

# WHEELOCK AND COMPANY LIMITED

ANNUAL REPORT 2002/2003



# WHEELOCK

*Founded 1857*

**W**heelock and Company Limited is a listed investment company in Hong Kong.

Wharf Holdings, the Group's principal investment, is a major property investor in Hong Kong with complementary businesses established in the areas of logistics and CME (communications, media and entertainment). Together with New Asia Realty and Trust, one of the Group's property arms, the two have generated an extremely solid recurrent dividend income stream for the Group. Wheelock's other assets are primarily represented by its direct property and other investments.

Founded in Shanghai in 1857, Wheelock today is headquartered in Hong Kong. It is listed on the Stock Exchange of Hong Kong (SEHK: 0020).

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# FINANCIAL HIGHLIGHTS

	2003 HK\$ Million	2002 HK\$ Million
<b>Results</b>		
Turnover	9,868.0	7,164.7
Operating profit	821.0	1,392.9
Group profit attributable to shareholders	64.0	546.6
Earnings per share	3.1¢	26.9¢
Dividends attributable to the year	152.4	152.4
Dividends per share	7.5¢	7.5¢
<b>Dividends from major subsidiary/associate</b>		
New Asia Realty	107.5	107.5
Wharf	968.3	968.3
<b>Financial position</b>		
Total assets	42,490.0	54,667.2
Net debt	8,798.0	13,175.0
Shareholders' funds	23,293.9	26,485.1
Net assets per share	HK\$11.46	HK\$13.04
Net debt to total assets (excluding cash)	22.4%	25.7%
Net debt to shareholders' equity	37.8%	49.7%

Financial year	Group profit/(loss) attributable to shareholders HK\$ Million	Shareholders' funds HK\$ Million	Earnings/(loss) per share HK¢	Dividends per share HK¢	Distribution cover Times
1993/1994	2,204.6	40,638.4	108.3	36.0	3.01
1994/1995	2,306.0	42,332.9	114.3	37.0	3.09
1995/1996	2,459.2	39,170.2	122.0	41.0	2.98
1996/1997	2,535.5	45,820.0	125.5	43.5	2.87
1997/1998 (Restated)	(958.0)	39,920.8	(47.3)	28.0	N/A
1998/1999 (Restated)	657.4	27,548.2	32.4	7.5	4.32
1999/2000 (Restated)	864.4	27,242.4	42.6	7.5	5.68
2000/2001 (Restated)	523.3	28,419.3	25.8	7.5	3.44
2001/2002	546.6	26,485.1	26.9	7.5	3.59
<b>2002/2003</b>	<b>64.0</b>	<b>23,293.9</b>	<b>3.1</b>	<b>7.5</b>	<b>0.42</b>

# CHAIRMAN'S STATEMENT

## General Overview

Wheelock and Company Limited's consolidated profit attributable to shareholders for the year ended 31 March 2003 was HK\$64.0 million, compared to HK\$546.6 million for the previous year. Earnings per share were 3.1 cents.

The past financial year proved to be another challenging year. Property value dropped. Both Group net profit and shareholders' capital were adversely affected by the downward revaluation of property, reflecting market dynamics. Net asset value, largely as a result of a total attributable property writedown amounting to HK\$4.5 billion, declined from HK\$13.04 per share to HK\$11.46 per share.

During the financial year under review, the Group's net debt had been reduced from HK\$13.2 billion to HK\$8.8 billion, representing a net debt to shareholders' equity ratio of 37.8 per cent. I foresee that debt reduction will remain the Group's top priority at least in the coming couple of years, as prudent balance sheet management continues to be crucial.

An interim dividend of 2.5 cents per share was paid in January 2003, and the Directors recommend a final dividend of 5.0 cents per share to be approved at the forthcoming Annual General Meeting. The total dividend distribution for the year will be 7.5 cents per share.

### **Property**

Wheelock's land portfolio was mainly represented by its effective interest of 66 per cent in Sorrento and 74 per cent in Bellagio. During the past financial year, sales for Sorrento and Bellagio were satisfactory and in line with budget. Their combined total sales and proceeds reached 2,640 units and HK\$9.77 billion as at the end of March 2003.

### ***New Asia Realty and Trust Company, Limited***

For the financial year ended 31 March 2003, New Asia Realty reported a loss of HK\$781.8 million, versus the profit of HK\$86.3 million achieved the year before. The weakened performance was largely due to the lower property revenue recognised in Singapore during the year and the provision made for impairment in value of properties.

### ***The Wharf (Holdings) Limited***

Value of property dropped and this was reflected in the accounts when certain investments and other properties were marked down at the end of the financial year 2002, resulting in HK\$813 million and HK\$6,077 million being charged against the profit and loss account and the reserves accounts respectively. Bearing in mind that interest rates might have bottomed out and that the current soft rental outlook may affect future cash flow, the Wharf board had decided earlier to adopt a more prudent approach towards balance sheet management and Wharf's dividend policy.

Most core businesses under Wharf performed steadily even under the persistent deflationary environment in year 2002 and continued to show remarkable resilience during the SARS outbreak. There were no material SARS impact on Wharf's core businesses.

## 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 New Asia Realty 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 New Asia Realty. As a result, RDC's listing status was withdrawn on 19 March 2003 and the company thereafter became a wholly-owned subsidiary under New Asia Realty.

Wheelock also divested its entire portfolio of distribution and retail businesses comprising Lane Crawford and Wheelock's 52 and 39 per cent interest in Joyce and City'Super. All three transactions were completed before the end of March 2003 and the total consideration amounted to HK\$589.8 million.

## Board

I would like to welcome Messrs Alexander Au and William Turnbull on their joining the Group's main board as Non-executive Directors. These gentlemen's diverse experience and wisdom for sure will benefit our Group extensively. Effective March this year, Mr Paul Tsui has been designated as the Executive Director of Wheelock. Furthermore, Sir S. Y. Chung and Mr William Lee have recently decided not to stand for re-election at 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 undergo economic rationalisation and adjustment. The Group will seek to optimise its assets and dispose of non-core assets whenever possible.

**Peter K C Woo**

*Chairman*

Hong Kong, 18 June 2003

# GROUP PROFIT AND ASSETS COMPOSITION

## Group Net Profit and Shareholders' Funds

	Group Net Profit				Shareholders' Funds			
	2003		2002		2003		2002	
	HK\$ Million	%	HK\$ Million	%	HK\$ Million	%	HK\$ Million	%
Wharf Holdings <sup>(1)</sup>	1,361.8	74	1,202.9	62	23,590.8	75	26,091.4	68
New Asia Realty <sup>(2)</sup>	347.6	19	449.9	23	5,232.9	17	6,287.2	16
Other investments <sup>(3)</sup>	119.8	7	276.2	15	2,549.6	8	6,227.8	16
	<b>1,829.2</b>	<b>100</b>	<b>1,929.0</b>	<b>100</b>	<b>31,373.3</b>	<b>100</b>	<b>38,606.4</b>	<b>100</b>
Corporate items <sup>(4)</sup>	(199.5)		(477.3)		(8,079.4)		(12,121.3)	
Non-recurring items <sup>(5)</sup>	(1,565.7)		(905.1)		–		–	
	<b>64.0</b>		<b>546.6</b>		<b>23,293.9</b>		<b>26,485.1</b>	
Per share	<b>3.1¢</b>		<b>26.9¢</b>		<b>HK\$11.46</b>		<b>HK\$13.04</b>	

Notes:

- 1) Wharf's profit contribution is based on attributable amount to the Group.
- 2) New Asia Realty's attributable profit contribution and attributable shareholders' funds exclude the dividend income from and its 7% holdings in Wharf, respectively.
- 3) Other investments include the disposed loss-making retail businesses portfolio, which represented less than 2% of the Group's shareholders' funds, in 2002/03.
- 4) Corporate items represent borrowing costs and net debt of the Company and its wholly-owned subsidiaries, respectively.
- 5) Non-recurring items represent attributable losses arose from provisions made for impairment of the Group's properties.

## Market Value Basis Net Assets

	2003		2002	
	HK\$ Million	%	HK\$ Million	%
Wharf Holdings*	16,276.3	70	19,479.1	68
New Asia Realty*	4,301.0	19	3,148.9	11
Other investments	2,549.6	11	6,191.2	21
	<b>23,126.9</b>	<b>100</b>	<b>28,819.2</b>	<b>100</b>
Corporate items	(8,079.4)		(12,121.3)	
	<b>15,047.5</b>		<b>16,697.9</b>	
Per share	<b>HK\$7.41</b>		<b>HK\$8.22</b>	

\* Listed and based on market values at 31 March 2003 and 2002, respectively.

## CORPORATE INFORMATION

### Board of Directors

Mr. Peter K. C. Woo, GBS, JP (*Chairman*)  
Mr. Gonzaga W. J. Li (*Senior Deputy Chairman*)  
Mr. Stephen T. H. Ng (*Deputy Chairman*)  
Mr. Paul Y. C. Tsui (*Executive Director*)

### Independent Non-executive Directors

Mr. Alexander S. K. Au\*  
Mr. B. M. Chang\*  
Sir S. Y. Chung, JP\*  
Mr. William W. Y. Lee  
Mr. William Turnbull, OBE, JP\*

\* *Members of the Audit Committee*

### Secretary

Mr. Wilson W. S. Chan, FCIS

### Registrars

Tengis Limited  
Ground Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

### Registered Office

23rd Floor, Wheelock House  
20 Pedder Street  
Hong Kong  
Telephone: (852) 2118 2118  
Fax: (852) 2118 2018  
Website: [www.wheelockcompany.com](http://www.wheelockcompany.com)

### Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

### Auditors

PricewaterhouseCoopers

## | INVESTMENTS REVIEW |

### Property

#### ***Sorrento (effectively 66%-owned)***

Sorrento is an MTRC joint-venture project above the Kowloon Station, equally owned by a five-member consortium comprising Wheelock, New Asia Realty, Realty Development Corporation (now a wholly-owned subsidiary under New Asia Realty), Wharf and Harbour Centre Development. During the financial year under review, Phase II units were launched in November 2002 for pre-sales. 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 (effectively 74%-owned)***

Bellagio, in Sham Tseng on the western shore of the New Territories overlooking the Tsing Ma Bridge, is a joint-venture development equally owned by Wheelock, New Asia Realty and Wharf. During the financial year under review, both Phases I and II were launched in September 2002 for pre-sales. 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.

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.

### **New Asia Realty and Trust Company, Limited (a 74%-owned listed subsidiary)**

Attributable profit for the year ended 31 March 2003 before property provisions from New Asia Realty to Wheelock was HK\$347.6 million with dividend to Wheelock totalling HK\$107.5 million. As at the year end, Wheelock's stake in New Asia Realty accounted for 28 per cent of Wheelock's total assets.

New Asia Realty, a listed subsidiary, reported a loss of HK\$781.8 million for the financial year ended 31 March 2003, compared to the profit of HK\$86.3 million achieved the year before. The weakened performance was largely due to the reduced property revenue recognition recorded out of the group's Singapore operations as well as the provision made for impairment in value of properties.

**Property Development**

Sorrento and Bellagio are 40 and 33.33 per cent owned by New Asia Realty. Throughout the development process, New Asia Realty contributed to these projects on a *pro rata* basis for the amount of financial capital and funding as all other stakeholders of Sorrento and Bellagio.

The King's Park development is 20 per cent owned by New Asia Realty. 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 and Phase II covering a total of 700 units, pre-sale is now targeted to take place in the second half of 2003.

**Marco Polo Developments Limited (a 75%-owned listed subsidiary)**

Wheelock Place, a commercial building with 464,900 square feet in GFA on Orchard Road, 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, 11 apartments have been sold on a deferred payment scheme. Ardmore View is currently 93 per cent leased at satisfactory rental rates.

**The Wharf (Holdings) Limited (a 48%-owned listed associate)**

Share of Wharf's profit contribution, before its share of provision for Sorrento and Bellagio development projects, to Wheelock for the financial year ended 31 March 2003 was HK\$1,361.8 million with dividend to Wheelock totalling HK\$968.3 million. As at the year end, Wheelock's stake in Wharf Holdings accounted for 53 per cent of Wheelock's total assets.

Wharf Holdings, a listed associate, reported a profit of HK\$2,303 million for the year ended 31 December 2002, representing a decline of 9 per cent when compared to the HK\$2,519 million achieved the year before.

