|
|                                  |                                      |                       |                      | Directly<br>%   | Indirectly<br>% |                                 |
| High Elite Finance Limited       | Hong Kong                            | Ordinary              | HK\$2                | —   | 100             | Mortgage loan financing         |
| High Elite Limited               | Hong Kong                            | Ordinary              | HK\$2                | —   | 100             | Property investment             |
| Jade Bird Development Limited    | Hong Kong                            | Ordinary              | HK\$100,000          | —   | 100             | Property trading and investment |
| Jade Pine Limited                | Hong Kong                            | Ordinary              | HK\$20,000           | —   | 100             | Property investment             |
| Jade Queen Limited               | Hong Kong                            | Ordinary              | HK\$2                | —   | 100             | Property investment             |
| Ka Fai Land Investment Limited   | Hong Kong                            | Ordinary              | HK\$500,000          | 100   | —               | Share investment                |
| King Chance Development Limited  | Hong Kong                            | Ordinary              | HK\$2                | —   | 100             | Investment holding              |
| 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 |
| Landscape Investment Limited     | Hong Kong                            | Ordinary              | HK\$2                | —   | 100             | Property development            |
| Lucky Fortress Inc.              | Republic of Liberia/<br>Hong Kong    | Registered/<br>Bearer | US\$1                | —   | 100             | Share investment                |
| Mackey Limited                   | Hong Kong                            | Ordinary              | HK\$100              | —   | 100             | Property development            |

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

### 45. PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of subsidiary                     | Place of incorporation/<br>operation | Class of shares held | Issued share capital | Proportion of nominal value of issued share capital held by the Company |                 | Principal activities               |
|--|--------------------------------------|----------------------|----------------------|---|-----------------|------------------------------------|
|  |                                      |                      |                      | Directly<br>%   | Indirectly<br>% |                                    |
| Mailcoach Investment Limited           | Hong Kong                            | Ordinary             | HK\$2                | 100   | —               | Share investment                   |
| Main Earn Limited                      | Hong Kong                            | Ordinary             | HK\$2                | 100   | —               | Financing                          |
| Mander Investment Limited              | British Virgin Islands/<br>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/<br>Hong Kong | Ordinary             | US\$1                | —   | 100             | Share investment                   |
| Multipurpose Investment Limited        | Hong Kong                            | Ordinary             | HK\$20,000           | —   | 100             | Property trading and investment    |
| Nam Lung (Singapore) Pte. Limited      | Singapore                            | Ordinary             | S\$2                 | 100   | —               | Share dealing                      |
| Octerworth Enterprises Limited         | Hong Kong                            | Ordinary             | HK\$20,000           | —   | 100             | Property investment                |
| Orchard Centre Holdings (Pte.) Limited | Singapore                            | Ordinary             | S\$8,400,000         | —   | 95              | Property trading and share dealing |
| Orchard Place (Pte.) Limited           | Singapore                            | Ordinary             | S\$1,000,000         | —   | 95              | Property trading                   |
| Pacific Elite Limited                  | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Financing                          |
| Parason Limited                        | British Virgin Islands/<br>Hong Kong | Ordinary             | US\$1                | —   | 100             | Share investment                   |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 45. PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                              | Place of incorporation/<br>operation | Class of shares held | Issued share capital | Proportion of nominal value of issued share capital held by the Company |                 | Principal activities                    |
|---|--------------------------------------|----------------------|----------------------|---|-----------------|---|
|   |                                      |                      |                      | Directly<br>%   | Indirectly<br>% |   |
| Peace Success Development Limited               | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Property trading                        |
| Perfect Sun Properties Limited                  | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Property development                    |
| Pioneer Parking Limited                         | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Carpark operation                       |
| 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/<br>Hong Kong         | Ordinary             | US\$1                | —   | 100             | Property investment                     |
| Prime Harvest (Administration Services) Limited | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Consultant services provider            |
| Prime Harvest Development Limited               | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Property development                    |
| Primewin Properties Limited                     | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Property investment                     |
| Prime Reward Finance Limited                    | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Financing                               |
| Pui Chee Enterprises Limited                    | Hong Kong                            | Ordinary             | HK\$1,000,000        | 100   | —               | Share investment                        |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 45. PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                        | Place of incorporation/<br>operation | Class of shares held | Issued share capital | Proportion of nominal value of issued share capital held by the Company |                 | Principal activities            |
|---|--------------------------------------|----------------------|----------------------|---|-----------------|---------------------------------|
|   |                                      |                      |                      | Directly<br>%   | Indirectly<br>% |                                 |
| Ramage Investment Limited                 | Hong Kong                            | Ordinary             | HK\$2                | 100   | —               | Share 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 trading and investment |
| Region One Investment Limited             | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Property investment             |
| Rich Tact International (CI) Limited      | Cayman Islands/<br>Hong Kong         | Ordinary             | US\$1                | —   | 100             | Property investment             |
| Richtune Investment Limited               | British Virgin Islands/<br>Hong Kong | Ordinary             | US\$1                | —   | 100             | Share investment                |
| Saky Investment (CI) Limited              | Cayman Islands/<br>Hong Kong         | Ordinary             | US\$1                | —   | 100             | Property investment             |
| Salia Limited                             | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Property development            |
| Santander Investment Limited              | Hong Kong                            | Ordinary             | HK\$2                | 100   | —               | Share investment                |
| 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                |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 45. PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                              | Place of incorporation/<br>operation | Class of shares held | Issued share capital | Proportion of nominal value of issued share capital held by the Company |                 | Principal activities            |
|---|--------------------------------------|----------------------|----------------------|---|-----------------|---------------------------------|
|   |                                      |                      |                      | Directly<br>%   | Indirectly<br>% |                                 |
| Sidak Investment Limited                        | Hong Kong                            | Ordinary             | HK\$20,000           | —   | 100             | Property trading and investment |
| Silver Palm Limited                             | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Property trading and investment |
| Sing-Ho Finance Company Limited                 | Hong Kong                            | Ordinary             | HK\$30,000,000       | —   | 100             | Financing                       |
| 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 Broadband Technology Limited               | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Broadband infrastructure        |
| Sino Estates Management Limited                 | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Building management             |
| Sino Estates Management (China) Limited         | Hong Kong/<br>the PRC                | Ordinary             | HK\$2                | —   | 100             | Building management             |
| Sino Estates Services Limited                   | Hong Kong                            | Ordinary             | HK\$20               | —   | 100             | Building management             |
| Sino Land Company Limited (Listed in Hong Kong) | Hong Kong                            | Ordinary             | HK\$3,886,334,280    | 26.74   | 26.59           | Investment holding              |
| Sino Land Finance Limited                       | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Deposit placing                 |
| Sino Land Investment (Holdings) Ltd.            | Cayman Islands/<br>Hong Kong         | Ordinary             | US\$6,000,000        | —   | 100             | Investment holding              |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 45. PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                   | Place of incorporation/<br>operation | Class of shares held | Issued share capital | Proportion of nominal value of issued share capital held by the Company |                 | Principal activities            |
|--------------------------------------|--------------------------------------|----------------------|----------------------|---|-----------------|---------------------------------|
|                                      |                                      |                      |                      | Directly<br>%   | Indirectly<br>% |                                 |
| Sino Technology Corporation Limited  | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | High technology business        |
| Spangle Investment Limited           | Hong Kong                            | Ordinary             | HK\$2                | 100   | —               | Share investment                |
| Sparkling Investment Company Limited | Hong Kong                            | Ordinary             | HK\$200              | 100   | —               | Share investment                |
| 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 trading and investment |
| Ten Treasure Limited                 | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Property development            |
| Thousand Growth Development Limited  | Hong Kong                            | Ordinary             | HK\$20,000           | —   | 100             | Property investment             |
| Timeshare Development (CI) Limited   | Cayman Islands/<br>Hong Kong         | Ordinary             | US\$1                | —   | 100             | Property investment             |

