



New Asia Realty and Trust Company, Limited  
新亞置業信託有限公司

Annual Report 2002/03  
二零零二至零三年年報

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# Directors and Corporate Information

## Board of Directors

G. W. J. Li (*Chairman*)

J. M. K. Chow, *OBE, JP*

C. C. Haung

T. Y. Ng

C. L. Pan, *JP*

G. S. Yee

## Secretary

W. W. S. Chan, *F.C.I.S.*

## General Managers

Wheelock Properties Limited

## Registered Office

23rd Floor, Wheelock House,

20 Pedder Street,

Hong Kong

## Registrars

Tengis Limited

Ground Floor,

Bank of East Asia Harbour View Centre,

56 Gloucester Road,

Wanchai,

Hong Kong

## Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

## Auditors

KPMG

# Chairman's Statement

## RESULTS

The Group reported a loss attributable to Shareholders of HK\$781.8 million for the year ended 31 March 2003. Loss per share was 37.8 cents. Turnover for the year amounted to HK\$1,999.0 million.

An interim dividend of 2.0 cents per share was paid by the Company in January 2003 in respect of the year ended 31 March 2003. Your Directors have recommended the payment of a final dividend of 5.0 cents per share, subject to the Shareholders' approval at the forthcoming Annual General Meeting. The total dividend distribution for the year will be 7.0 cents per share.

The Group's investment properties were revalued as at 31 March 2003 and the Group's investments in securities were also stated at fair value. The consolidated net asset value per share of the Company as at 31 March 2003 was HK\$4.69 compared to HK\$5.55 for the preceding year.

## BUSINESS REVIEW & PROSPECTS

The past financial year proved to be another remarkably challenging year. Property value dropped. Both Group net profit and shareholders' capital were adversely affected by the downward revaluation of property, reflecting market reality. Even though several fragmented signs of economic recovery, such as the improved property sales recorded in Hong Kong shortly after the launch of the HKSAR Government's property stimulus package and China's accelerating exports growth, were witnessed in the second half of the financial year, both the Middle East military conflict and the SARS outbreak have nevertheless caused an unquantifiable disruption to such developments.

## PROPERTY ACTIVITIES

### Company's own interests

Sorrento is an MTRC joint-venture project above the Kowloon Station, equally owned by a five-member consortium comprising New Asia Realty, Wheelock, Realty Development Corporation (now a wholly-owned subsidiary of the Group), Wharf and Harbour Centre Development. During the financial year under review, Phase II units were launched in November 2002 for pre-sale. As at the end of March 2003, cumulative sales recorded for Phase I and Phase II reached 1,050 and 300 units respectively, realising sales proceeds of about HK\$4.78 billion and HK\$2.04 billion, respectively.

Each of the five stakeholders has contributed financial capital and funding on a *pro rata* basis to the project company which holds Sorrento. The total area of the development is 2.5 million square feet, comprising 2,126 units in two phases. Phase I consisting of 1,272 units was completed in October 2002, one year ahead of the expected completion of Phase II which covers the remaining 854 units.

Bellagio, in Sham Tseng on the western shore of the New Territories, is a joint-venture development equally owned by New Asia Realty, Wheelock and Wharf. During the financial year under review, both Phases I and II were launched in September 2002 for pre-sale. As at the end of March 2003, cumulative sales for Phases I and II reached 1,290 units, realising sales proceeds of about HK\$2.95 billion.

## Chairman's Statement

The three stakeholders contributed financial capital and funding on a *pro rata* basis to the project company which holds Bellagio. With a total area of 3.1 million square feet, once completed it will provide altogether 3,354 units in four phases. Phase I and Phase II, consisting of 1,704 units in total, were completed in May and August 2002 respectively. Construction works for Phases III and IV which cover the remaining 1,650 units commenced only recently in March 2003.

The King's Park development is owned by a five-member consortium comprising Realty Development Corporation, New World Development, Sino Land, Chinese Estates and Manhattan Garments. This residential site located in Homantin is being developed into eight towers consisting of 700 units with a total GFA of 904,200 square feet. Superstructure construction is now in progress. Having obtained the pre-sale consent for Phase I covering 273 units, pre-sale is now targeted to take place during mid-2003.

### Marco Polo Developments group (75% owned)

Wheelock Place, a commercial building with 464,900 square feet in GFA on Orchard Road in Singapore, is currently 97 per cent leased at satisfactory rental rates.

As at the end of the financial year under review, all 330 apartments in Ardmore Park had been sold and sales proceeds thereof have been fully billed and collected. Since the soft-launch of Grange Residences in September 2002, eleven apartments have been sold on a deferred payment scheme. Ardmore View is currently 93 per cent leased at satisfactory rental rates.

## CORPORATE REORGANISATION

As part of the Group's ongoing efforts in streamlining the overall structure, a proposed privatisation scheme for Realty Development Corporation Limited ("RDC") was put forward by the Group on 13 December 2002 and such proposed exercise was subsequently approved by shareholders of RDC. The proposed price for the scheme was HK\$3.20 per RDC share, totalling HK\$1,016.1 million for the 27.58 per cent interest in RDC acquired by the Group. As a result, RDC's listing status was withdrawn on 19 March 2003 and the company thereafter became a wholly-owned subsidiary of the Group.

## BOARD

I would like to welcome with pleasure Messrs. J. M. K. Chow and G. S. Yee on their joining as new members of our Board. Subsequent to the financial year end, Mr. C. L. Pan has decided not to stand for re-election at the forthcoming Annual General Meeting. In addition, Mr. C. C. Haung has also resigned as a Director of the Company, effective from the conclusion of the forthcoming Annual General Meeting.

## OUTLOOK

Hong Kong's immediate hinterland, the Pearl River Delta, is growing steadily; with the highest GDP per capita, its GDP growth rate is also the highest in the Mainland. China's WTO entry also means opportunities for Hong Kong. However, Hong Kong continues to experience economic rationalization and adjustment.

With its sizeable landbank, mainly represented by its 40 per cent interest in Sorrento, 33-1/3 per cent interest in Bellagio and 20 per cent interest in the King's Park development, the Group is well-placed to take advantage of the gradual recovery of the economy in Hong Kong.

The continuing deflationary environment means that the real cost of borrowing is high despite today's all-time low nominal interest rates. The Group will seek to optimize its assets and dispose of non-core assets whenever possible.

**Gonzaga W. J. Li**

*Chairman*

Hong Kong, 10 June 2003

## Disclosure of Further Corporate Information

Set out below is information disclosed pursuant to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”):

### (A) COMMENTARY ON ANNUAL RESULTS

#### (I) Review of 2002/03 Results and Segmental Performance

##### *Profit/(loss) attributable to shareholders*

The Group reported a loss attributable to Shareholders of HK\$781.8 million for the year ended 31 March 2003 as opposed to a profit of HK\$86.3 million for the previous year. The loss is primarily due to the inclusion of attributable impairment provisions totalling HK\$1,377.4 million (2002 : HK\$653.4 million) for properties, including the Sorrento and Bellagio development projects held through associates. Loss per share was 37.8 cents (2002 : earnings per share 4.2 cents).

Excluding the above-mentioned provisions in both years, the Group’s net profit would be HK\$595.6 million in 2002/03, a decrease of 19.5% compared to HK\$739.7 million in 2001/02.

##### *Group turnover*

The Group’s turnover for the year was HK\$1,999.0 million against HK\$3,330.2 million recorded in 2001/02, a decrease of HK\$1,331.2 million or 40.0%. The decrease was chiefly caused by the lower property revenue recognised by the Marco Polo Developments group (“MPDL”) in respect of its sales of Ardmore Park units in Singapore.