Value of property dropped and this was reflected in the accounts when certain investments and other properties were marked down at the end of the financial year 2002, resulting in HK\$813 million and HK\$6,077 million being charged against the profit and loss account and the reserves accounts respectively.

**Harbour City (wholly-owned)**

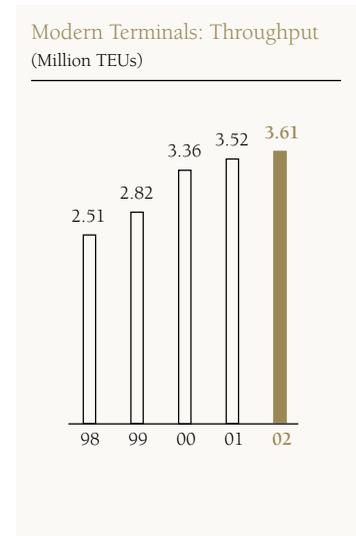
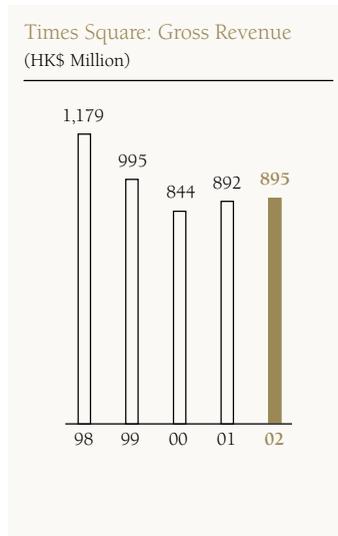
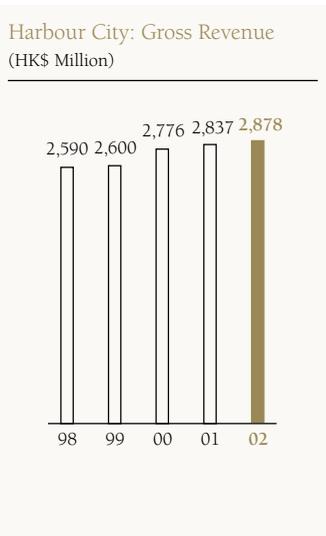
For the year 2002, **Harbour City** generated HK\$2,878 million in total revenue, an increase of 1.4 per cent compared to 2001. As a result of better cost controls and reallocation of resources, operating profit grew by 7.4 per cent to HK\$2,001 million. The overall average occupancy rate for **Harbour City** offices was maintained at above 83 per cent. New letting commitments totalled about 400,000 square feet, resulting in a net takeup of 200,000 square feet during the year 2002. Gateway Apartments' average occupancy rate throughout the year was at about 80 per cent. Consolidated occupancy for the three Marco Polo hotels along Canton Road was 86 per cent. In spite of the uninspiring operating environment, average retail occupancy at **Harbour City** edged up slightly to 97 to 98 per cent.

**Times Square (wholly-owned)**

Total revenue generated by **Times Square** in Causeway Bay amounted to HK\$895 million, slightly higher than the HK\$892 million achieved in 2001. **Times Square** offices maintained their average occupancy rate at 92.7 per cent. The soft market notwithstanding, the average occupancy of the **Times Square** shopping complex held steady at 96 to 97 per cent.

**Modern Terminals (a 55%-owned subsidiary)**

During 2002, **Modern Terminals** set another record in terms of total boxes handled at 3.61 million TEUs, while profit was maintained at the 2001 level in spite of competition and pressure on tariff rates. TEUs per headcount improved further to 3,072 from 2,985. At the end of 2002, **Modern Terminals**' market share in Kwai Chung remained more or less unchanged at about 30 per cent. **Modern Terminals** stands to benefit from the new capacity at Container Terminal 9 in Hong Kong and Shekou Container Terminal 2 in Shenzhen, which are both expected to come on stream towards the end of 2003.



***i-CABLE (a 79%-owned listed subsidiary)***

Share of **i-CABLE**'s profit contribution to Wharf for the year ended 31 December 2002 was HK\$92.9 million with dividend to Wharf totalling HK\$63.9 million.

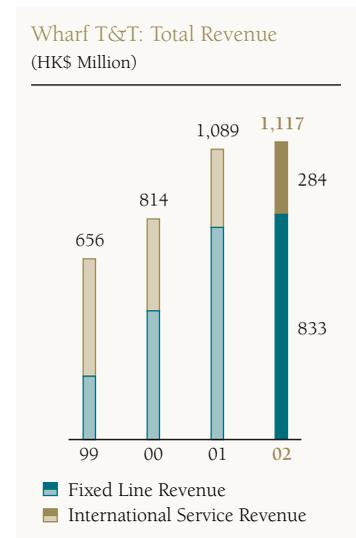
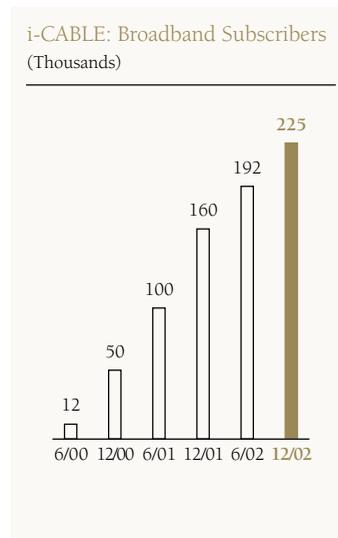
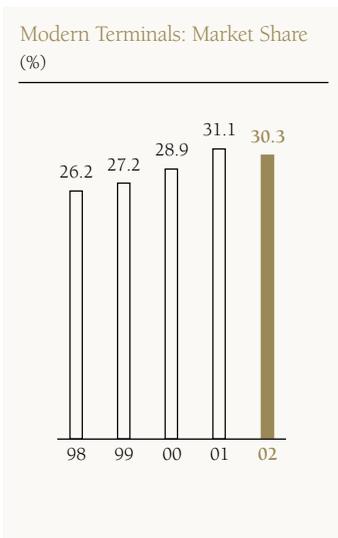
On the back of a 12 per cent year-on-year growth in turnover to HK\$2,161 million, **i-CABLE** registered a 14 per cent increase in operating profit before corporate expenses. Pay TV subscriptions had reached 605,000 by the end of the year, surpassing the 600,000 mark achieved during the World Cup period last summer. Anti-piracy measures such as migration to digital broadcasting helped to control subscriber churn at 1.6 per cent per month, compared with 1.8 per cent a year earlier. With the expanded network capacity brought by the new digital technology, 25 new channels had been added to the digital platform and several new tiering packages had also been introduced by the end of December.

Competition for broadband service began to catch up in 2002. Broadband subscriptions grew 42 per cent year-on-year, surpassing 225,000 at the end of December, but ARPU declined to about HK\$180 per month from HK\$224 the year before.

***Wharf T&T Limited (a wholly-owned subsidiary)***

Since the beginning of year 2003, Wharf New T&T has been renamed as **Wharf T&T**.

While the overall market continued to contract, **Wharf T&T**'s installed base of fixed lines grew by 100,000 to reach 340,000 lines, a record gain in market share to 9 per cent overall. During 2002, the company successfully penetrated the business market further for all high-value voice and data lines, as well as broadband fibre lines. The number of residential fixed lines also continued to grow. The installed base of over 85,000 lines at the end of December represented a growth rate of 111 per cent over 2001. Despite keen competition, residential IDD volume increased by around 5 per cent. For the year 2002, **Wharf T&T**'s net profit increased by 540 per cent from HK\$8 million to HK\$53 million.



# MANAGEMENT DISCUSSION AND ANALYSIS

## (A) REVIEW OF 2002/03 RESULTS AND SEGMENTAL PERFORMANCE

### (I) Profit Attributable to Shareholders

The Group reported a profit attributable to Shareholders of HK\$64.0 million for the year ended 31 March 2003 as opposed to HK\$546.6 million for the previous year. The reduction in profit is primarily due to the inclusion in the results of attributable impairment provisions aggregating HK\$1,565.7 million (2002 : HK\$905.1 million) for properties. Earnings per share were 3.1 cents (2002 : 26.9 cents).

Excluding the above-mentioned provisions in both years, the Group's net profit would be HK\$1,629.7 million in 2002/03, an increase of 12.3% from HK\$1,451.7 million in 2001/02.

### (II) Group Turnover

The Group's turnover for the year was HK\$9,868.0 million, a significant increase of HK\$2,703.3 million or 37.7% from the level achieved in the previous year. The improvement was principally due to increase in property sales from HK\$4,486.2 million to HK\$7,441.9 million, which was substantially derived from the sales of residential units at Sorrento and Bellagio.

#### Property development

Pre-sales of the Sorrento and Bellagio projects 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 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. Other property sales during the year came from the residential development at Palm Cove in Tuen Mun, of which 210 units out of the total 260 units were sold, and the attributable sales revenue of Ardmore Park recognised by the Marco Polo Developments group ("MPDL").

#### Property investment

Notwithstanding the lackluster market conditions, the Property Investment segment managed to report a slight increase of 3.7% in revenue from the previous year to HK\$350.2 million. This was mainly attributable to an overall improvement in occupancy rate. Wheelock House and Fitfort were virtually fully-let during the year under review. Wheelock Place in Singapore was 94% leased at satisfactory rental rates.

#### Others

In February 2003, the Group disposed of its entire retail businesses portfolio. For the current financial year, retail sales recognised up to the respective dates of disposals in February and March 2003 of the retail businesses amounted to HK\$1,912.2 million (2002 : HK\$2,056.9 million).

**(III) Group Operating Profit**

The Group's operating profit before borrowing costs and property provisions was HK\$821.0 million, a decrease of HK\$571.9 million or 41.1% from that reported in 2001/02.

**Property development**

Comparing to the previous year, the profit contribution from the Property Development segment for the year decreased by HK\$483.3 million to HK\$562.8 million. MPDL reported a lower property sales contribution of 7% (2002 : 33%) from its sales of Ardmore Park units in Singapore.

**Property investment**

The operating profit of the Property Investment segment increased by HK\$11.2 million to HK\$253.1 million because of an overall improvement in occupancies of the Group's properties in the year under review.

**Others**

As a result of harsh and competitive operating environments, the Group recorded in the year an aggregate retail loss of HK\$49.8 million (2002 : loss of HK\$80.3 million). The profit contribution from the Investment and Others segment decreased by HK\$173.5 million to HK\$38.0 million which included principally a loss of HK\$192.6 million on disposal of certain non-trading securities, the proceeds of which had been utilised to pay down the Group's debts.

**Performance of the listed subsidiaries (already consolidated into the Group's results)**

New Asia Realty group ("NART") reported a loss attributable to its shareholders of HK\$781.8 million for 2002/03 as opposed to a profit of HK\$86.3 million for the preceding financial year. The reported loss for the year 2002/03 is chiefly due to the inclusion of attributable impairment provisions totalling HK\$1,377.4 million for properties, including its attributable interest in the Sorrento and Bellagio development projects, as well as lower profit contribution from MPDL.

MPDL reported a profit attributable to shareholders of S\$45.6 million, compared to S\$173.3 million achieved in 2001/02. MPDL's profit was largely derived from recognition of profit from the sales 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-sales 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.

Attributable profit for the year to the Group from NART, before property provisions and dividend income from NART's 7% holdings in Wharf, was HK\$347.6 million (2002 : HK\$449.9 million). During the year, the Group received a cash dividend totalling HK\$107.5 million (2002 : HK\$107.5 million).

**(IV) Borrowing Costs**

Borrowing costs charged to the consolidated profit and loss account for the year were HK\$254.8 million, a significant decrease from HK\$554.2 million incurred in the previous year. This was a positive result of interest rate cuts and reduction in the Group's net debt, which in turn substantially improved for the strong cash inflows deriving from sale of properties and investments. For the year under review, the Group's average borrowing cost was approximately 2.3% per annum, against 3.8% per annum for the preceding year.

**(V) Property Provisions**

Following a review based on the property market conditions prevailing at 31 March 2003, the Group had made an aggregate property provision of HK\$2,428.5 million, including provisions of HK\$1,765.7 million (2002 : HK\$1,065.5 million) for impairment in value of the Group's properties under development for sale and HK\$662.8 million (2002 : HK\$185.0 million) in respect of the attributable deficits for the Group's investment properties. The aggregate provision mainly comprised HK\$706.2 million for Sorrento, HK\$540.1 million for Bellagio, HK\$354.6 million for Wheelock Place made by MPDL and HK\$627.1 million for properties held by the Realty Development group ("RDC") made by NART.