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

### 45. PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of subsidiary                      | Place of incorporation/<br>operation | Class of shares held | Issued share capital | Proportion of nominal value of issued share capital held by the Company |                 | Principal activities |
|---|--------------------------------------|----------------------|----------------------|---|-----------------|----------------------|
|   |                                      |                      |                      | Directly<br>%   | Indirectly<br>% |                      |
| Trans China Investment Limited          | Hong Kong                            | Ordinary             | HK\$2                | —   | 100             | Property investment  |
| Triple Reach International (CI) Limited | Cayman Islands/<br>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/<br>Hong Kong         | Ordinary             | US\$1                | —   | 100             | Property investment  |
| World Empire Investment (CI) Limited    | Cayman Islands/<br>Hong Kong         | Ordinary             | US\$1                | —   | 100             | Property investment  |

Except for the convertible notes of a subsidiary as disclosed in note 29, 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, 2003

### 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 the associates at 30th June, 2003, 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 of associate                         | Place of incorporation/<br>operation | Class of shares held             | Proportion of nominal value of issued share capital held indirectly by the Company % | Principal activities            |
|---|--------------------------------------|----------------------------------|--|---------------------------------|
| Asian Success Investments Limited         | Hong Kong                            | Ordinary                         | 33.3   | Property development            |
| Astoria Estate Management Company Limited | Hong Kong                            | Ordinary                         | 50   | Building management             |
| Benefit Bright Limited                    | Hong Kong                            | Ordinary                         | 42.5   | Property trading and investment |
| Better Chief Limited                      | Hong Kong                            | Ordinary                         | 50   | Property investment             |
| Beverhill Limited                         | Hong Kong                            | Ordinary                         | 20   | Property investment             |
| Boatswain Enterprises Limited             | Hong Kong                            | Ordinary                         | 20   | Property investment             |
| Brisbane Trading Company Limited          | Hong Kong                            | Ordinary and non-voting deferred | 50   | Property development            |
| Cheer City Properties Limited             | Hong Kong                            | Ordinary                         | 20   | Property investment             |
| C.H.K.C. Building Management Limited      | Hong Kong                            | Ordinary                         | 25   | Building management             |
| Cosmos Door Limited                       | Hong Kong                            | Ordinary                         | 50   | Property investment             |
| Credit World Limited                      | Hong Kong                            | Ordinary                         | 20   | Property trading                |
| Direct Win Development Limited            | Hong Kong                            | Ordinary                         | 33.3   | Property development            |

## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

### 46. PRINCIPAL ASSOCIATES *(Continued)*

| Name of associate                               | Place of incorporation/<br>operation | Class of shares held | Proportion of nominal value of issued share capital held indirectly by the Company % | Principal activities            |
|---|--------------------------------------|----------------------|--|---------------------------------|
| Dramstar Company Limited                        | Hong Kong                            | Ordinary             | 22   | Property trading                |
| Empire Funds Limited                            | Hong Kong                            | Ordinary             | 50   | Property trading                |
| Eternal Honest Finance Company Limited          | Hong Kong                            | Ordinary             | 50   | Mortgage loan financing         |
| Famous Empire Finance Limited                   | Hong Kong                            | Ordinary             | 40   | Mortgage loan financing         |
| Famous Empire Properties Limited                | Hong Kong                            | Ordinary             | 40   | Property trading and investment |
| Finedale Industries Limited                     | Hong Kong                            | Ordinary             | 33.3   | Property investment             |
| Gloryland Limited                               | Hong Kong                            | Ordinary             | 33.3   | Property investment             |
| Golden Famous International Limited             | Hong Kong                            | Ordinary             | 25   | Property development            |
| Grace Sign Limited                              | Hong Kong                            | Ordinary             | 30   | Property development            |
| Grand Palisades Finance Company Limited         | Hong Kong                            | Ordinary             | 20   | Mortgage loan financing         |
| Greenroll Limited                               | Hong Kong                            | Ordinary             | 30   | Property investment             |
| Harvest Sun Limited                             | Hong Kong                            | Ordinary             | 30   | Property trading and investment |
| Hua Qing Holdings Pte Ltd                       | Singapore                            | Ordinary             | 20   | Investment holding              |
| Island Resort Estate Management Company Limited | Hong Kong                            | Ordinary             | 40   | Building management             |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 46. PRINCIPAL ASSOCIATES (Continued)

| Name of associate                            | Place of incorporation/<br>operation | Class of shares held | Proportion of nominal value of issued share capital held indirectly by the Company % | Principal activities            |
|--|--------------------------------------|----------------------|--|---------------------------------|
| Lead Bright Finance Limited                  | Hong Kong                            | Ordinary             | 20   | Mortgage loan financing         |
| Lead Bright Limited                          | Hong Kong                            | Ordinary             | 20   | Property trading                |
| Million Success Limited                      | Hong Kong                            | Ordinary             | 25   | Property investment             |
| More Treasure Company Limited                | Hong Kong                            | Ordinary             | 25   | Property investment             |
| Murdoch Investments Inc.                     | Republic of Panama/<br>Hong Kong     | Ordinary             | 45   | Property investment             |
| Olympian City 1 (Project Management) Limited | Hong Kong                            | Ordinary             | 30   | Project management              |
| Olympian City 2 Finance Company Limited      | Hong Kong                            | Ordinary             | 50   | Mortgage loan financing         |
| Olympian City 2 (Project Management) Limited | Hong Kong                            | Ordinary             | 42.5   | Project management              |
| Perfect Finance Limited                      | Hong Kong                            | Ordinary             | 50   | Mortgage loan financing         |
| Prime Force Limited                          | Hong Kong                            | Ordinary             | 50   | Property development            |
| Pui Hay Enterprises Limited                  | Hong Kong                            | Ordinary             | 50   | Property trading                |
| Rich Century Investment Limited              | Hong Kong                            | Ordinary             | 50   | Property development            |
| Silver Link Investment Limited               | Hong Kong                            | Ordinary             | 40   | Property trading and investment |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

### 46. PRINCIPAL ASSOCIATES (Continued)

| <b>Name of associate</b>             | <b>Place of incorporation/<br/>operation</b> | <b>Class of shares held</b> | <b>Proportion of nominal value of issued share capital held indirectly by the Company %</b> | <b>Principal activities</b>     |
|--------------------------------------|--|-----------------------------|---|---------------------------------|
| Sino Parking Services Limited        | Hong Kong                                    | Ordinary                    | 50  | Carpark operation               |
| Sino Real Estate Agency Limited      | Hong Kong                                    | Ordinary                    | 50  | Real estate agency              |
| Tat Lee Construction Company Limited | Hong Kong                                    | Ordinary                    | 25  | Building construction           |
| Victory World Finance Limited        | Hong Kong                                    | Ordinary                    | 50  | Mortgage loan financing         |
| Victory World Limited                | Hong Kong                                    | Ordinary                    | 50  | Property trading and investment |
| Wide Harvest Investment Limited      | Hong Kong                                    | Ordinary                    | 25  | Property investment             |
| Win Chanford Enterprises Limited     | Hong Kong                                    | Ordinary                    | 50  | Property investment             |