Other property sale revenue during the year was largely derived from the sale of residential units at Palm Cove in Tuen Mun, which were launched in March 2002. Out of the total 260 units, 210 units had been sold as at 31 March 2003.

Notwithstanding the lackluster market conditions, the Property Investment segment managed to report an increase of HK\$10.2 million in revenue from the previous year’s level to HK\$275.3 million. This was mainly a consequence of an overall improvement in occupancy rates. Wheelock House and Fitfort were virtually fully-let during the year under review. Wheelock Place in Singapore was 94% leased at satisfactory rental rates.

##### *Group operating profit*

The Group’s operating profit before borrowing costs and property provisions was HK\$755.7 million, a decrease of HK\$588.3 million or 43.8% from that reported in 2001/02.

Comparing to the previous year, the profit contribution from the Property Development segment for the year dropped by HK\$598.2 million to HK\$286.6 million. This was mainly due to a lower property sales contribution from MPDL as explained below. The operating profit of the Property Investment segment increased by HK\$7.2 million to HK\$199.0 million for the year. Investment income for the year under review amounted to HK\$278.0 million, comprising mainly recurring dividend income generated from the Group’s long-term investment portfolio and interest earned.

## Disclosure of Further Corporate Information

MPDL reported a profit attributable to shareholders of S\$45.6 million for the year ended 31 March 2003, compared to S\$173.3 million achieved in 2001/02. MPDL's profit was largely derived from recognition of profit from the sale of Ardmore Park in Singapore. All Ardmore Park units have been sold with the remaining 7% profit recognised during the year against 33% in 2001/02 according to the Group's accounting policies. Pre-sale of Grange Residences also commenced with 9 units sold as at 31 March 2003 on a deferred payment scheme and thus a proportionate small profit had been recognised by MPDL.

### *Borrowing costs*

Borrowing costs charged to the profit and loss account were HK\$102.8 million, representing a substantial decrease of 34.1% from HK\$156.1 million in the previous year. This was achieved after the interest rate cuts during the year and as a result of the Group's success in reducing margins through its refinancing activities. For the year under review, the Group's average borrowing cost was approximately 2.3% per annum, a reduction from 3.7% per annum for 2001/02.

### *Property provisions*

Included in the Group's accounts is a total provision of HK\$658.6 million for impairment in value of the Group's properties under development for sale made following a valuation review at 31 March 2003. The provision is principally made for the properties held by the Realty Development group ("RDC") and, in aggregate, is substantially in line with the amount reflected in the RDC privatisation scheme, for which the revaluation exercise was carried out by an independent property valuer.

The Group's investment properties portfolios were revalued by independent valuers at 31 March 2003, resulting in attributable deficits of HK\$500.8 million and HK\$196.2 million charged against the profit and loss account for the year and the investment property revaluation reserves account, respectively, in accordance with the Group's accounting policies.

The provision of HK\$373.7 million for the previous year included HK\$217.8 million made by RDC for its properties under development for sale and a provision of HK\$155.9 million made by MPDL for the Ardmore View project in Singapore.

### *Share of profits less losses of associates*

The share of losses of associates was HK\$456.6 million versus HK\$353.9 million for the previous year. Included in the losses are property provisions totalling HK\$548.7 million mainly made for the Group's 40% interest in Sorrento and 33-1/3% interest in Bellagio. The loss for the previous year principally comprised the attributable charge arising from the impairment in value of the Bellagio project.

## Disclosure of Further Corporate Information

### *Other items*

The Group reported a taxation credit of HK\$13.8 million for the year because of a write-back of a tax provision for the Ardmore Park project of HK\$102.7 million subsequent to a reduction of the Singapore income tax rate from 24.5% to 22.0%.

The net loss shared by minority interests was HK\$167.5 million, which was mainly attributable to the loss incurred by RDC prior to its privatisation.

## (II) Liquidity and Financial Resources

### *Shareholders' funds*

At 31 March 2003, the Group's shareholders' funds totalled HK\$9,716.7 million or HK\$4.69 per share, against HK\$11,483.4 million or HK\$5.55 per share at 31 March 2002. The change reflects mainly the downward revaluation of the Group's properties and long-term investments.

### *Gearing ratios*

At 31 March 2003, the ratio of the Group's net debt to total assets was 7.8% (2002 : 5.1%), while the ratio of net debt to shareholders' equity was 10.4% (2002 : 7.4%).

At 31 March 2003, the Group's net debt amounted to HK\$1,010.5 million, comprising total debts of HK\$3,805.7 million less deposits and cash of HK\$2,795.2 million, as compared with a net debt of HK\$850.5 million at 31 March 2002. For the year under review, net cash generated from the Group's operating activities amounted to HK\$304.9 million. In addition, there was cash inflow of HK\$442.9 million from disposal of certain non-trading securities. On completion of the RDC privatisation scheme in March 2003, a total consideration of HK\$1,016.1 million financed by a bank loan was paid.

### Committed and uncommitted facilities

- (a) Excluding the project loans undertaken by associates, the Group's committed and uncommitted loan facilities amounted to HK\$5.0 billion and HK\$0.6 billion respectively. The debt maturity profile of the Group is analysed as follows:

	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
Repayable within 1 year	<b>1,470.0</b>	501.8
Repayable after 1 year, but within 2 years	<b>700.0</b>	1,800.0
Repayable after 2 years, but within 5 years	<b>1,635.7</b>	576.0
Repayable after 5 years	<b>—</b>	953.0
	<b>3,805.7</b>	3,830.8
Undrawn facilities	<b>1,800.0</b>	1,700.0

## Disclosure of Further Corporate Information

(b) The following assets of the Group have been pledged for securing bank loan facilities:

	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
Investment properties	<b>2,407.4</b>	2,857.5
Long-term investments	<b>1,901.0</b>	2,339.8
Properties under development for sale	<b>1,499.9</b>	1,734.2
	<b>5,808.3</b>	6,931.5

(c) To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars except that the borrowings for financing Singapore assets are denominated in Singapore dollars. The Group has no other significant exposure to foreign exchange fluctuation except for its net investments in Singapore subsidiaries and forward exchange contracts which are entered into by the Group for hedging such investments.

*Long-term investments*

At 31 March 2003, the Group maintained a portfolio of long-term investments with market value of HK\$3,307.0 million (2002 : HK\$4,467.8 million) which primarily comprised blue chip securities.

In accordance with the Group's accounting policies, the non-trading securities classified as long-term investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserves until the security is sold. At 31 March 2003, there was attributable investment revaluation deficit of HK\$888.7 million compared to a deficit of HK\$111.9 million at 31 March 2002. The performance of the investment portfolio is basically in line with the general market trend of the stock markets.

**(III) Major Property Projects Undertaken by Associates**

Pre-sales of the Sorrento and Bellagio projects undertaken by associates, 40%-owned and 1/3-owned by the Group respectively, were launched with good progress in 2002/03. At 31 March 2003, accumulated sales of Sorrento exceeded 82% of the 1,272 Phase I units and 37% of the 854 Phase II units. The sale of Bellagio was first launched in September 2002 with tremendous success. 75% of the 1,704 Phase I and II units were sold up to 31 March 2003. The remaining Phases III and IV of the Bellagio project commenced construction in March 2003.