**(VI) Share of Profits Less Losses of Associates**

The share of profit of associates before taxation was HK\$1,671.0 million, substantially contributed by the Wharf group, against HK\$1,404.1 million for the previous year. Wharf, the Group's major listed associate and profit contributor to the Group, reported a profit attributable to shareholders of HK\$2,303 million for its financial year ended 31 December 2002, compared to HK\$2,519 million achieved in 2001. Wharf's net profit contribution to the Group, before its share of provisions for the Sorrento and Bellagio development projects, was HK\$1,361.8 million. Dividend received from Wharf by the Group during the year totalled HK\$968.3 million (2002 : HK\$968.3 million).

**(VII) Other Items**

A taxation charge of HK\$314.0 million was reported for the year against HK\$399.6 million in 2001/02. Included in the current year taxation is 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\$569.3 million which was mainly attributable to the loss incurred by NART, Sorrento and Bellagio projects.

## (B) LIQUIDITY AND FINANCIAL RESOURCES

### (I) Shareholders' Funds

At 31 March 2003, the Group's shareholders' funds totalled HK\$23,293.9 million or HK\$11.46 per share, against HK\$26,485.1 million or HK\$13.04 per share at 31 March 2002. The change largely reflects the downward revaluation of properties of the Group and its major associate, namely, Wharf.

### (II) Net Debt and Gearing

At 31 March 2003, the ratio of the Group's net debt to total assets was 22.4% (2002 : 25.7%), while the ratio of net debt to shareholders' equity was 37.8% (2002 : 49.7%).

At 31 March 2003, the Group's net debt significantly reduced by HK\$4,377.0 million or 33.2% to HK\$8,798.0 million, from HK\$13,175.0 million at 31 March 2002. The net debt comprised total debts of HK\$11,980.7 million less deposits and cash of HK\$3,182.7 million. The decrease in the Group's net debt was mainly due to net cash generated from the Group's operating activities amounting to HK\$3,413.4 million, which included net inflows from sale of the Sorrento and Bellagio units. In addition, there was cash inflow of HK\$2,822.1 million from disposal of certain non-trading securities. On completion of the RDC privatisation scheme undertaken by NART in March 2003, a net consideration of HK\$951.9 million was paid.

#### Committed and uncommitted facilities

(a) The Group's committed and uncommitted loan facilities amounted to HK\$15.6 billion and HK\$1.6 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>1,945.0</b>	7,310.2
Repayable after 1 year, but within 2 years	<b>5,200.0</b>	4,940.0
Repayable after 2 years, but within 5 years	<b>4,835.7</b>	3,422.9
Repayable after 5 years	<b>–</b>	953.0
	<b>11,980.7</b>	16,626.1
Undrawn facilities	<b>5,200.0</b>	14,700.0

- (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	2,407.4	2,857.5
Long-term investments	–	785.2
Properties under development/for sale	5,349.3	15,144.4
	<b>7,756.7</b>	<b>18,787.1</b>

Included in the above properties under development/for sale is HK\$3,849.4 million pertaining to the Bellagio project pledged for securing a bank loan facility of HK\$3,800.0 million. The subject security was discharged and released upon cancellation of the facility subsequent to 31 March 2003.

- (c) To minimise exposure to 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 fluctuations except for its net investments in Singapore subsidiaries. Forward exchange contracts are entered into by the Group for hedging such investments.

### **(III) Long-term Investments**

For the year under review, the Group liquidated part of its investment portfolio to improve its net debt position. At 31 March 2003, the Group maintained a portfolio of long-term investments of HK\$753.2 million, which primarily comprised blue chip securities with market value of HK\$746.3 million (2002 : HK\$3,655.3 million).

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 an attributable investment revaluation deficit of HK\$316.8 million compared to HK\$264.0 million at 31 March 2002. The performance of the investment portfolio is basically in line with the general market trend of the stock markets.

## (C) MAJOR PROPERTY DEVELOPMENT PROJECTS

As mentioned above, pre-sales of the Sorrento and Bellagio projects were launched with good progress in 2002/03. Pre-sale proceeds received by the two project companies have been utilised for settlement of construction costs incurred, and for partial repayment of the advances from its shareholders and full repayment of bank loans with the remaining proceeds retained in stakeholders' accounts for future payment of the outstanding construction costs. At 31 March 2003, the cash deposits in Sorrento's stakeholders' account amounted to HK\$0.9 billion, which are estimated to be sufficient to fully cover the outstanding construction costs 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 of the project company, namely, the Company, Wharf and NART, in proportion to their equity interests in the project in April 2003 upon completion of Phase I and II units. The remaining Phases III and IV of the Bellagio project commenced construction in March 2003. The two project companies did not have any bank borrowings at 31 March 2003.

## (D) CONTINGENT LIABILITIES

- (I) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$560.9 million (2002 : HK\$601.4 million) of which HK\$349.9 million (2002 : HK\$320.2 million) has been drawn at the balance sheet date.
- (II) The Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the development of the Sorrento project.

## (E) ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

### (I) *Privatisation of RDC*

On 13 December 2002, NART 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 by NART for the privatisation is approximately HK\$1,016.1 million of which HK\$64.2 million was paid to Wheelock for its 1.75% direct holding in RDC. The Scheme became effective on 19 March 2003.

## **(II) Sale of Wheelock's Retail Businesses Portfolio**

On 14 February 2003, the Group entered into agreements with connected parties to dispose of its retail businesses portfolio, comprising 100% interest in the Lane Crawford group, 52% interest in the Joyce group and 39% interest in City'Super. The total consideration of the above sales was approximately HK\$589.8 million and a net gain of HK\$31.5 million was recognised. Details of the sales are summarised below:

### **(a) Sale of Lane Crawford group ("LCI Sale")**

The consideration for the LCI Sale was HK\$422.8 million which was calculated based on the consolidated net assets of Lane Crawford group at 14 February 2003. The LCI Sale was completed on 14 February 2003.

### **(b) Sale of interest in Joyce group ("Joyce Sale")**

The consideration for the Joyce Sale was HK\$156.2 million which represented a small discount to the Group's 52% attributable interest in the unaudited consolidated net assets of Joyce group at 30 September 2002. The Joyce Sale was completed on 14 March 2003.

### **(c) Sale of interest in City'Super**

The Group also completed on 14 February 2003 its divestment of its interest in City'Super to Wharf for a total consideration of HK\$10.77 million.

## **(F) EMPLOYEES**

Subsequent to the disposal of the Group's retail businesses portfolio in February 2003, the Group had approximately 830 employees as at 31 March 2003. 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\$364.4 million.

# 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) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS

### (I) *Directors*

**Mr. Peter K. C. Woo**, GBS, JP, *Chairman* (Age: 56)

Mr. Woo has resumed the role of Chairman since 2002 after having formerly served as Chairman of the Company from 1986 to 1996. He is also the chairman of The Wharf (Holdings) Limited (“Wharf”).

Mr. Woo was appointed a Justice of the Peace in 1993 and awarded the Gold Bauhinia Star in 1998 by the Hong Kong SAR Government. He has for many years been actively engaged in community and related services, both locally and in the international arena, and has held various Government appointments. He has been the Government-appointed chairman of the Hong Kong Trade Development Council since October 2000 and had served as the chairman of Hospital Authority from 1995 to 2000 and the council chairman of Hong Kong Polytechnic University from 1993 to 1997. He is currently the chairman of the Hong Kong Environment and Conservation Fund Committee set up in 1994 which he co-funded with the Government. He also served as a deputy chairman in 1991 to Prince of Wales Business Leaders Forum, as a member of the International Advisory Council of J.P. Morgan Chase & Co., National Westminster Bank, Banca Nazionale del Lavoro, Elf Aquitaine of France and General Electric of America. He has received Honorary Doctorates from various universities in the USA, Australia and Hong Kong.

**Mr. Gonzaga W. J. Li**, *Senior Deputy Chairman* (Age: 74)

Mr. Li has been a Director of the Company since 1969 and became Chairman in 1996. He relinquished the title of Chairman and has assumed the title of Senior Deputy Chairman of the Company since 2002. He is also the senior deputy chairman of Wharf and the chairman of Harbour Centre Development Limited (“HCDL”), New Asia Realty and Trust Company, Limited and Marco Polo Developments Limited (“MPDL”) in Singapore and also a director of Joyce Boutique Holdings Limited (“Joyce”).

**Mr. Stephen T. H. Ng**, *Deputy Chairman* (Age: 50)

Mr. Ng has been a Director of the Company since 1988 and became the Deputy Chairman in 1995. He has been a director, president and chief executive officer of i-CABLE Communications Limited (“i-CABLE”) since 1999 and become its chairman since 2001. He is also the deputy chairman and managing director of Wharf, and a director of Joyce. He serves as a member of the Hong Kong – United States Business Council.

**Mr. Paul Y. C. Tsui**, *Executive Director (Age: 56)*

Mr. Tsui has been a Director of the Company since 1998 and became Executive Director in March 2003. He is also the senior deputy managing director of Wheelock Properties Limited, the senior managing director of Harriman Realty Company, Limited, a director of HCDL, Joyce and MPDL.

**Mr. Alexander S. K. Au**, *Director (Age: 56)*

Mr. Au was appointed a Director of the Company on 5 September 2002. He served as a member of the Exchange Fund Advisory Committee, the Banking Advisory Committee, the Hong Kong Japan Business Co-operation Committee, the Hong Kong Trade Development Council, the Insurance Advisory Committee and the Board of the Community Chest.

**Mr. B. M. Chang**, *Director (Age: 74)*

Mr. Chang has been a Director of the Company since 1969. He is also a director of several companies in Hong Kong.

**Sir S. Y. Chung**, JP, *Director (Age: 85)*

Sir Sze-Yuen Chung has been a Director of the Company since 1982. He is also the chairman of The Kowloon Motor Bus Holdings Limited. On 1 July 1997, he was awarded the Grand Bauhinia Medal by the Hong Kong SAR Government.

**Mr. William W. Y. Lee**, *Director (Age: 76)*

Mr. Lee has been a Director of the Company since 1993.

**Mr. William Turnbull**, OBE, JP, *Director (Age: 69)*

Mr. Turnbull was appointed a Director of the Company on 5 September 2002. He is also the non-executive chairman of Hong Kong Standards and Testing Centre Limited and Hong Kong Safety Institute Limited.

Note: Mr. William W. Y. Lee is a brother of Mr. Gonzaga W. J. Li.

**(II) Senior Managers**

Various businesses of the Group are respectively under the direct responsibility of the Chairman, the Senior Deputy Chairman, the Deputy Chairman and the Executive Director of the Company as named under (A)(I) above. Only those four Directors are regarded as members of the Group's senior management.

## (B) DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, Directors of the Company held the following beneficial interests in the share capital of the Company, of an associate of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), and of a subsidiary of the Company, namely, New Asia Realty and Trust Company, Limited ("New Asia"):

	No. of Ordinary Shares	Nature of Interest
<b>The Company</b>		
Mr. Peter K. C. Woo	1,204,934,330	Corporate Interest in 209,712,652 shares and Other Interest in 995,221,678 shares
Mr. B. M. Chang	8,629,575	Corporate Interest
Mr. G. W. J. Li	1,486,491	Personal Interest
Mr. S. T. H. Ng	300,000	Personal Interest
<b>Wharf</b>		
Sir S. Y. Chung	348,238	Personal Interest in 189,427 shares and Corporate Interest in 158,811 shares
Mr. G. W. J. Li	686,549	Personal Interest
Mr. S. T. H. Ng	650,057	Personal Interest
<b>New Asia</b>		
Sir S. Y. Chung	94,710	Family Interest
Mr. G. W. J. Li	2,900	Personal Interest

Notes:

- (1) The 995,221,678 shares in the Company stated above as "Other Interest" against the name of Mr. Peter K. C. Woo represented an interest comprised in certain trust properties in which Mr. Woo was taken, under certain provisions of 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) which are applicable to a director or chief executive of a listed company, to be interested.
- (2) The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporations at respective general meetings of which the relevant Directors were respectively entitled to either exercise (or taken under the SDI Ordinance to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.
- (3) The 209,712,652 shares of the Company stated above as "Corporate Interest" against the name of Mr. Peter K. C. Woo represented the same block of shares as that of the shareholding interest of Mrs. Bessie P. Y. Woo stated below under section (C) "Substantial Shareholders' Interests".
- (4) The 995,221,678 shares of the Company as referred to under Note (1) above represented the same block of shares as that of the shareholding interest of Bermuda Trust (Guernsey) Limited stated below under section (C) "Substantial Shareholders' Interests".

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.

### (C) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director or Chief Executive of the Company, 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:

Names	No. of Ordinary Shares
(i) Mrs. Bessie P. Y. Woo	209,712,652
(ii) Bermuda Trust (Guernsey) Limited	995,221,678

Note: Duplication occurred in respect of the above-mentioned shareholding interests as set out above in Notes (3) and (4) under section (B) "Directors' Interests in Shares".

### (D) PENSION SCHEMES

The Group operates a number of pension schemes. Set out below are certain particulars regarding the principal pension scheme (the "Pension Scheme") operated by the Group:

#### (I) Nature of the Pension Scheme

The Pension Scheme is a defined contribution scheme. The assets of the Pension Scheme are held separately by an independently administered fund.

**(II) Funding of the Pension Scheme**

The Pension Scheme is funded by contributions from employees and employers. The employees and employers contribute respectively to the Pension Scheme sums which represent percentages of their salaries as defined under the relevant trust deed.

**(III) Forfeited Contributions**

The contributions are expensed as incurred and may be reduced by contributions forfeited by those employees who have left the Pension Scheme prior to vesting fully in the contributions.

**(IV) Cost of the Pension Scheme**

The employer's cost charged to profit and loss account during the year ended 31 March 2003 in respect of the Pension Scheme amounted to HK\$9.4 million. During the year, no forfeiture of employer's contributions was used to reduce current year's contribution.

Note: The total employers' pension cost in respect of all pension schemes of the Group, including the cost related to the Mandatory Provident Fund which is not operated by the Group, charged to the profit and loss account during the financial year ended 31 March 2003 amounted to HK\$20.6 million.

**(E) EXECUTIVE SHARE INCENTIVE SCHEME (the "Scheme")****(I) Summary of the Scheme****(a) Purpose of the Scheme:**

To give executives of the Group the opportunity of acquiring an equity participation in the Company, to continue to provide them with the motivation and incentive to give their best contribution towards the Company's continued growth and success.

**(b) Participants of the Scheme:**

Any employee of the Company or any of its subsidiaries holding an executive, managerial, supervisory or similar position, including a Director of the Company or any of its subsidiaries holding executive office, who accepts the offer of the grant of an option in accordance with the terms of the Scheme (the "Employee(s)").

**(c) (i) Total number of ordinary shares of HK\$0.50 each in the capital of the Company (the "Shares") available for issue under the Scheme as at 31 March 2003 :**

82,401,464

**(ii) Percentage of the issued share capital that it represents as at 31 March 2003 :**

4%

- (d) Maximum entitlement of each participant under the Scheme as at 31 March 2003 :  
Not more than:
- (i) 10% of the maximum number of Shares available for subscription under the terms of the Scheme; and
  - (ii) in terms of amount of the aggregate subscription price, such amount of aggregate subscription price in respect of all the Shares for which an Employee is granted options in any financial year as would exceed five times his or her gross annual remuneration.
- (e) Period within which the Shares must be taken up under an option:  
Within 10 years from the date on which the option is granted or such shorter period as the Board of Directors may approve.
- (f) Minimum period for which an option must be held before it can be exercised:  
One year from the date on which the option is granted.
- (g) (i) Price payable on application or acceptance of the option:  
HK\$1.00
- (ii) The period within which payments or calls must or may be made or loans of such purposes must be repaid:  
Seven days after the offer date of an option.
- (h) Basis of determining the exercise price:  
Pursuant to rule 17.03 (9) of the Listing Rules, the exercise price must be at least the higher of:
- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
  - (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.
- (i) The remaining life of the Scheme:  
Five years

## **(II) Details of Share Options Granted**

At the beginning of the financial year, there were outstanding certain share options previously granted on 14 April 1992 under the Scheme to one employee (not being a Director or Chief Executive of the Company and not being a participant with options granted in excess of the individual limit) working under an employment contract which is regarded as a “continuous contract” for the purposes of the Employment Ordinance. Such options were exercisable during the period 13 April 1995 to 12 April 2002, and on full exercise would require the Company to allot 92,000 new shares to the grantee at an exercise price of HK\$5.50 per share. The options were exercised in full by that employee on a day falling in the year under review and as a result, 92,000 new shares of the Company were accordingly allotted and issued to that employee. The closing price of the shares of the Company immediately before the date of such option exercise was HK\$6.25 per share.

Except as disclosed above, no share option of the Company was issued, exercised, cancelled, lapsed or outstanding throughout the financial year.

## **(F) 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 62% of the Group’s total purchases;
- (b) the largest supplier accounted for 28% 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.

## (G) DISCLOSURE OF CONNECTED TRANSACTIONS

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries required under the Listing Rules of the Stock Exchange to be disclosed in the Annual Report and Accounts of the Company:

### (I) *Disposal of Lane Crawford and Joyce*

Pursuant to two Sale and Purchase Agreements both entered into on 14 February 2003, a wholly-owned subsidiary of the Company agreed to dispose of its retail businesses portfolio, comprising (1) the entire equity interest in LC Investment Partners Limited (“LCI”) and its subsidiaries (the “LCI Sale”) and (2) approximately 52% attributable interest in Joyce Boutique Holdings Limited and its subsidiaries (the “Joyce Sale”) to Wisdom Gateway Limited (“Wisdom Gateway”).

Wisdom Gateway is wholly owned by a trust of which Mr. Peter Woo was the settlor and of which certain close relatives of Mr. Peter Woo are discretionary objects. As Mr. Peter Woo is the Chairman, a Director and a substantial shareholder of the Company and accordingly a connected person of the Company under the Listing Rules, the entry into of the two Sale and Purchase Agreements for the LCI Sale and the Joyce Sale constituted connected transactions for the Company under the Listing Rules. The disposal allows the Company to further focus on its core businesses and competencies of property and infrastructure.

The consideration of HK\$422.8 million for the LCI Sale was wholly received in cash on completion of the LCI Sale which took place immediately after the signing of the Sale and Purchase Agreement for the LCI Sale, and the consideration of HK\$156.2 million for the Joyce Sale was wholly received in cash on 14 March 2003, being the date of completion of the Joyce Sale.

### (II) *Tenancy Agreement with Lane Crawford*

There existed during the financial year a tenancy agreement between a wholly-owned subsidiary of the Company as the landlord and Lane Crawford (Hong Kong) Limited, a wholly-owned subsidiary of LCI (which was sold on 14 February 2003 to Wisdom Gateway as abovementioned), as the tenant, in respect of certain retail premises known as Basement, Ground Floor to Sixth Floor and Rooms 706-8A of Lane Crawford House, with a total lettable area of 76,578 square feet for a term of three years from 1 July 2000 to 30 June 2003.

As the tenant is an associate (as defined in the Listing Rules) of Mr. Peter Woo and therefore is a connected person of the Company, the transaction became a connected transaction for the Company upon the tenant becoming an associate of Mr. Peter Woo on completion of the LCI Sale.

The estimated approximate annual rent, exclusive of service fee, government rates and other charges, received or receivable under the tenancy agreement in the year ended 31 March 2003 amounted to HK\$32.4 million.

### **(III) Privatisation of Realty Development Corporation Limited (“RDC”)**

In December 2002, New Asia Realty and Trust Company, Limited (“New Asia”), a 74.2%-owned listed subsidiary of the Company, proposed to privatise RDC by way of a Scheme of Arrangement under Section 166 of the Companies Ordinance (the “Scheme”). The privatisation became effective on 19 March 2003, as a result of which 20,067,506 shares of RDC held by a wholly-owned subsidiary of the Company, namely, Frexon Limited, immediately before the privatisation were cancelled under the Scheme, and a total consideration of approximately HK\$64.2 million (on the basis of HK\$3.2 per RDC share) was received in cash by Frexon Limited on 21 March 2003. As New Asia is technically regarded as a connected person of the Company under the Listing Rules, the transaction concerning Frexon Limited constituted a connected transaction for the Company.

Note: Certain particulars of the Related Party Transactions entered into by the Group during the financial year have been disclosed in Note 31 to the Accounts on page 65. Such Related Party Transactions also constituted connected transactions (as defined under the Listing Rules) for the Company as disclosed above.

### **(H) INTEREST CAPITALISED**

The amount of interest capitalised by the Group during the financial year is set out in Note 6 to the Accounts on page 51.

### **(I) 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.

### **(J) FREQUENCY OF DIRECTORS’ MEETINGS**

During the financial year under review, eight Directors’ Meetings were held, of which four were regular meetings and four were ad hoc meetings.

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

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

# | REPORT OF THE DIRECTORS |

The Directors have pleasure in submitting 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 pages 66 and 67.

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 44 to 46.

## **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 29.

Appropriations of profits and movements in reserves during the financial year are set out in Note 25 to the Accounts on pages 60 to 62.

## **DIVIDENDS**

An interim dividend of 2.5 cents per share was paid on 29 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 28 August 2003 to Shareholders on record as at 21 August 2003. This recommendation has been disclosed in the Accounts.

## **SHARE CAPITAL**

During the financial year, upon exercise by a grantee of options granted under the Company's Executive Share Incentive Scheme, a total of 92,000 ordinary shares of HK\$0.50 each of the Company, credited as fully paid, were allotted and issued by the Company at a price of HK\$5.50 per share.

## **FIXED ASSETS**

Movements in fixed assets during the financial year are set out in Note 13 to the Accounts on page 54.

## **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 22 to the Accounts on page 58. Those which would fall due for repayment after a period of one year are set out in Note 26 to the Accounts on page 62.

## DONATIONS

The Group made donations during the financial year totalling HK\$4.2 million.

## DIRECTORS

The Directors of the Company during the financial year were Mr. P. K. C. Woo (appointed on 1 April 2002), Mr. A. S. K. Au (appointed on 5 September 2002), Mr. B. M. Chang, Sir S. Y. Chung, Mr. Q. Y. K. Law (resigned on 4 September 2002), Ms. D. Y. F. Lee (resigned on 4 September 2002), Mr. W. W. Y. Lee, Mr. K. H. Leung (resigned on 1 January 2003), Mr. G. W. J. Li, Mr. S. T. H. Ng, Mr. T. Y. Ng (resigned on 4 September 2002), Mr. P. Y. C. Tsui, Mr. H. S. S. Wong (resigned on 4 September 2002) and Mr. W. Turnbull (appointed on 5 September 2002). Subsequent to the financial year end, Mr. J. E. Strickland was appointed a Director of the Company with effect from 1 May 2003. *(Subsequent note: Mr. J. E. Strickland resigned from the Board with effect from 26 June 2003.)*

Mr. P. Y. C. Tsui assumed the title of Executive Director with effect from 1 March 2003.

Messrs. A. S. K. Au and W. Turnbull, 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 Sir S. Y. Chung and Mr. W. W. Y. Lee are also due to retire from the Board by rotation in accordance with Article 103(A), at the forthcoming Annual General Meeting. Sir S. Y. Chung and Mr. W. W. Y. Lee have 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).