Pre-sale proceeds received by the two project companies have been utilized for partial repayment of the relevant shareholders' advances and full repayment of bank loans with the remaining proceeds retained in stakeholders' accounts for future payment of construction costs. At 31 March 2003, the cash deposits in Sorrento's stakeholders' account amounted to HK\$0.9 billion, which are expected to be sufficient to fully cover outstanding construction cost for completion of the whole project. The cash deposits in Bellagio's stakeholders' account at 31 March 2003 amounted to HK\$1.2 billion, which was subsequently distributed to the shareholders, namely, the Group, Wheelock and Wharf, in proportion to their equity interests in the project in April 2003 upon completion of Phase I and II units. The two project companies did not have any bank borrowings at 31 March 2003.

## Disclosure of Further Corporate Information

Superstructure of the King's Park development, 20%-owned by the Group, is progressing well and pre-sale is targeted to take place in mid-2003.

### (IV) Contingent Liabilities

- (a) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$697.6 million (2002 : HK\$2,459.2 million) of which HK\$349.9 million (2002 : HK\$552.8 million) has been drawn at the balance sheet date.
- (b) The Company, a wholly-owned subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms under an agreement to develop the Sorrento project.

### (V) Acquisition of Subsidiaries

#### *Privatisation of RDC*

On 13 December 2002, the Group proposed to privatise RDC at HK\$3.2 per share by way of a Scheme of Arrangement under Section 166 of the Hong Kong Companies Ordinance. The amount of cash paid for the privatisation was approximately HK\$1,016.1 million. The Scheme became effective on 19 March 2003.

### (VI) Employees

The Group has 57 employees. Employees are remunerated according to nature of the job and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. The Group also sponsors external training programmes that are complementary to certain job functions. Total staff costs for the year ended 31 March 2003 amounted to HK\$22.7 million.

## (B) INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year is set out in Note 5 to the Accounts on page 37.

## (C) PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

## Disclosure of Further Corporate Information

**(D) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS****(I) Directors**

Gonzaga W. J. LI, Chairman (Age: 74)

Mr. Li was appointed Chairman and a Director of the Company in 1997. He is also the senior deputy chairman and a director of Wheelock and Company Limited (“Wheelock”). Furthermore, he is the senior deputy chairman of The Wharf (Holdings) Limited (“Wharf”), the chairman of Harbour Centre Development Limited (“HCDL”) and Marco Polo Developments Limited (“MPDL”) in Singapore and a director of Joyce Boutique Holdings Limited (“Joyce”).

Joseph M. K. CHOW, OBE, JP, Director (Age: 62)

Mr. Chow was appointed a Director of the Company on 6 May 2003. He is also the managing director of JMK Consulting Engineers Limited as well as a director of the publicly-listed Chevalier International Holdings Limited.

C. C. HAUNG, Director (Age: 80)

Mr. Haung was appointed a Director of the Company on 3 June 2002. He was a former Director of the Company during the years 1994 and 1995 and had been the chairman of The World-Wide Investment Company Limited from 1989 to 1991. He is now the chairman of the advisory board of The World-Wide Investment Company Limited and a director/member of a charitable institution. He is also a director of HCDL.

T. Y. NG, Director (Age: 55)

Mr. Ng has been a Director of the Company since 1998. He is also a director of Wharf, HCDL, Joyce, MPDL and Wheelock Properties Limited.

C. L. PAN, JP, Director (Age: 86)

Mr. Pan has been a Director of the Company since 1985. He was a former director of HCDL.

G. S. YEE, Director (Age: 52)

Mr. Yee was appointed a Director of the Company on 6 May 2003. He is also the managing director of Pacific Can Company Limited.

*Note: Both Wheelock and Company Limited (of which Mr. G. W. J. Li is a director) and Wheelock Properties Limited (of which Mr. T. Y. Ng is a director) have interests in the share capital of the Company discloseable to the Company under the provisions of Part XV of the Securities and Futures Ordinance.*

**(II) Senior Managers**

During the financial year, the senior management responsibilities of the Group were vested with the General Managers of the Company, namely, Wheelock Properties Limited (as referred to in the Report of the Directors under the section headed “Management Contracts” on page 18), and none of the employees of the Group are regarded as Senior Managers.

## Disclosure of Further Corporate Information

**(E) DIRECTORS' INTERESTS IN SHARES**

At 31 March 2003, Directors of the Company held the following beneficial interests in the share capitals of the Company, the Company's parent company, namely, Wheelock and Company Limited ("Wheelock"), and an associate of Wheelock, namely, The Wharf (Holdings) Limited ("Wharf"):

	<b>No. of Ordinary Shares</b>	<b>Nature of Interest</b>
<b>The Company</b>		
Mr. G. W. J. Li	2,900	Personal interest
<b>Wheelock</b>		
Mr. G. W. J. Li	1,486,491	Personal Interest
Mr. T. Y. Ng	70,000	Personal Interest
Mr. C. L. Pan	652,264	Personal Interest
	727,712	Corporate Interest <i>(See Note below)</i>
<b>Wharf</b>		
Mr. G. W. J. Li	686,549	Personal Interest
Mr. T. Y. Ng	178,016	Personal Interest
Mr. C. L. Pan	56,304	Personal Interest

*Note: The 727,712 shares classified as Corporate Interest in which Mr. C. L. Pan was taken to be interested as stated above were interests of a corporation at general meetings of which Mr. Pan was entitled to either exercise (or was taken under the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), which was in force as at 31 March 2003 but repealed with effect from 1 April 2003, to be able to exercise) or control the exercise of one-third or more of the voting power.*

Except as disclosed above, as recorded in the register kept by the Company under section 29 of the SDI Ordinance in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SDI Ordinance or to the Model Code for Securities Transactions by Directors of Listed Companies:

- (i) there were no interests held as at 31 March 2003 by any of the Directors or Chief Executive of the Company in securities of the Company and its associated corporations (within the meaning of the SDI Ordinance), and
- (ii) there existed during the financial year no rights to subscribe for equity or debt securities of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

## Disclosure of Further Corporate Information

**(F) SUBSTANTIAL SHAREHOLDERS' INTERESTS**

Given below are the names of all parties which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 31 March 2003 as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:

<b>Names</b>	<b>No. of Ordinary Shares</b>
(i) Myers Investments Limited	1,536,058,277
(ii) Wheelock Properties Limited	1,536,058,277
(iii) Wheelock and Company Limited	1,536,058,277
(iv) Bermuda Trust (Guernsey) Limited	1,536,058,277

*Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against parties (i) to (iv) above represent the same block of shares; all of the abovenamed parties were deemed to be interested in the relevant shareholdings under the SDI Ordinance as at 31 March 2003.*

**(G) PENSION SCHEME**

During the financial year, no pension scheme of the Group was operated for any employee of the Group. The retirement benefit scheme in which the Group's employees participated was the Central Provident Fund in Singapore.

The employer's pension cost charged to the profit and loss account during the year ended 31 March 2003 in respect of the above pension scheme amounted to HK\$1.5 million.