Under the provisions of the Company's Articles of Association, the Chairman and the Executive Director of the Company are 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 Directors at the forthcoming Annual General Meeting to be held on 21 August 2003 as mentioned above, and the remaining three Directors will have their respective terms of office coming to an end by reason of retirement by rotation at the Annual General Meeting of the Company in 2004 or 2005 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 or any of its subsidiaries 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

No contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial year.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company or any of its subsidiaries 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 PricewaterhouseCoopers, 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, 18 June 2003

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2003

	Note	2003 HK\$ Million	2002 HK\$ Million
Turnover	3	9,868.0	7,164.7
Other net (loss)/income	4	(84.0)	113.0
		<b>9,784.0</b>	7,277.7
Direct costs and operating expenses		(7,913.9)	(4,831.7)
Selling and distribution expenses		(819.2)	(694.2)
Administrative expenses		(261.4)	(358.9)
Gain on disposal of a discontinued operation	5	31.5	–
Operating profit	3	821.0	1,392.9
Borrowing costs	6	(254.8)	(554.2)
Net operating profit before property provision		566.2	838.7
Provision for properties	7	(2,428.5)	(1,250.5)
Share of profits less losses of associates	2	1,671.0	1,404.1
(Loss)/profit before taxation		(191.3)	992.3
Taxation	8	(314.0)	(399.6)
(Loss)/profit after taxation		(505.3)	592.7
Minority interests		569.3	(46.1)
<b>Group profit attributable to shareholders</b>	9	<b>64.0</b>	546.6
Dividends attributable to the year	10		
Interim dividend declared during the year		50.8	50.8
Final dividend proposed after the balance sheet date		101.6	101.6
		<b>152.4</b>	152.4
<b>Earnings per share</b>	11	<b>3.1 cents</b>	26.9 cents

The notes on pages 35 to 67 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	3,885.9	4,934.6
Associates	15	20,976.3	23,379.4
Long-term investments	16	753.2	3,727.7
Deferred debtors	17	385.1	43.9
		<b>26,000.5</b>	<b>32,085.6</b>
<b>Current assets</b>			
Properties under development for sale	18	7,830.7	16,767.3
Properties held for sale	18	2,769.4	395.5
Inventories	19	–	325.3
Short-term investments	20	102.0	–
Trade and other receivables	21	2,604.7	1,642.4
Bank balances and deposits		3,182.7	3,451.1
		<b>16,489.5</b>	<b>22,581.6</b>
<b>Current liabilities</b>			
Bank loans and overdrafts	22	1,945.0	7,310.2
Trade and other payables	23	1,555.7	1,444.4
Deposits from sale of properties		1,418.0	2,945.9
Taxation		272.9	929.1
		<b>5,191.6</b>	<b>12,629.6</b>
<b>Net current assets</b>		<b>11,297.9</b>	<b>9,952.0</b>
<b>Total assets less current liabilities</b>		<b>37,298.4</b>	<b>42,037.6</b>
<b>Capital and reserves</b>			
Share capital	24	1,015.9	1,015.8
Reserves	25	22,278.0	25,469.3
		<b>23,293.9</b>	<b>26,485.1</b>
<b>Minority interests</b>		<b>3,452.3</b>	<b>5,730.3</b>
<b>Non-current liabilities</b>			
Long-term bank loans	26	10,035.7	9,315.9
Deferred taxation	27	–	110.4
Deferred items	28	516.5	395.9
		<b>10,552.2</b>	<b>9,822.2</b>
<b>Total equity and non-current liabilities</b>		<b>37,298.4</b>	<b>42,037.6</b>

The notes on pages 35 to 67 form part of these accounts.

**Peter K C Woo**  
Chairman

**Paul Y C Tsui**  
Executive Director

# COMPANY BALANCE SHEET

At 31 March 2003

	Note	2003 HK\$ Million	2002 HK\$ Million
<b>Non-current assets</b>			
Subsidiaries	14	4,958.4	11,130.3
<b>Current assets</b>			
Trade and other receivables		0.5	0.4
Bank balances and deposits		–	0.1
		<b>0.5</b>	<b>0.5</b>
<b>Current liabilities</b>			
Bank loans and overdrafts	22	475.0	6,496.7
Trade and other payables		5.9	14.6
		<b>480.9</b>	<b>6,511.3</b>
<b>Net current liabilities</b>		<b>(480.4)</b>	<b>(6,510.8)</b>
<b>Total assets less current liabilities</b>		<b>4,478.0</b>	<b>4,619.5</b>
<b>Capital and reserves</b>			
Share capital	24	1,015.9	1,015.8
Reserves	25	3,462.1	3,603.7
<b>Total equity</b>		<b>4,478.0</b>	<b>4,619.5</b>

The notes on pages 35 to 67 form part of these accounts.

**Peter K C Woo**  
Chairman

**Paul Y C Tsui**  
Executive Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2003

	2003 HK\$ Million	2002 HK\$ Million
<b>Total equity at 1 April</b>	<b>26,485.1</b>	<b>28,419.3</b>
<b>Company and subsidiaries</b>		
Deficit on revaluation of non-trading securities	(218.8)	(351.4)
Deficit on revaluation of investment properties	(1.9)	–
Provision for impairment of other properties	(41.3)	(29.9)
Exchange difference on translation of financial statements of foreign entities	101.1	(48.3)
<b>Associates</b>		
Deficit on revaluation of investment properties	(2,803.3)	(2,087.3)
Deficit on revaluation of other properties	(104.8)	(116.8)
Deficit on revaluation of non-trading securities	(188.5)	(71.1)
Others	(8.7)	7.4
<b>Net losses not recognised in the profit and loss account</b>	<b>(3,266.2)</b>	<b>(2,697.4)</b>
<b>Company and subsidiaries</b>		
Group profit attributable to shareholders	64.0	546.6
Final dividend approved in respect of the previous year	(101.6)	(101.5)
Interim dividend declared in respect of the current year	(50.8)	(50.8)
Negative goodwill realised on disposal of a discontinued operation	(34.3)	–
Reserves transferred to the profit and loss account on disposal of:		
Non-trading securities	166.0	(0.3)
Properties	–	(0.8)
Exercise of share options	0.6	4.4
<b>Associates</b>		
Reserves transferred to the profit and loss account on:		
Disposal of non-trading securities	3.3	50.3
Impairment of non-trading securities	27.8	171.2
Goodwill written off on disposal of an associate	–	144.1
	<b>75.0</b>	<b>763.2</b>
<b>Total equity at 31 March</b>	<b>23,293.9</b>	<b>26,485.1</b>

The notes on pages 35 to 67 form part of these accounts.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2003

	<b>2003</b>	(Restated)
	<b>HK\$ Million</b>	2002 HK\$ Million
<b>Cash generated from operations (Note a)</b>	<b>3,483.4</b>	2,855.3
Interest received	79.7	69.2
Interest paid	(381.1)	(740.1)
Dividends received from associates	983.4	975.6
Dividends received from investments	87.7	130.7
Hong Kong profits tax paid	(18.9)	(18.2)
Overseas tax paid	(820.8)	(1.3)
Net cash inflow from operating activities	<b>3,413.4</b>	3,271.2
<b>Investing activities</b>		
Increase in interest in a subsidiary	(951.9)	(14.7)
Purchase of non-trading securities	(207.9)	(2,212.4)
Purchase of fixed assets	(49.9)	(65.2)
Disposal of subsidiaries (Note b)	220.6	753.5
Proceeds from disposal of associates	10.8	–
Proceeds from disposal of non-trading securities	2,822.1	1,259.4
Proceeds from disposal of fixed assets	11.4	7.8
(Increase)/decrease in deferred debtors	(341.2)	13.5
Decrease in net advances from associates	(411.4)	(293.2)
Net cash inflow/(outflow) from investing activities	<b>1,102.6</b>	(551.3)
<b>Financing activities</b>		
Issue of ordinary shares	0.6	4.4
Drawdown of long-term bank loans	6,648.4	3,844.9
Repayment of long-term bank loans	(5,969.4)	(285.0)
Net repayment of short-term bank loans	(5,351.9)	(3,878.4)
Dividends paid to shareholders	(152.4)	(152.3)
Dividends paid to minority shareholders	(86.3)	(84.8)
Net cash outflow from financing activities	<b>(4,911.0)</b>	(551.2)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(395.0)</b>	2,168.7
Cash and cash equivalents at 1 April	3,451.1	1,299.1
Effect of foreign exchange rate	126.6	(16.7)
<b>Cash and cash equivalents at 31 March</b>	<b>3,182.7</b>	3,451.1
<b>Analysis of the balances of cash and cash equivalents</b>		
Deposits and cash	3,182.7	3,451.1

**NOTES TO CONSOLIDATED CASH FLOW STATEMENT**
**a) 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>(191.3)</b>	992.3
Adjustments for:		
Share of profits less losses of associates	<b>(1,671.0)</b>	(1,404.1)
Interest income	<b>(67.6)</b>	(68.9)
Interest expense	<b>231.8</b>	463.2
Dividend income from investments	<b>(59.6)</b>	(152.2)
Depreciation	<b>60.9</b>	70.1
Provision for properties	<b>2,428.5</b>	1,250.5
Net loss on disposal of non-trading securities	<b>192.6</b>	35.4
Deferred profits realised	<b>(30.8)</b>	(100.1)
(Profit)/loss on disposal of fixed assets	<b>(4.6)</b>	11.9
Gain on disposal of a discontinued operation	<b>(31.5)</b>	–
Profit on disposal of subsidiaries	<b>–</b>	(17.5)
Exchange differences	<b>66.0</b>	(65.5)
Operating profit before working capital changes	<b>923.4</b>	1,015.1
(Increase)/decrease in properties under development for sales	<b>(2,338.8)</b>	4,067.2
Decrease in properties held for sale	<b>7,117.2</b>	220.3
Decrease in inventories	<b>7.3</b>	24.7
Increase in short-term investments	<b>(102.0)</b>	–
Increase in trade and other receivables	<b>(1,167.6)</b>	(1,118.8)
Decrease in deposits from sale of properties	<b>(1,527.9)</b>	(1,557.9)
Increase in trade and other payables	<b>571.8</b>	204.7
Cash generated from operations	<b>3,483.4</b>	2,855.3

**b) Disposal of subsidiaries**

	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
Net assets disposed of:		
Non-current assets	<b>178.6</b>	3.4
Current assets	<b>853.0</b>	717.1
Current liabilities	<b>(309.3)</b>	(0.6)
Minority interests	<b>(143.3)</b>	–
Net assets disposed of	<b>579.0</b>	719.9
Profit recognised	<b>–</b>	17.5
Unrealised profit deferred	<b>–</b>	16.1
Satisfied in cash	<b>579.0</b>	753.5
Cash of subsidiaries disposed of	<b>(358.4)</b>	–
Net cash inflow in respect of the disposal of subsidiaries	<b>220.6</b>	753.5

# | 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 (“SSAPs”) 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 accounts

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

### c) Basis of consolidation

#### (i) Subsidiaries and controlled companies

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

An investment in a controlled subsidiary is consolidated into the consolidated accounts, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the 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.

#### (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 and deferred to the extent of the Group's interest in the associates until the concerned assets are on-sold to third parties. 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 Hong Kong Society of Accountants with effect from 1 April 2001. 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 and loss on disposal.

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

**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, less depreciation where the investment properties are held on leases with unexpired periods of 20 years or less. 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 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 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 costs for that development, 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.

**(iv) Other properties**

Other properties are stated at cost or valuation at 31 March 1995 less accumulated depreciation and provision for impairment as considered necessary by the Directors. The Group places reliance on the transitional provision of SSAP 17 which provides exemption from the need to make regular revaluations for those properties stated at valuation at 31 March 1995.

**e) Depreciation of fixed assets****(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) Properties under or held for development**

No depreciation is provided on properties under or held for development.

**(iii) Other properties**

Depreciation is provided on the carrying amount of the leasehold land over the unexpired term of the lease. Buildings are depreciated on a straight line basis over the shorter of 50 years and the remaining term of the lease.

**(iv) 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 investment 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 period 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.

- (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 investment under current assets and stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

**h) Inventories**

Inventories comprising goods for resale are stated at the lower of cost, including an element of overheads, where applicable, and net realisable value which is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date, or to management estimates based on prevailing market conditions.

Cost is calculated based on the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, their carrying amounts are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**i) Cash and cash equivalent**

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.

**j) Foreign currencies**

Foreign currency transactions during the year are translated into Hong Kong dollars at 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 rate 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 and associates which are dealt with in the 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 and loss on disposal.

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

**k) Leased assets****(i) Assets held for use in operating leases**

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

**(ii) Operating lease charges**

Payment obligations in respect of operating leases on property with fixed rentals are accounted for on a straight line basis over the periods of the respective leases; payment obligations in respect of operating leases on property with rentals which vary with the sales of the Group are charged to the profit and loss account as incurred.

**l) Recognition of revenue**

- (i) Income from sale of goods is recognised when the title of the goods is transferred to the customers.
- (ii) Income from management services is recognised upon provision of services.
- (iii) 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.
- (iv) 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 is recognised over the course of development (see note 1 (d)(ii)).
- (v) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.
- (vi) 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.
- (vii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

**m) 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.

**n) 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 period of 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.

**o) 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.

**p) 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.

**q) Segment reporting**

A segment is 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, corporate and financing expenses.

**r) Employee benefits****(i) Defined contribution 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) Mandatory Provident Funds**

Contributions to the Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred.

**(iii) 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.

**(iv) Equity compensation benefits**

When the Group grants employees options to acquire shares of the Company, the option exercise price must be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and no employee benefit cost or obligation is recognised at that time. When the options are exercised, shareholders' equity is increased by the amount of the proceeds received.

**(v) 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.****s) Discontinued operations**

A discontinued operation is a clearly distinguishable component of the Group's business that is disposed of or abandoned pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

## 2. SEGMENT INFORMATION

### a) Business segments

#### (i) Revenue and results

	Segment Revenue		Segment Results	
	2003 HK\$ Million	2002 HK\$ Million	2003 HK\$ Million	2002 HK\$ Million
Property investment	350.2	337.7	253.1	241.9
Property development	7,441.9	4,486.2	562.8	1,046.1
Retail and distribution	1,912.2	2,056.9	(49.8)	(80.3)
Investment and others	286.5	401.1	38.0	211.5
	<b>9,990.8</b>	7,281.9	<b>804.1</b>	1,419.2
Inter-segment revenue (Note i)	(122.8)	(117.2)	–	–
	<b>9,868.0</b>	7,164.7	<b>804.1</b>	1,419.2
Gain on disposal of a discontinued operation			31.5	–
Unallocated expenses			(14.6)	(26.3)
Operating profit			821.0	1,392.9
Borrowing costs			(254.8)	(554.2)
Provision for properties				
Property investment			(662.8)	(185.0)
Property development			(1,765.7)	(1,065.5)
Share of results of associates (Note ii)			1,671.0	1,404.1
(Loss)/profit before taxation			(191.3)	992.3
Taxation			(314.0)	(399.6)
Minority interests			569.3	(46.1)
Group profit attributable to shareholders			<b>64.0</b>	546.6

Notes:

(i) Inter-segment revenue eliminated on consolidation includes:

Property investment	48.4	54.6
Investment and others	74.4	62.6
	<b>122.8</b>	117.2

## | NOTES TO THE ACCOUNTS |

## (ii) Share of results of associates

	Segment Results	
	2003 HK\$ Million	2002 HK\$ Million
Property investment	1,560.4	1,480.3
Property development	(7.3)	(45.0)
Communications, media and entertainment	214.3	155.8
Pay television	165.8	174.3
Internet and multimedia	4.5	(25.0)
Telecommunications	26.5	4.0
Others	17.5	2.5
Logistics	917.8	896.4
Terminals	844.4	849.0
Other logistics business	73.4	47.4
Investment and others	52.9	(26.4)
(Provision)/write-back of provision for properties	(228.6)	77.6
Unallocated expenses and other items	(461.5)	(582.2)
Borrowing costs	(377.0)	(552.4)
	<b>1,671.0</b>	<b>1,404.1</b>

## (ii) Assets and liabilities

	Assets		Liabilities	
	2003 HK\$ Million	2002 HK\$ Million	2003 HK\$ Million	2002 HK\$ Million
Property investment	3,890.2	4,818.8	113.9	111.5
Property development	11,030.5	17,271.4	2,692.1	3,649.6
Retail and distribution	–	620.8	–	367.5
Investment and others	1,338.9	3,968.5	13.5	32.4
Segment assets and liabilities	16,259.6	26,679.5	2,819.5	4,161.0
Associates (Note)	20,976.3	23,379.4	–	–
Unallocated items	5,254.1	4,608.3	12,924.3	18,290.8
Total assets and liabilities	<b>42,490.0</b>	<b>54,667.2</b>	<b>15,743.8</b>	<b>22,451.8</b>

**Note: Share of net segment assets less liabilities of associates**

Property investment	25,977.1	28,929.3
Property development	1,315.9	1,413.6
Communications, media and entertainment	2,200.4	1,270.2
Logistics	2,074.8	2,029.3
Unallocated and other items	(10,591.9)	(10,263.0)
	<b>20,976.3</b>	<b>23,379.4</b>

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

## (iii) Other segment information

As disclosed in note 13 to the accounts, capital expenditure of HK\$49.9 million (2002 : HK\$65.2 million) and depreciation and amortisation of HK\$60.9 million (2002 : HK\$70.1 million) are principally related to retail and distribution segment in Hong Kong. The Group has no significant non-cash expenses other than 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	8,709.8	4,348.7	310.1	343.2
Singapore	1,081.6	2,696.3	484.3	1,042.8
Others	76.6	119.7	26.6	6.9
	<b>9,868.0</b>	<b>7,164.7</b>	<b>821.0</b>	<b>1,392.9</b>

## (ii) Assets

	Assets	
	2003 HK\$ Million	2002 HK\$ Million
Hong Kong	12,167.2	21,731.4
Singapore	4,085.8	4,904.8
Others	6.6	43.3
	<b>16,259.6</b>	<b>26,679.5</b>

### 3. TURNOVER AND OPERATING PROFIT

#### a) Turnover

The principal activities of the Group are property investment, property development, retail and distribution and investment holding. Analysis of the Group's turnover is as follows:

	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
Property investment	301.8	283.1
Property development	7,441.9	4,486.2
Retail and distribution	1,912.2	2,056.9
Investment and others	212.1	338.5
	<b>9,868.0</b>	<b>7,164.7</b>

#### b) Operating profit

Operating profit is arrived at:

after charging:

Staff costs

– included contributions to defined contribution retirement schemes of HK\$20.6 million (2002 : HK\$22.0 million)

Cost of properties sold

Cost of inventories sold

Depreciation

Auditors' remuneration

Audit services

Other services

Operating lease rentals – land and buildings

and after crediting:

Rental income from operating leases less outgoings

– included gross rental income from investment properties of HK\$280.8 million (2002 : HK\$263.3 million) of which HK\$1.4 million (2002 : HK\$6.5 million) is contingent rentals

Dividend income from listed investments

	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
	357.2	405.4
	6,609.6	3,440.6
	1,146.4	1,214.7
	60.9	70.1
	4.4	5.1
	2.2	1.6
	219.6	263.0
	<b>229.8</b>	<b>206.5</b>
	<b>59.6</b>	<b>152.2</b>

In addition, staff costs of HK\$7.2 million (2002 : HK\$28.3 million) were capitalised in costs of properties under development.

**c) Directors' emoluments**

	<b>2003</b> HK\$ Million	2002 HK\$ Million
Fees	0.4	0.4
Basic salaries, housing allowances, other allowances and benefits in kind	4.0	2.6
Deemed profit on share option exercise	–	0.5
Retirement scheme contributions	–	–
Discretionary bonuses and/or performance-related bonuses	0.7	4.1
Compensation for loss of office	–	–
Inducement for joining the Group	–	–
	<b>5.1</b>	<b>7.6</b>

For the year under review, total emoluments (including any reimbursement) amounting to HK\$144,890 (2002 : HK\$105,000), being wholly in the form of Directors' fees, were paid or payable to Independent Non-executive Directors of the Company.

The emoluments in respect of the year ended 31 March 2003 of all the Directors of the Company in office during the year were in the following ranges:

<b>Bands</b> (in HK\$)	<b>2003</b> Number	2002 Number
Not more than \$1,000,000	13	10*
\$1,500,001 – \$2,000,000	–	1
\$4,000,001 – \$4,500,000	1	–
\$5,000,001 – \$5,500,000	–	1
	<b>14</b>	<b>12</b>

Note: The emoluments of two Directors in the band marked \* above for 2002 included deemed profit on share option exercise totalling HK\$0.5 million.

**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 which four employees (2002 : four) of the Group who, not being Directors of the Company, are among the top five highest paid individuals (including persons who held the office of Directors of the Company at any time during the year as well as other employees of the Group) employed by the Group.

**(i) Aggregate emoluments**

	<b>2003</b> HK\$ Million	2002 HK\$ Million
Basic salaries, housing allowances, other allowances and benefits in kind	8.9	12.4
Deemed profit on share option exercise	–	–
Pension scheme contributions	0.2	0.4
Discretionary bonuses and/or performance-related bonuses	3.2	26.1
Compensation for loss of office	–	–
Inducement for joining the Group	–	–
	<b>12.3</b>	<b>38.9</b>

## (ii) Bandings

Bands (in HK\$)	2003 Number	2002 Number
\$2,500,001 – \$3,000,000	2	–
\$3,000,001 – \$3,500,000	2	2
\$4,000,001 – \$4,500,000	–	1
\$28,500,001 – \$29,000,000 (Note)	–	1
	<b>4</b>	<b>4</b>

Note: Included in this banding are emoluments paid to a director of the 56% indirectly owned listed subsidiary, Marco Polo Developments Limited in Singapore.

## 4. OTHER NET (LOSS)/INCOME

	2003 HK\$ Million	2002 HK\$ Million
Deferred profits realised	30.8	100.1
Net loss on disposal of non-trading securities	(192.6)	(35.4)
Profit on disposal of subsidiaries	–	17.5
Others	77.8	30.8
	<b>(84.0)</b>	<b>113.0</b>

Included in the net loss on disposal of non-trading securities is a net deficit, before deduction of minority interests, of HK\$173.7 million (2002 : net surplus of HK\$0.3 million), transferred from investment revaluation reserves.

## 5. GAIN ON DISPOSAL OF A DISCONTINUED OPERATION

a) During the financial year ended 31 March 2003, the Group disposed of its retail businesses portfolio, comprising 100% interest in the Lane Crawford group, 52% interest in the Joyce group and 39% interest in City'Super to certain related parties. The total consideration of the above sales was approximately HK\$589.8 million and a net gain of HK\$31.5 million was recognised in the consolidated profit and loss account for the year. The transactions were previously announced on 14 February 2003 and details of the sales are summarised below:

## (i) Sale of Lane Crawford group (“LCI sale”)

The consideration for the LCI sale was HK\$422.8 million which was calculated based on the consolidated net assets of Lane Crawford group at 14 February 2003. The LCI sale was completed on 14 February 2003.

## (ii) Sale of interest in Joyce group (“Joyce sale”)

The consideration for the Joyce sale was HK\$156.2 million which represented a small discount to the Group's 52% attributable interest in the unaudited consolidated net assets of Joyce group at 30 September 2002. The Joyce sale was completed on 14 March 2003.

## (iii) Sale of interest in City'Super

The Group also completed on 14 February 2003 its divestment of its interest in City'Super to The Wharf (Holdings) Limited for a total consideration of HK\$10.77 million.

## | NOTES TO THE ACCOUNTS |

- b) The aggregate results of the disposed discontinued operation for the current and previous years were as follows:

	<b>2003</b> HK\$ Million	2002 HK\$ Million
Turnover	1,912.2	2,056.9
Other net (loss)/income	(8.8)	18.4
	<b>1,903.4</b>	2,075.3
Direct costs and operating expenses	(1,146.4)	(1,214.7)
Selling and distribution expenses	(599.2)	(673.9)
Administrative expenses	(207.6)	(267.0)
Operating loss	(49.8)	(80.3)
Borrowing costs	(2.5)	(0.5)
Share of profits less losses of associates	(1.1)	3.0
Loss before taxation	(53.4)	(77.8)
Taxation	(0.4)	(0.8)
Loss after taxation	<b>(53.8)</b>	<b>(78.6)</b>

- c) The net assets of the discontinued operation as at the date of discontinuance and 31 March 2002 were as follows:

	<b>2003</b> HK\$ Million	2002 HK\$ Million
Total assets	1,044.7	961.4
Total liabilities	(308.8)	(379.2)
Minority interests	(143.3)	(158.2)
Net assets	<b>592.6</b>	<b>424.0</b>
Less: Total consideration received	<b>589.8</b>	
	<b>(2.8)</b>	
Add: Negative goodwill realised	<b>34.3</b>	
Gain on disposal of a discontinued operation	<b>31.5</b>	

- d) The cash flows of the discontinued operation for the current and previous years were as follows:

	<b>2003</b> HK\$ Million	2002 HK\$ Million
Cash inflow from operating activities	75.8	18.7
Cash outflow from investing activities	(43.5)	(50.7)
Cash inflow from financing activities	<b>3.1</b>	3.4

## 6. BORROWING COSTS

	2003 HK\$ Million	2002 HK\$ Million
Interest payable on		
Bank loans and overdrafts	312.0	610.5
Other loans repayable within 5 years	55.8	134.4
Other borrowing costs	32.7	140.8
	<b>400.5</b>	<b>885.7</b>
Less: Amount capitalised	(145.7)	(331.5)
	<b>254.8</b>	<b>554.2</b>

The Group's average borrowing interest rate for the year was 2.3% (2002 : 3.8%) per annum.