**(H) MAJOR CUSTOMERS & SUPPLIERS**

For the financial year ended 31 March 2003:

- (a) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented 80% of the Group's total purchases;
- (b) the amount of purchases attributable to the Group's largest supplier represented 32% of the Group's total purchases;
- (c) none of the Directors of the Company or their associates holds, nor does any shareholder owning (to the knowledge of the Directors) more than 5% of the Company's equity capital hold, any interests in any of the Group's five largest suppliers; and
- (d) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

## Disclosure of Further Corporate Information

## (I) DISCLOSURE UNDER PRACTICE NOTE 19

In relation to the provision of financial assistance by the Company and/or its subsidiaries to certain associates of the Company, namely, Diamond Hill Development Holdings Limited (“DHDHL”), Hopfield Holdings Limited (“Hopfield”) and Grace Sign Limited (“Grace Sign”) and/or their respective wholly-owned subsidiaries (together, the “Borrowers”), all of which were as previously disclosed in the Company’s interim report for the six months period ended 30 September 2002, obligations in relation to the aforesaid financial assistance by the Group continued to exist as at 31 March 2003.

Set out below is a proforma combined balance sheet of the Borrowers as at 31 May 2003 (being the latest practicable date for determining the relevant figures) required to be disclosed under Practice Note 19 of the Listing Rules:

**Proforma Combined Balance Sheet of Borrowers**

as at 31 May 2003

	<b>HK\$ Million</b>
Non-current assets	284.3
Properties under development/for sale	10,931.3
Stakeholders’ deposits	869.6
Deposits from sale of properties	(1,497.2)
Other net current liabilities	(433.9)
Bank loans	(1,519.5)
	<hr/>
	8,634.6
Shareholders’ loans	(11,351.4)
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Shareholders’ deficit	(2,716.8)
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Financial assistance given by the Group is made up as follows:

	<b>Loan advances</b>	<b>Guaranteed Bank Facilities</b>		<b>Total</b>
		<b>Amount drawn</b>	<b>Not yet drawn</b>	
	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>
DHDHL	1,991.9	–	–	1,991.9
Hopfield	1,555.6	–	–	1,555.6
Grace Sign	297.3	303.9	196.9	798.1
	<hr/>	<hr/>	<hr/>	<hr/>
	3,844.8	303.9	196.9	4,345.6
	<hr/>	<hr/>	<hr/>	<hr/>

*Note: The Group’s attributable interests in DHDHL, Hopfield and Grace Sign were 33-1/3%, 40% and 20% respectively as at 31 May 2003.*

## Disclosure of Further Corporate Information

**Terms of the Financial Assistance***Funding for DHDHL*

A loan in the amount of HK\$1,991.9 million made to DHDHL bears interest at such rates as may from time to time be agreed among DHDHL's shareholders. At present, that loan is interest-free (also applicable to all the loans made to DHDHL by all other DHDHL's shareholders). It is repayable on demand, and is provided without any security.

*Funding for Hopfield*

Loans in the amount of HK\$1,555.6 million made to Hopfield bear interest at such rates as may from time to time be agreed among all Hopfield's shareholders, with reference to interest rates prevailing in the lending market, currently being fixed at 2.5% per annum (also applicable to all the loans made to Hopfield by all other Hopfield's shareholders). The loans are repayable on demand, and are provided without any security.

*Funding for Grace Sign*

A loan in the amount of HK\$297.3 million made to Grace Sign bears interest at such rates as may from time to time be agreed among Grace Sign's shareholders. At present, the interest rate of the loan has yet to be agreed by the shareholders of Grace Sign. Repayment of the loan will be subject to, *inter alia*, all borrowings under the abovementioned guaranteed bank facilities having been fully repaid, except under certain circumstances as permitted under the relevant agreement for those bank facilities. No security is provided to the Group for the loan.

The Group's *pro rata* share of its financial obligation in respect of the bank facilities available to Grace Sign amounted to HK\$500.8 million of which HK\$303.9 million has been drawn. Such bank facilities were obtained on normal commercial terms and at interest rates prevailing in the lending market. No security is provided to the Group by Grace Sign against the issue of the relevant guarantee by the Group.

**(J) DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Set out below is information disclosed pursuant to paragraph 8.10 of the Listing Rules of the Stock Exchange.

Two Directors of the Company, namely, Messrs. G. W. J. Li and T. Y. Ng, being also directors of the Company's parent company, namely, Wheelock and/or certain subsidiaries of Wheelock, are considered as having an interest in Wheelock under paragraph 8.10 of the Listing Rules.

The ownership of commercial premises by Wheelock group for rental purposes is considered as competing with the commercial premises owned by the Group for letting. Since the Group's commercial premises are not in close proximity to those owned by the Wheelock group and the customers and tenants for the Group's properties are somewhat different from those for the properties owned by the Wheelock group, the Group considers that its interest regarding the business of owning and letting of commercial premises is adequately safeguarded.



## Disclosure of Further Corporate Information

For safeguarding the interests of the Group, the independent non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's property leasing business is and continues to be run on the basis that it is independent of, and at arm's length from, that of the Wheelock group.

### **(K) COMPLIANCE WITH CODE OF BEST PRACTICE**

The Company has complied throughout the financial year the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange.

## Report of the Directors

The Directors submit herewith their Report and the Audited Statement of Accounts for the financial year ended 31 March 2003.

### PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on page 55.

An analysis of the principal activities and geographical locations of trading operations of the Company and its subsidiaries during the financial year is set out in Note 2 to the Accounts on pages 33 and 34.

### RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 March 2003 are set out in the Consolidated Profit and Loss Account on page 20.

Appropriations of profits and movements in reserves during the financial year are set out in Note 24 to the Accounts on pages 48 and 49.

### DIVIDENDS

An interim dividend of 2.0 cents per share was paid on 24 January 2003. The Directors now recommend the payment of a final dividend of 5.0 cents per share in respect of the financial year ended 31 March 2003, payable on 27 August 2003 to Shareholders on record as at 20 August 2003. This recommendation has been disclosed in the Accounts.

### FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 13 to the Accounts on page 41.

### BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of all such bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 March 2003 as would be repayable on demand or within a period not exceeding one year are set out in Note 21 to the Accounts on page 46. Those which would fall due for repayment after a period of one year are set out in Note 25 to the Accounts on page 50.

### DONATIONS

The Group made donations during the financial year totalling HK\$1.4 million.

## Report of the Directors

### DIRECTORS

The Directors of the Company during the financial year were Messrs. G. W. J. Li, C. C. Haung, K. H. Leung (resigned on 1 January 2003), T. Y. Ng, C. L. Pan and J. Y. K. Yang (resigned on 3 June 2002).

Subsequent to the financial year end, Messrs. J. M. K. Chow and G. S. Yee were appointed Directors of the Company, both with effect from 6 May 2003.

Messrs. J. M. K. Chow and G. S. Yee, being appointed as Directors of the Company after the last Annual General Meeting, are due to retire from the Board in accordance with Article 94 of the Company's Articles of Association, and Mr. C. L. Pan is also due to retire from the Board by rotation in accordance with Article 103(A), at the forthcoming Annual General Meeting. Mr. Pan has decided not to stand for re-election while the other retiring Directors, being eligible, offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation). Furthermore, Mr. C. C. Haung has resigned as a Director of the Company, effective from the conclusion of the forthcoming Annual General Meeting.

Under the provisions of the Company's Articles of Association, the Chairman is not subject to retirement from the Board by rotation. As regards the other Directors (none of them holding any executive title of the Company), four of them will retire as or otherwise cease to be Directors at the forthcoming Annual General Meeting to be held on 20 August 2003 as mentioned above, and the remaining one Director will have his term of office coming to an end by reason of retirement by rotation at the Annual General Meeting of the Company in 2004 in accordance with Article 103(A) of the Company's Articles of Association.

### INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

### MANAGEMENT CONTRACTS

There was in existence during the financial year an agreement dated 31 March 1992 between the Company and Wheelock Properties Limited ("Wheelock Properties"), whereby Wheelock Properties were appointed the General Managers of the Company. The said appointment has been effective since 31 March 1992 and shall continue in force until it is terminated by Wheelock Properties by the giving of six months' prior notice in writing. Mr. T. Y. Ng is a director of Wheelock Properties and is accordingly regarded as interested in the said agreement.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

## AUDITORS

The Accounts now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board

**Wilson W. S. Chan**

*Secretary*

Hong Kong, 10 June 2003

## Consolidated Profit and Loss Account *For the year ended 31 March 2003*

	Note	2003 HK\$ Million	2002 HK\$ Million
Turnover	3	1,999.0	3,330.2
Other net income/(loss)	4	3.7	(33.3)
		<u>2,002.7</u>	<u>3,296.9</u>
Direct costs and operating expenses		(1,157.5)	(1,854.0)
Selling and marketing expenses		(38.1)	(31.7)
Administrative and corporate expenses		(51.4)	(67.2)
Operating profit	3	<u>755.7</u>	1,344.0
Borrowing costs	5	(102.8)	(156.1)
Net operating profit		<u>652.9</u>	1,187.9
Provision for properties	6	(1,159.4)	(373.7)
Share of profits less losses of associates	7	(456.6)	(353.9)
(Loss)/profit before taxation		<u>(963.1)</u>	460.3
Taxation	8	13.8	(250.4)
(Loss)/profit after taxation		<u>(949.3)</u>	209.9
Minority interests		<u>167.5</u>	(123.6)
<b>Group (loss)/profit attributable to shareholders</b>	9	<u><b>(781.8)</b></u>	<u>86.3</u>
Dividends attributable to the year	10		
Interim dividend declared during the year		41.4	41.4
Final dividend proposed after the balance sheet date		103.5	103.5
		<u>144.9</u>	<u>144.9</u>
<b>(Loss)/earnings per share</b>	11	<u><b>(37.8)¢</b></u>	<u>4.2¢</u>

The notes on pages 26 to 56 form part of these accounts.

Consolidated Balance Sheet *At 31 March 2003*

	Note	2003 HK\$ Million	2002 HK\$ Million
<b>Non-current assets</b>			
Fixed assets	13	3,163.1	3,912.1
Associates	15	3,443.5	4,313.8
Long-term investments	16	3,307.0	4,467.8
Deferred debtors	17	102.6	43.9
		<u>10,016.2</u>	<u>12,737.6</u>
<b>Current assets</b>			
Properties under development for sale	18	1,973.0	3,357.1
Properties held for sale	18	696.1	395.5
Short-term investments	19	102.0	–
Trade and other receivables	20	101.3	93.5
Amounts due from fellow subsidiaries		1.6	–
Bank balances and deposits		2,795.2	2,980.3
		<u>5,669.2</u>	<u>6,826.4</u>
<b>Current liabilities</b>			
Bank loans and overdrafts	21	1,470.0	501.8
Trade and other payables	22	470.5	365.1
Amounts due to fellow subsidiaries		–	7.5
Taxation		221.1	927.8
		<u>2,161.6</u>	<u>1,802.2</u>
<b>Net current assets</b>		<u>3,507.6</u>	<u>5,024.2</u>
<b>Total assets less current liabilities</b>		<u>13,523.8</u>	<u>17,761.8</u>
<b>Capital and reserves</b>			
Share capital	23	413.9	413.9
Reserves	24	9,302.8	11,069.5
		<u>9,716.7</u>	<u>11,483.4</u>
<b>Minority interests</b>		<u>1,248.7</u>	<u>2,846.0</u>
<b>Non-current liabilities</b>			
Long-term bank loans	25	2,335.7	3,329.0
Deferred taxation	26	–	103.4
Deferred item	27	222.7	–
		<u>2,558.4</u>	<u>3,432.4</u>
<b>Total equity and non-current liabilities</b>		<u>13,523.8</u>	<u>17,761.8</u>

The notes on pages 26 to 56 form part of these accounts.

G. W. J. Li  
Chairman

T. Y. Ng  
Director

# Company Balance Sheet *At 31 March 2003*

	Note	2003 HK\$ Million	2002 HK\$ Million
<b>Non-current assets</b>			
Subsidiaries	14	2,822.4	1,903.7
<b>Current assets</b>			
Trade and other receivables		0.4	0.5
Bank balances and deposits		0.2	0.1
		<u>0.6</u>	<u>0.6</u>
<b>Current liabilities</b>			
Bank loans and overdrafts	21	1,016.1	298.9
Trade and other payables		7.0	3.4
		<u>1,023.1</u>	<u>302.3</u>
<b>Net current liabilities</b>		<u>(1,022.5)</u>	<u>(301.7)</u>
<b>Total assets less current liabilities</b>		<u>1,799.9</u>	<u>1,602.0</u>
<b>Capital and reserves</b>			
Share capital	23	413.9	413.9
Reserves	24	887.5	988.1
		<u>1,301.4</u>	<u>1,402.0</u>
<b>Non-current liabilities</b>			
Long-term bank loans	25	498.5	200.0
<b>Total equity and non-current liabilities</b>		<u>1,799.9</u>	<u>1,602.0</u>

The notes on pages 26 to 56 form part of these accounts.

**G. W. J. Li**  
*Chairman*

**T. Y. Ng**  
*Director*

## Consolidated Statement of Changes in Equity *For the year ended 31 March 2003*

	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
Total equity at 1 April	<b>11,483.4</b>	12,274.4
Deficit on revaluation of:		
Investment properties	<b>(196.2)</b>	(206.8)
Non-trading equity securities	<b>(788.7)</b>	(458.6)
Exchange difference on translation of accounts of foreign entities	<b>139.5</b>	(63.8)
Net losses not recognised in the profit and loss account	<b>(845.4)</b>	(729.2)
Group (loss)/profit attributable to shareholders	<b>(781.8)</b>	86.3
Final dividend approved in respect of the previous year	<b>(103.5)</b>	(103.5)
Interim dividend declared in respect of the current year	<b>(41.4)</b>	(41.4)
Reserves transferred to the profit and loss account on disposal of:		
Properties	<b>(6.5)</b>	(3.2)
Non-trading equity securities	<b>11.9</b>	–
Total equity at 31 March	<b>9,716.7</b>	11,483.4

The notes on pages 26 to 56 form part of these accounts.

# Consolidated Cash Flow Statement

For the year ended 31 March 2003

	2003 HK\$ Million	(Restated) 2002 HK\$ Million
<b>Cash generated from operations</b> <i>(Note)</i>	<b>910.6</b>	2,422.2
Interest received	<b>111.2</b>	147.7
Interest paid	<b>(88.7)</b>	(141.0)
Dividends received from listed securities	<b>191.4</b>	186.6
Dividends received from associates	<b>14.2</b>	9.6
Hong Kong profits tax paid	<b>(13.6)</b>	(12.4)
Overseas profits tax paid	<b>(820.2)</b>	(0.5)
<b>Net cash inflow from operating activities</b>	<b>304.9</b>	2,612.2
<b>Investing activities</b>		
Proceeds from disposal of non-trading equity securities	<b>442.9</b>	398.5
Proceeds from disposal of fixed assets	<b>11.4</b>	2.8
Increase in interest in a subsidiary	<b>(1,016.1)</b>	(14.7)
Purchase of non-trading equity securities	<b>(112.2)</b>	(757.8)
Purchase of fixed assets	<b>(12.8)</b>	(2.2)
(Increase)/decrease in deferred debtors	<b>(58.7)</b>	13.5
Decrease in net amount due from associates	<b>388.6</b>	279.8
<b>Net cash outflow from investing activities</b>	<b>(356.9)</b>	(80.1)
<b>Financing activities</b>		
Net repayment of long-term bank loans	<b>(1,034.1)</b>	(127.0)
Net drawdown/(repayment) of short-term bank loans	<b>968.2</b>	(84.4)
Dividends paid to shareholders	<b>(144.9)</b>	(144.9)
Dividends paid to minority shareholders	<b>(48.9)</b>	(47.4)
<b>Net cash outflow from financing activities</b>	<b>(259.7)</b>	(403.7)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(311.7)</b>	2,128.4
Cash and cash equivalents at 1 April	<b>2,980.3</b>	868.5
Effect of foreign exchange rate changes	<b>126.6</b>	(16.6)
<b>Cash and cash equivalents at 31 March</b>	<b>2,795.2</b>	2,980.3
<b>Analysis of the balances of cash and cash equivalents at 31 March</b>		
Deposits and cash	<b>2,795.2</b>	2,980.3