## 7. PROVISION FOR PROPERTIES

Following a review based on the property market conditions prevailing at 31 March 2003, the Group has made provision of HK\$1,765.7 million (2002 : HK\$1,065.5 million) principally for impairment in value of the Group's properties under development for sale and HK\$662.8 million (2002 : HK\$185.0 million) in respect of the attributable deficits for the Group's investment properties portfolio.

## 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:

	2003 HK\$ Million	2002 HK\$ Million
<b>Company and subsidiaries</b>		
Hong Kong profits tax for the year	81.5	13.3
Overseas taxation for the year	165.2	905.0
Overprovision in prior years (Note)	(102.7)	–
Deferred taxation (Note 27)	(114.8)	(665.0)
	<b>29.2</b>	<b>253.3</b>
<b>Associates</b>		
Hong Kong profits tax for the year	216.4	143.0
Overseas taxation for the year	8.6	8.8
Underprovision in prior years	53.9	–
Deferred taxation	5.9	(5.5)
	<b>284.8</b>	<b>146.3</b>
	<b>314.0</b>	<b>399.6</b>

Note: The overprovision represents the write-back of a tax provision made in prior years for the Ardmore Park project in Singapore resulting from the reduction of Singapore income tax rate from 24.5% to 22%.

## 9. GROUP PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The group profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$10.3 million (2002 : HK\$167.7 million).

## 10. DIVIDENDS

### a) Dividends attributable to the year

	2003 HK\$ Million	2002 HK\$ Million
Interim dividend declared and paid of 2.5 cents (2002 : 2.5 cents) per share	50.8	50.8
Final dividend of 5.0 cents proposed after the balance sheet date (2002 : 5.0 cents) per share	101.6	101.6
	<b>152.4</b>	<b>152.4</b>

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

	2003 HK\$ Million	2002 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	101.6	101.5

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings for the year of HK\$64.0 million (2002 : HK\$546.6 million) and on the weighted average of 2,031.8 million (2002 : 2,031.3 million) ordinary shares in issue during the year.

No figure for diluted earnings per share is shown as there was no outstanding share options (note 24) as at 31 March 2003 and the exercise of the subscription rights attached to the share options as at 31 March 2002 would not have a material diluting effect on the earnings per share.

## 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 during the year. The effect of such change is not material to the accounts.

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 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\$214.6 million (1 April 2001 : HK\$259.4 million). In addition, certain presentational changes have been made on adoption of the revised SSAP 15.

**13. FIXED ASSETS**

Group	Investment properties HK\$ Million	Other properties HK\$ Million	Other fixed assets HK\$ Million	Total HK\$ Million
<b>Cost or valuation</b>				
At 1 April 2002	4,327.1	529.7	398.2	5,255.0
Exchange differences	78.8	–	(5.1)	73.7
Additions	12.6	0.8	36.5	49.9
Disposals	(12.9)	–	(59.5)	(72.4)
Disposal of subsidiaries	(16.0)	(83.4)	(334.8)	(434.2)
Revaluation deficit	(875.7)	–	–	(875.7)
Provision for impairment	–	(49.3)	–	(49.3)
Reclassification	365.0	(397.8)	(0.2)	(33.0)
At 31 March 2003	3,878.9	–	35.1	3,914.0
<b>Accumulated depreciation</b>				
At 1 April 2002	–	36.3	284.1	320.4
Exchange differences	–	–	(4.9)	(4.9)
Charge for the year	–	5.1	55.8	60.9
Written back on disposals	–	–	(56.8)	(56.8)
Disposal of subsidiaries	–	(8.4)	(250.1)	(258.5)
Reclassification	–	(33.0)	–	(33.0)
At 31 March 2003	–	–	28.1	28.1
<b>Net book value</b>				
<b>At 31 March 2003</b>	<b>3,878.9</b>	<b>–</b>	<b>7.0</b>	<b>3,885.9</b>
At 31 March 2002	4,327.1	493.4	114.1	4,934.6
<b>a) The analysis of cost or valuation of the above assets is as follows:</b>				
At valuation in 2003	3,878.9	–	–	3,878.9
At cost less provision	–	–	35.1	35.1
	<b>3,878.9</b>	<b>–</b>	<b>35.1</b>	<b>3,914.0</b>
<b>b) Tenure of title to properties:</b>				
Held in Hong Kong				
Long lease	2,299.9	–	–	2,299.9
Held outside Hong Kong				
Long lease	1,572.4	–	–	1,572.4
Medium lease	6.6	–	–	6.6
	<b>3,878.9</b>	<b>–</b>	<b>–</b>	<b>3,878.9</b>

**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 investment property revaluation reserves or the consolidated profit and loss account in accordance with the Group's accounting policies.

- d) The gross amounts of fixed assets of the Group held for use in operating leases were HK\$3,878.9 million (2002 : HK\$4,327.1 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>219.0</b>	232.5
After 1 year but within 5 years	<b>216.5</b>	283.0
After 5 years	<b>4.7</b>	7.2
	<b>440.2</b>	522.7

**14. SUBSIDIARIES**

	<b>Company</b>	
	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
Unlisted shares, at cost	<b>3,495.0</b>	3,495.0
Amounts due from subsidiaries	<b>6,980.0</b>	10,616.4
Amounts due to subsidiaries	<b>(5,516.6)</b>	(2,981.1)
	<b>4,958.4</b>	11,130.3

Details of principal subsidiaries at 31 March 2003 are shown on pages 66 and 67.

## 15. ASSOCIATES

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
Share of net assets	24,503.9	27,287.1
Amounts due from associates	560.3	572.9
Loans from associates (Note b)	(1,617.0)	(1,803.9)
Amounts due to associates (Note c)	(2,470.9)	(2,676.7)
	<b>20,976.3</b>	23,379.4
<b>a) Analysis of the cost of investment of the above:</b>		
Shares listed in Hong Kong	11,402.2	11,529.7
Unlisted shares	77.6	95.3
	<b>11,479.8</b>	11,625.0
Market value of listed shares	<b>18,942.0</b>	22,669.2

- b)** Loans from associates of HK\$1,617.0 million (2002 : HK\$1,803.9 million) are contributed from associates in proportion to their equity interests in the Sorrento property development project. The loans from associates are interest bearing at rates as determined with reference to prevailing market rates. Interest expenses in respect of loans from associates for the year ended 31 March 2003 amounted to HK\$55.8 million (2002 : HK\$101.8 million).
- c)** Included in the amounts due to associates is an advance of HK\$2,447.9 million (2002 : HK\$2,653.5 million) contributed from an associate in proportion to its equity interest in the Bellagio property development project. The advance bears interest at such rate as may from time to time be agreed by the shareholders of the property holding company. For the current financial year, the advance is unsecured and interest free.
- d)** The Group equity accounted for the results and net assets of The Wharf (Holdings) Limited (“Wharf”), the Group’s significant listed associate, based on its audited financial statements for the year ended 31 December 2002. Extracts of Wharf’s audited consolidated profit and loss account and balance sheet are shown on page 71.
- e)** Details of principal associates at 31 March 2003 are shown on page 67.

## 16. LONG-TERM INVESTMENTS

	Group	
	2003 HK\$ Million	2002 HK\$ Million
Non-trading equity securities, at market value		
Listed in Hong Kong	188.4	2,808.1
Listed outside Hong Kong	557.9	847.2
	746.3	3,655.3
Held-to-maturity securities		
Listed outside Hong Kong	–	38.6
Unlisted	–	23.4
Unlisted shares	6.9	10.4
	753.2	3,727.7
Market value of the above listed held-to-maturity securities	–	38.3

## 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\$9,464.4 million (2002 : HK\$8,015.4 million).
- b) Properties under development for sale with a carrying value of HK\$5,349.3 million (2002 : HK\$15,144.4 million) are pledged as security for banking facilities made available to the Group.

## 19. INVENTORIES

The amount of inventories carried at net realisable value at 31 March 2002 was HK\$105.3 million.

## 20. SHORT-TERM INVESTMENTS

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

## 21. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are stakeholders' deposits in the amount of HK\$2,077.8 million (2002 : HK\$1,153.1 million) in respect of pre-sale of properties and trade debtors of HK\$370.1 million (2002 : HK\$90.3 million). The ageing analysis of the Group's trade debtors as at 31 March 2003 is as follows:

	Group	
	2003 HK\$ Million	2002 HK\$ Million
Current	92.9	73.0
31 – 60 days	16.1	6.3
61 – 90 days	1.2	5.3
Over 90 days	259.9	5.7
	<b>370.1</b>	<b>90.3</b>

## 22. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2003 HK\$ Million	2002 HK\$ Million	2003 HK\$ Million	2002 HK\$ Million
Bank loans and overdrafts				
Unsecured	1,645.0	680.5	475.0	171.7
Secured	–	5.8	–	–
Current portion of long-term bank loans				
Unsecured	300.0	6,325.0	–	6,325.0
Secured	–	298.9	–	–
	<b>1,945.0</b>	<b>7,310.2</b>	<b>475.0</b>	<b>6,496.7</b>

## 23. TRADE AND OTHER PAYABLES

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

	Group	
	2003 HK\$ Million	2002 HK\$ Million
Amounts payable in the next:		
0 – 30 days	243.2	501.1
31 – 60 days	4.1	146.8
61 – 90 days	383.7	24.7
Over 90 days	625.1	255.4
	<b>1,256.1</b>	<b>928.0</b>

## 24. SHARE CAPITAL

	<b>2003</b> No. of shares Million	2002 No. of shares Million	<b>2003</b> HK\$ Million	2002 HK\$ Million
<b>Authorised</b>				
Ordinary shares of HK\$0.50 each	<b>2,800.0</b>	2,800.0	<b>1,400.0</b>	1,400.0
<b>Issued and fully paid</b>				
Balance at 1 April	<b>2,031.7</b>	2,030.9	<b>1,015.8</b>	1,015.4
Exercise of share options granted under the Executive Share Incentive Scheme	<b>0.1</b>	0.8	<b>0.1</b>	0.4
Balance at 31 March	<b>2,031.8</b>	2,031.7	<b>1,015.9</b>	1,015.8

### Executive share incentive scheme

The Company has a share option scheme, whereby the Directors of the Company are authorised, at their discretion, to grant employees, including directors, of the Company and/or any of its subsidiaries to take up options to subscribe for shares of the Company (the "Shares"). The exercise price of the options must be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. Options under the share option scheme are exercisable during such period as determined by the Directors prior to the grant of the option provided that no option may be granted which is exercisable earlier than 1 year from the date of grant or later than 10 years after such date.

Movement in share options:

	<b>2003</b> No. of options	2002 No. of options
At 1 April	<b>92,000</b>	1,034,000
Exercised (Note a)	<b>(92,000)</b>	(842,000)
Lapsed	<b>—</b>	(100,000)
At 31 March (Note b)	<b>—</b>	92,000

Notes:

- a) During the year, options were exercised to subscribe for 92,000 shares of HK\$0.50 each at consideration of HK\$5.50 per share.
- b) No share options were outstanding at 31 March 2003 and no shares have been allotted and issued under the share option scheme subsequent to year end date.