Consolidated Cash Flow Statement *For the year ended 31 March 2003***Note to the consolidated cash flow statement**

Reconciliation of (loss)/profit before taxation to cash generated from operations

	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
(Loss)/profit before taxation	<b>(963.1)</b>	460.3
Adjustments for:		
Share of profits less losses of associates	<b>456.6</b>	353.9
Interest income	<b>(110.5)</b>	(147.9)
Interest expenses	<b>86.1</b>	141.4
Depreciation	<b>0.9</b>	1.0
Dividend income from listed securities	<b>(177.0)</b>	(191.6)
Net loss on disposal of non-trading equity securities	<b>2.0</b>	32.4
Provision for properties	<b>1,159.4</b>	373.7
Profit on disposal of fixed assets	<b>(7.3)</b>	(2.1)
Exchange differences	<b>66.1</b>	(65.1)
<b>Operating profit before working capital changes</b>	<b>513.2</b>	956.0
Increase in short-term investments	<b>(102.0)</b>	–
(Increase)/decrease in properties under development for sale	<b>(132.8)</b>	5,696.5
Decrease in properties held for sale	<b>558.0</b>	220.3
(Increase)/decrease in trade and other receivables	<b>(24.4)</b>	120.6
Increase in net amount due from fellow subsidiaries	<b>(9.1)</b>	(5.0)
Increase/(decrease) in trade and other payables	<b>107.7</b>	(62.4)
Decrease in deposits from sale of properties	<b>–</b>	(4,503.8)
<b>Cash generated from operations</b>	<b>910.6</b>	2,422.2

# Notes to the Accounts

## 1. PRINCIPAL ACCOUNTING POLICIES

### (a) Statement of compliance

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

### (b) Basis of preparation of the accounts

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

### (c) Basis of consolidation

#### (i) *Subsidiaries and controlled companies*

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, controls more than half of the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

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

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits, but only to the extent that there is no evidence of impairment.

In the Company’s balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(f)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the same way as for investments in securities.

## Notes to the Accounts

*(ii) Associates*

An associate is a company in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the Group, in which case, it is stated at fair value with changes in fair value recognised in the same way as for investments in securities. The profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(c)(iii).

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

*(iii) Goodwill/negative goodwill*

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

For acquisitions after 1 April 2001, goodwill is recognised as an asset and is amortised to the profit and loss account on a straight-line basis over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

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

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

## Notes to the Accounts

### (d) Properties

#### (i) *Investment properties*

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

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

#### (ii) *Properties under development for sale*

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

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

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

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

#### (iii) *Properties held for sale*

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

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

**(e) Depreciation**

*(i) Investment properties*

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

*(ii) Other fixed assets*

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

**(f) Impairment of assets**

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

*(i) Recoverable amount*

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

*(ii) Reversals of impairment losses*

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

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

**(g) Investments in securities**

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

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

## Notes to the Accounts

- (ii) Non-trading securities are classified as long-term investments and stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserves until the security is sold, collected or otherwise disposed of or until there is objective evidence that the security is impaired, at which time the relevant cumulative surplus or deficit is transferred from the investment revaluation reserves to the profit and loss account.

Transfers from the investment revaluation reserves to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

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

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

### (h) Cash and cash equivalents

The Group defines cash and cash equivalents as cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which were within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

### (i) Foreign currencies

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

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

## Notes to the Accounts

**(j) Assets held for use in operating leases**

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

**(k) Recognition of revenue**

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

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

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

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

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

**(l) Deferred taxation**

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

**(m) Borrowing costs**

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

## Notes to the Accounts

### (n) Related parties

For the purposes of these accounts, a party is considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or *vice versa*, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

### (o) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (p) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products, or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group companies within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

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

## Notes to the Accounts

**(q) Employee benefits***(i) Defined contribution retirement schemes*

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

*(ii) Central Provident Fund in Singapore*

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

*(iii) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.*

**2. SEGMENT INFORMATION****(a) Business segments***(i) Revenue and results*

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

## Notes to the Accounts

*(ii) Assets and liabilities*

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

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

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

**(b) Geographical segments***(i) Revenue and results*

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

*(ii) Assets*

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

## Notes to the Accounts

## 3. TURNOVER AND OPERATING PROFIT

## (a) Turnover

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

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

## (b) Operating profit

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

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

## Notes to the Accounts

## (c) Directors' emoluments

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

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

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

## (d) Five highest paid employees

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

## (i) Aggregate Emoluments

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

## Notes to the Accounts

*(ii) Bandings*

Bands (in HK\$)	<b>2003</b> <b>Number</b>	2002 Number
Not more than \$1,000,000	<b>2</b>	2
\$1,000,001 – \$1,500,000	<b>2</b>	2
\$3,000,001 – \$3,500,000	<b>1</b>	–
\$28,500,001 – \$29,000,000 ( <i>Note</i> )	<b>–</b>	1
	<b>5</b>	5

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

**4. OTHER NET INCOME/(LOSS)**

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

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

**5. BORROWING COSTS**

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

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

## Notes to the Accounts

**6. PROVISION FOR PROPERTIES**

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

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

**7. SHARE OF PROFITS LESS LOSSES OF ASSOCIATES**

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

**8. TAXATION**

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

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

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

## Notes to the Accounts

**9. GROUP (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

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

**10. DIVIDENDS****(a) Dividends attributable to the year**

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

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

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

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

**11. (LOSS)/EARNINGS PER SHARE**

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

## 12. CHANGES IN ACCOUNTING POLICIES

(a) **SSAP 1 (Revised) “Presentation of financial statements”**

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

(b) **SSAP 11 (Revised) “Foreign currency translation”**

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

(c) **SSAP 15 (Revised) “Cash flow statements”**

With effect from 1 April 2002, with the introduction of the revised SSAP 15 “Cash flow statements”, a revised classification of activities from which cash flows are derived has been made and the Group defines cash and cash equivalents as cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which were within three months of maturity at acquisition.

In prior years, for the purpose of preparing the consolidated cash flow statement, cash equivalents were shown net of advances from banks repayable within three months from the date of advance. By adoption of the revised SSAP 15, bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. The accounting policy has been adopted retrospectively. In adjusting prior year’s figures, cash and cash equivalents as at 1 April 2002 was restated and increased by HK\$202.9 million (1 April 2001 : HK\$257.3 million). In addition, certain presentational changes have been made on adoption of the revised SSAP 15.

## Notes to the Accounts

## 13. FIXED ASSETS

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

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

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

## Notes to the Accounts

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

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

**(c) Properties revaluation**

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

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

- (d) The gross amount of fixed assets of the Group held for use in operating leases was HK\$3,161.3 million (2002 : HK\$3,909.6 million).
- (e) The Group leases out properties under operating leases, which generally run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease income may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.
- (f) The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

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

## Notes to the Accounts

## 14. SUBSIDIARIES

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

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

## 15. ASSOCIATES

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

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

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

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

## Notes to the Accounts

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

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

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

## 16. LONG-TERM INVESTMENTS

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

## Notes to the Accounts

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

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

## 17. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

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

- (a) The amount of properties under development for sale and properties held for sale carried at net realisable value is HK\$2,398.4 million (2002 : HK\$1,691.4 million).
- (b) Properties under development for sale in the amount of HK\$473.1 million (2002 : HK\$2,317.5 million) are expected to be completed after more than one year.
- (c) Properties under development for sale with a carrying value of HK\$1,499.9 million (2002 : HK\$1,734.2 million) are pledged as security for banking facilities made available to the Group.
- (d) The carrying amount of properties under development for sale of the Group held for use in operating leases, which run for a period of one to two years with no option to renew upon expiry, is HK\$325.5 million (2002 : HK\$335.1 million). The related provision for diminution in value of these properties is HK\$181.2 million (2002 : HK\$155.9 million).

## 19. SHORT-TERM INVESTMENTS

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

## Notes to the Accounts

**20. TRADE AND OTHER RECEIVABLES**

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

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

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
Current	<b>15.1</b>	13.5
31 – 60 days	<b>4.6</b>	0.5
61 – 90 days	<b>0.2</b>	0.2
Over 90 days	<b>0.8</b>	0.9
	<b>20.7</b>	15.1

**21. BANK LOANS AND OVERDRAFTS**

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

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

## Notes to the Accounts

**22. TRADE AND OTHER PAYABLES**

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

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

**23. SHARE CAPITAL**

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

## Notes to the Accounts

## 24. RESERVES

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

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

## Notes to the Accounts

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

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

## Notes to the Accounts

## 25. LONG-TERM BANK LOANS

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

## 26. DEFERRED TAXATION

	Group	
	2003 HK\$ Million	2002 HK\$ Million
At 1 April	103.4	790.8
Exchange differences	4.4	(15.4)
Transferred to the profit and loss account ( <i>Note 8</i> )	(107.8)	(672.0)
At 31 March	<u>–</u>	<u>103.4</u>
Major components of deferred taxation provided are set out below:		
Profit on pre-sale of properties	–	64.4
Surplus on revaluation of a property on acquisition of subsidiaries	–	39.0
	<u>–</u>	<u>103.4</u>

## Notes to the Accounts

## 27. DEFERRED ITEM

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

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

## 28. CONTINGENT LIABILITIES

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

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

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

## Notes to the Accounts

## 29. COMMITMENTS

	Group	
	2003 HK\$ Million	2002 HK\$ Million
(a) Acquisition of and future development expenditure relating to properties:		
Contracted but not provided for	<u>306.6</u>	<u>904.0</u>
Authorised but not contracted for	<u>31.1</u>	<u>–</u>
(b) At 31 March 2003, forward exchange contracts amounting to HK\$4,868.7 million (2002 : HK\$1,703.4 million) were outstanding.		

## 30. RELATED PARTY TRANSACTIONS

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

## (a) Sorrento project

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

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

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

## (b) Bellagio project

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

## Notes to the Accounts

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

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

(c) **The King's Park development**

- (i) Included in interest in associates is an advance of HK\$296.1 million (2002 : HK\$284.3 million) made by the Group to an associate involved in a development project at King's Park, Homantin. The loan bears interest at such rate as may from time to time be agreed by the shareholders of the associate. For the current financial year, the advance is interest free, unsecured and has no fixed terms of repayment.
- (ii) The Group together with other shareholders have severally guaranteed bank loans facilities granted to an associate, Grace Sign Limited, to finance the King's Park development project. The amount of the guarantee given attributable to the Group was HK\$500.8 million (2002 : HK\$500.8 million).

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

- (d) The Group paid a General Managers' Commission to a related party of HK\$5.5 million (2002 : HK\$5.5 million) for the provision of management services to the Group during the year. The payment of such an amount to the General Managers was in accordance with an agreement dated 31 March 1992, which constitutes a connected transaction as defined under the Listing Rules, but is exempted from the requirements of the Listing Rules under paragraph 14.24(2) thereof relating to connected transactions.
- (e) The Group received dividend income in the amount of HK\$134.1 million during the year ended 31 March 2003 (2002 : HK\$134.1 million) in respect of investments in a related company.

### 31. POST BALANCE SHEET EVENT

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

### 32. COMPARATIVE FIGURES

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

## Notes to the Accounts

### 33. ULTIMATE HOLDING COMPANY

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

### 34. APPROVAL OF ACCOUNTS

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

Principal Subsidiaries and Associates *At 31 March 2003*

Subsidiaries	Place of incorporation/operation	Issue share capital (all being ordinary shares and fully paid up)	Percentage of equity attributable to the Group	Principal activities
Actbilt Pte Limited	Singapore	1,000,000 S\$1 shares	75	Property
Delightful Assets Limited	British Virgin Islands/ International	2 US\$1 shares	75	Investment
Everbilt Developers Pte Ltd	Singapore	160,000,000 S\$1 shares	75	Property
Grannis Limited	Hong Kong	2 HK\$10 shares	100	Property
Harriman Designs and Engineering Limited	Hong Kong	3 HK\$10 shares	100	Finance
Janeworth Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Keevil Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Kennedy Town Service Company Limited	Hong Kong	50 HK\$100 shares	100	Finance
Lynchpin Limited	British Virgin Islands/ International	500 US\$1 shares	100	Investment
Marco Polo Developments Limited	Singapore	398,853,292 S\$1 shares	75	Property
Marnav Holdings Limited	Hong Kong	1,000,000 HK\$1 shares	100	Property
MP-Bilt Pte Ltd	Singapore	1,000,000 S\$1 shares	75	Property
Pachino Limited	Hong Kong	2 HK\$10 shares	100	Property
Pizzicato Limited	Hong Kong	2 HK\$10 shares	100	Property
Python Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Realty Development Corporation Limited ( <i>Note c</i> )	Hong Kong	1,151,389,640 HK\$0.2 shares	100	Holding company
Rusticana Limited	Hong Kong	2 HK\$10 shares	100	Property
Samover Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Titano Limited	Hong Kong	2 HK\$1 shares	100	Property
Warhol Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Wavatah Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Whole Result Limited	Hong Kong	2 HK\$1 shares	100	Property
Woodenfield Limited	British Virgin Islands/ International	500 US\$1 shares	100	Investment
Zarow Limited	Hong Kong	2 HK\$10 shares	100	Property

Principal Subsidiaries and Associates *At 31 March 2003*

<b>Associates</b>	<b>Place of incorporation/operation</b>	<b>Percentage of share capital (of the class of shares stated below) held by subsidiary(ies) of the Company</b>	<b>Percentage of equity attributable to the Group</b>	<b>Principal activities</b>
Diamond Hill Development Holdings Limited	British Virgin Islands	33 (ordinary shares)	33	Holding company
Dramstar Company Limited <i>(Note a)</i>	Hong Kong	100 ("B" shares)	44	Property
Grace Sign Limited <i>(Note a)</i>	Hong Kong	20 (ordinary shares)	20	Property
Hamptons Group Limited <i>(Note a)</i>	United Kingdom	32 (ordinary shares)	24	Property agency
Hopfield Holdings Limited	British Virgin Islands	40 (ordinary shares)	40	Holding company
Kim Realty Investment Pte Limited <i>(Note a)</i>	Singapore	30 (ordinary shares)	23	Hotel investment
Kowloon Properties Company Limited	Hong Kong	40 (ordinary shares)	40	Property
Salisbury Company Limited	Hong Kong	33 (ordinary shares)	33	Property

*Notes :*

- (a) The accounts of these associates have been audited by a firm of accountants other than KPMG.
- (b) Unless otherwise stated, the subsidiaries and associates were held indirectly by the Company.
- (c) 71.5% of Realty Development Corporation Limited was held directly by the Company and the remaining 28.5% was held indirectly.
- (d) The above list gives the principal subsidiaries and associates of the Group which, in the opinion of the Directors, principally affected the profit and assets of the Group.
- (e) The associates are unlisted corporate entities.

# Report of the Auditors



## To the Shareholders of New Asia Realty and Trust Company, Limited

*(Incorporated in Hong Kong with limited liability)*

We have audited the accounts on pages 20 to 56 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the Directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**KPMG**

*Certified Public Accountants*

Hong Kong, 10 June 2003

## Schedule of Principal Properties *At 31 March 2003*

<b>Investment properties</b>	<b>Lot number</b>	<b>Lease expiry</b>	<b>Approx. gross floor area (sq.ft.)</b>	<b>Attributable % owned</b>	<b>Year of completion</b>	<b>Type/usage</b>
Wheelock Place, 501 Orchard Road, Singapore	–	2089	464,900	75	1993	Office & shopping arcade
Shop C, G/F & 3/F-24/F, Wheelock House, 20 Pedder Street, Central	ML99 Sec.A,C, R.P. & ML 100 Sec.A,B, R.P.	2854	214,400	100	1984	Office & shop
Fitfort, Basement – 3/F, Healthy Gardens Podium, 560 King's Road, North Point	IL 3546	2086	239,700	100	1979	Shopping arcade & car parks
Shops & godown spaces, 100-142 Belcher's Street, Kennedy Town	IL 906 Sec. E-M & R.P.	2882	134,000	100	1960s & 70s	Shopping arcade & godown

## Schedule of Principal Properties At 31 March 2003

Properties under development/ completed properties for sale	Lot number	Site area (sq.ft.)	Approx. gross floor area (sq.ft.)	Attributable % owned	Expected year of completion	Type/usage	Stage of completion
The Grange Residences, 247 Tanglin Road, Singapore	–	167,000	488,200	75	2003	Residential	Superstructure in progress
Ardmore View, 2B Ardmore Park Road, Singapore	–	44,100	92,200	75	–	Residential	Planning
Metro Loft, 38 Kwai Hei Street, Kwai Chung	KCTL 448	25,489	242,100	100	–	Industrial/office	Completed
Various units of World Tech Centre, 95 How Ming Street, Kwun Tong	KTIL 195 R.P.	37,341	73,300	100	–	Industrial	Completed
Various units of My Loft, 9 Hoi Wing Road, Tuen Mun	TMTL 379	40,946	57,200	100	–	Godown	Completed
Various units of Palm Cove, 168 Castle Peak Road, Castle Peak Bay, Tuen Mun	TMTL 386	174,226	46,800	100	–	Residential	Completed
Various units of The Astrid, 180 Argyle Street, Homantin	KIL 11005	61,118	17,700	100	–	Residential	Completed
Various units of Bailey Garden, 23 Bailey Street, Hung Hom	KIL 11022	33,896	10,500	100	–	Shop	Completed
<b>Major property projects undertaken by associates</b>							
Sorrento – Phase I	KIL 11080	184,926	231,700	40	–	Residential	Completed
– Phase II			1,235,400 *	40	2004	Residential	Superstructure in progress
MTRC Kowloon Station Package Two, 1 Austin Road West, Tsimshatsui			* (453,700 s.f. pre-sold)				
Bellagio – Phases I & II	Lot No. 269	566,090	376,600	33	–	Residential	Completed
– Phases III & IV	R.P. in DD 390		1,571,400	33	2006	Residential	Superstructure in progress
33 Castle Peak Road, Sham Tseng							
Parc Palais, 18 Wylie Road, King's Park, Homantin	KIL 11118	387,569	904,200	20	2004	Residential	Superstructure in progress

Note: All the above properties are in Hong Kong except otherwise stated.

## Five-year Financial Summary

HK\$ Million	(Restated)		(Restated)		
Financial year ended 31 March	1999	2000	2001	2002	2003
<b>Consolidated Profit and Loss Account</b>					
Turnover	2,610	3,038	1,933	3,330	1,999
Group profit/(loss) attributable to shareholders ( <i>Note 1a</i> )	504	670	243	86	(782)
Dividends attributable to the year	(83)	(145)	(145)	(145)	(145)
<b>Consolidated Balance Sheet</b>					
Fixed assets	5,301	4,730	4,232	3,912	3,163
Associates ( <i>Note 1a</i> )	3,473	4,595	4,973	4,314	3,443
Long-term investments ( <i>Note 1a</i> )	3,093	3,740	4,656	4,468	3,307
Deferred debtors	139	91	57	44	103
Current assets	10,077	11,508	11,121	6,826	5,669
Current liabilities ( <i>Note 1b</i> )	(4,714)	(7,432)	(5,256)	(1,802)	(2,161)
	17,369	17,232	19,783	17,762	13,524
Share capital	414	414	414	414	414
Reserves ( <i>Notes 1a &amp; 1b</i> )	10,140	11,203	11,861	11,070	9,303
Shareholders' funds	10,554	11,617	12,275	11,484	9,717
Minority interests ( <i>Note 1a</i> )	2,791	3,003	2,944	2,846	1,248
Long-term bank loans	3,476	1,880	3,774	3,329	2,336
Deferred taxation	548	732	790	103	–
Deferred item	–	–	–	–	223
	17,369	17,232	19,783	17,762	13,524
<b>Financial Data (<i>Notes 1 &amp; 2</i>)</b>					
Earnings/(loss) per share ( <i>Cents</i> )	24.4	32.4	11.7	4.2	(37.8)
Dividends per share ( <i>Cents</i> )	4.0	7.0	7.0	7.0	7.0
Dividend cover ( <i>Times</i> )	6.1	4.6	1.7	0.6	N/A
Net assets per share ( <i>HK\$</i> )	5.10	5.61	5.93	5.55	4.69

### Notes:

- (1) Pursuant to the adoption of the revised Statement of Standard Accounting Practice 9 (“SSAP 9”) “Events after the balance sheet date” and the Statement of Standard Accounting Practice 24 (“SSAP 24”) “Accounting for investments in securities”, certain figures have been reclassified or restated as set out below:
  - (a) These figures for the year 1999 have been restated pursuant to the adoption of SSAP 24 as explained in note 11 to the 2000 accounts.
  - (b) These figures for the year 2001 have been restated pursuant to the adoption of SSAP 9 as explained in note 10(b) to the 2002 accounts. Figures for 2000 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit to shareholders.
- (2) Certain comparative figures in respect of the per share amounts of the above financial data have been adjusted pursuant to the unification and redesignation of “A” shares and “B” shares as set out in note 20 to the 2001 accounts.