## 25. RESERVES

	Share premium HK\$ Million	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	1,913.1	19.5	1.9	(264.0)	134.1	8,111.0	9,915.6
Final dividend approved in respect of the previous year (Note 10b)	-	-	-	-	-	(101.6)	(101.6)
Premium on shares issued	0.5	-	-	-	-	-	0.5
Revaluation deficit	-	-	(1.9)	(218.8)	-	-	(220.7)
Impairment provision for other properties	-	-	-	-	(41.3)	-	(41.3)
Transferred to the profit and loss account on disposal of non-trading securities	-	-	-	166.0	-	-	166.0
Exchange differences	-	-	-	-	101.1	-	101.1
Realised on disposal of a discontinued operation	-	-	-	-	(37.3)	-	(37.3)
Loss for the year absorbed	-	-	-	-	-	(408.8)	(408.8)
Interim dividend declared in respect of the current year (Note 10a)	-	-	-	-	-	(50.8)	(50.8)
Balance at 31 March 2003	1,913.6	19.5	-	(316.8)	156.6	7,549.8	9,322.7
<b>Associates</b>							
Balance at 1 April 2002	-	-	12,602.8	51.9	(94.7)	2,993.7	15,553.7
Revaluation deficit	-	-	(2,803.3)	(188.5)	-	-	(2,991.8)
Revaluation deficit of other properties	-	-	-	-	(104.8)	-	(104.8)
Transferred to the profit and loss account on Disposal of non-trading securities	-	-	-	3.3	-	-	3.3
Impairment of non-trading securities	-	-	-	27.8	-	-	27.8
Realised on disposal of a discontinued operation	-	-	-	-	3.0	-	3.0
Others	-	-	-	-	(8.7)	-	(8.7)
Profit for the year retained	-	-	-	-	-	472.8	472.8
Balance at 31 March 2003	-	-	9,799.5	(105.5)	(205.2)	3,466.5	12,955.3
<b>Total reserves at 31 March 2003</b>	<b>1,913.6</b>	<b>19.5</b>	<b>9,799.5</b>	<b>(422.3)</b>	<b>(48.6)</b>	<b>11,016.3</b>	<b>22,278.0</b>

	Share premium HK\$ Million	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 2001	1,909.1	19.5	1.9	87.7	213.1	8,055.2	10,286.5
Final dividend approved in respect of the previous year (Note 10b)	–	–	–	–	–	(101.5)	(101.5)
Premium on shares issued	4.0	–	–	–	–	–	4.0
Revaluation deficit	–	–	–	(351.4)	–	–	(351.4)
Impairment provision for other properties	–	–	–	–	(29.9)	–	(29.9)
Realised on disposal	–	–	–	(0.3)	(0.8)	–	(1.1)
Exchange differences	–	–	–	–	(48.3)	–	(48.3)
Profit for the year retained	–	–	–	–	–	208.1	208.1
Interim dividend declared in respect of the current year (Note 10a)	–	–	–	–	–	(50.8)	(50.8)
Balance at 31 March 2002	1,913.1	19.5	1.9	(264.0)	134.1	8,111.0	9,915.6
<b>Associates</b>							
Balance at 1 April 2001	–	–	14,690.1	(98.5)	(129.4)	2,655.2	17,117.4
Revaluation deficit	–	–	(2,087.3)	(71.1)	–	–	(2,158.4)
Revaluation deficit of other properties	–	–	–	–	(116.8)	–	(116.8)
Transferred to the profit and loss account on							
Disposal of non-trading securities	–	–	–	50.3	–	–	50.3
Impairment of non-trading securities	–	–	–	171.2	–	–	171.2
Goodwill written off on disposal of an associate	–	–	–	–	144.1	–	144.1
Others	–	–	–	–	7.4	–	7.4
Profit for the year retained	–	–	–	–	–	338.5	338.5
Balance at 31 March 2002	–	–	12,602.8	51.9	(94.7)	2,993.7	15,553.7
<b>Total reserves at 31 March 2002</b>	<b>1,913.1</b>	<b>19.5</b>	<b>12,604.7</b>	<b>(212.1)</b>	<b>39.4</b>	<b>11,104.7</b>	<b>25,469.3</b>

Included in the other capital reserves is negative goodwill of HK\$112.5 million (2002 : HK\$146.8 million).

## | NOTES TO THE ACCOUNTS |

	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
<b>b) Company</b>					
Balance at 1 April 2002	1,913.1	19.5	77.2	1,593.9	3,603.7
Final dividend approved in respect of the previous year (Note 10b)	–	–	–	(101.6)	(101.6)
Premium on shares issued	0.5	–	–	–	0.5
Profit for the year	–	–	–	10.3	10.3
Interim dividend declared in respect of the current year (Note 10a)	–	–	–	(50.8)	(50.8)
<b>Balance at 31 March 2003</b>	<b>1,913.6</b>	<b>19.5</b>	<b>77.2</b>	<b>1,451.8</b>	<b>3,462.1</b>
Balance at 1 April 2001	1,909.1	19.5	77.2	1,578.5	3,584.3
Final dividend approved in respect of the previous year (Note 10b)	–	–	–	(101.5)	(101.5)
Premium on shares issued	4.0	–	–	–	4.0
Profit for the year	–	–	–	167.7	167.7
Interim dividend declared in respect of the current year (Note 10a)	–	–	–	(50.8)	(50.8)
<b>Balance at 31 March 2002</b>	<b>1,913.1</b>	<b>19.5</b>	<b>77.2</b>	<b>1,593.9</b>	<b>3,603.7</b>

Reserves of the Company available for distribution to shareholders at 31 March 2003 amounted to HK\$1,451.8 million (2002 : HK\$1,593.9 million).

## 26. LONG-TERM BANK LOANS

	Group	
	2003 HK\$ Million	2002 HK\$ Million
Secured bank loans		
Repayable after 1 year, but within 2 years	–	140.0
Repayable after 2 years, but within 5 years	1,635.7	1,072.9
Repayable after 5 years	–	953.0
	<b>1,635.7</b>	<b>2,165.9</b>
Unsecured bank loans		
Repayable after 1 year, but within 2 years	5,200.0	4,800.0
Repayable after 2 years, but within 5 years	3,200.0	2,350.0
	<b>8,400.0</b>	<b>7,150.0</b>
	<b>10,035.7</b>	<b>9,315.9</b>

## 27. DEFERRED TAXATION

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
At 1 April	<b>110.4</b>	790.8
Exchange differences	<b>4.4</b>	(15.4)
Transferred to the profit and loss account (Note 8)	<b>(114.8)</b>	(665.0)
At 31 March	<b>–</b>	110.4
Major components of deferred taxation provided are set out below:		
Profit on pre-sale of properties	<b>–</b>	71.4
Surplus on revaluation of a property on acquisition of subsidiaries	<b>–</b>	39.0
	<b>–</b>	110.4

## 28. DEFERRED ITEMS

Included in deferred items are deferred profits of HK\$356.4 million (2002 : HK\$395.9 million) and negative goodwill of HK\$160.1 million (2002 : Nil).

### a) Deferred profits

Deferred profits represent unrealised profits resulting from transactions between the Group and its associates. The deferred profits will be released to the profit and loss account when the concerned assets are on-sold to third parties.

### b) Negative goodwill

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
Cost		
Balance at 1 April	<b>–</b>	–
Addition through increase interests in subsidiaries	<b>160.1</b>	–
Balance at 31 March	<b>160.1</b>	–

Negative goodwill, arising from the privatisation of Realty Development Corporation Limited by a listed subsidiary of the Group, New Asia Realty and Trust Company, Limited, represents 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.

## 29. CONTINGENT LIABILITIES

At 31 March 2003

- a) There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities up to HK\$10,987.2 million (2002 : HK\$15,601.6 million).
- b) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$560.9 million (2002 : HK\$601.4 million) of which HK\$349.9 million (2002 : HK\$320.2 million) has been drawn at the balance sheet date.
- c) The Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the development of the Sorrento project.

## 30. COMMITMENTS

- a) **Commitments in respect of property developments and capital expenditures**

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
Contracted but not provided for	1,757.6	3,566.1
Authorised but not contracted for	31.1	–

- b) **Operating lease commitments**

The Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
Within 1 year	1.6	188.8
After 1 year but within 5 years	0.3	139.3
After 5 years	–	0.3
	1.9	328.4

- c) **Forward exchange contracts**

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$ Million</b>	HK\$ Million
Forward exchange contracts outstanding	4,868.7	2,069.8

### 31. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the year ended 31 March 2003:

- a) Loans and amounts due to associates of HK\$4,064.9 million (2002 : HK\$4,457.4 million) were advanced from certain associates for the Bellagio and Sorrento projects, further details of which are disclosed in note 15 to the accounts.
- b) As disclosed in note 29(c) to the accounts, the Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the development of the Sorrento project.
- c) The Group disposed of its retail businesses portfolio to related parties for an aggregate sale proceeds of approximately HK\$589.8 million, such transactions comprising the sale of its 100% interest in the Lane Crawford group and 52% interest in the Joyce group to a company wholly owned by a trust, of which certain close relatives of the Chairman are discretionary objects, and of its 39% interest in City'Super to an associate, The Wharf (Holdings) Limited. Details of these transactions are disclosed in note 5 to the accounts. The transactions were previously announced on 14 February 2003.

### 32. POST BALANCE SHEET EVENTS

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

### 33. 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 investments and servicing of finance have been classified into operating and financing activities respectively. In addition, the presentation of certain comparative figures in the profit and loss account and segment reporting has been reclassified to conform to the current year's presentation.

### 34. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 18 June 2003.

# PRINCIPAL SUBSIDIARIES AND ASSOCIATES

At 31 March 2003

<b>Subsidiaries</b>	<b>Place of incorporation/operation</b>	<b>Issued &amp; fully paid up share capital</b> (all being ordinary shares except otherwise stated)	<b>Percentage of equity attributable to the Group</b>	<b>Principal activities</b>
Actbilt Pte Limited	Singapore	1,000,000 S\$1 shares	56	Property
* Best Matrix Services Limited	British Virgin Islands/ International	500 US\$ 1 shares	100	Management services
Delightful Assets Limited	British Virgin Islands/ International	2 US\$ 1 shares	56	Investment
Everbilt Developers Pte Ltd	Singapore	160,000,000 S\$1 shares	56	Property
* Glegg Company Limited	Hong Kong	2 HK\$1 shares	100	Finance
Grannis Limited	Hong Kong	2 HK\$10 shares	74	Property
Harriman Designs and Engineering Limited	Hong Kong	3 HK\$10 shares	74	Finance
Harriman Leasing Limited	Hong Kong	100,049 HK\$10 shares 50 non-voting HK\$10 shares	50 100	Letting agent
* Harriman Realty Company, Limited	Hong Kong	100,000 HK\$10 "A" shares 102,000 HK\$0.1 "B" shares	100 2	Property management
Janeworth Company Limited	Hong Kong	2 HK\$1 shares	74	Property
Keevil Company Limited	Hong Kong	2 HK\$1 shares	74	Property
Kennedy Town Service Company Limited	Hong Kong	50 HK\$100 shares	74	Finance
Kowloon Properties Company Limited	Hong Kong	10,000 HK\$1 shares	66	Property
Marco Polo Developments Limited	Singapore	398,853,292 S\$1 shares	56	Property
Marnav Holdings Limited	Hong Kong	1,000,000 HK\$1 shares	74	Property
MP-Bilt Pte Ltd	Singapore	1,000,000 S\$1 shares	56	Property
New Asia Realty and Trust Company, Limited	Hong Kong	2,069,637,125 HK\$0.2 shares	74	Holding company
* Office Buildings Management Limited	Hong Kong	198 HK\$100 shares	100	Property management
Pizzicato Limited	Hong Kong	2 HK\$10 shares	74	Property
Realty Development Corporation Limited	Hong Kong	1,151,389,640 HK\$0.2 shares	74	Holding company

## | PRINCIPAL SUBSIDIARIES AND ASSOCIATES |

<b>Subsidiaries</b>	<b>Place of incorporation/operation</b>	<b>Issued &amp; fully paid up share capital</b> (all being ordinary shares except otherwise stated)	<b>Percentage of equity attributable to the Group</b>	<b>Principal activities</b>
* Ridge Limited	Hong Kong	2 HK\$1 shares	100	Property
Salisbury Company Limited	Hong Kong	2 HK\$1 shares	74	Property
Samover Company Limited	Hong Kong	2 HK\$1 shares	74	Property
Titano Limited	Hong Kong	2 HK\$1 shares	74	Property
Wavatah Company Limited	Hong Kong	2 HK\$1 shares	74	Property
* Wheelock China Limited (held directly)	Hong Kong/China	2 HK\$1 shares	100	Holding company
* Wheelock Pacific Limited (held directly)	Hong Kong	10 HK\$100 shares	100	Commercial services
* Wheelock Properties (China) Limited	Hong Kong/China	2 HK\$10 shares	100	Property development in China
* Wheelock Properties Limited (held directly)	Hong Kong	10,000,000 HK\$1 shares	100	Property development services
* Wheelock Travel Limited	Hong Kong	50,000 HK\$10 shares	100	Travel agency
Zarow Limited	Hong Kong	2 HK\$10 shares	74	Property
		<b>Percentage of share capital</b> (of the class of shares stated below)	<b>Percentage of equity attributable to the Group</b>	<b>Principal activities</b>
<b>Associates</b>	<b>Place of incorporation/operation</b>	<b>held by subsidiary(ies) of the Company</b>		
Dramstar Company Limited	Hong Kong	100 ("B" shares)	33	Property
Grace Sign Limited	Hong Kong	20 (ordinary shares)	15	Property
Hamptons Group Limited	United Kingdom	32 (ordinary shares)	18	Property agency
The Wharf (Holdings) Limited	Hong Kong	49.9 (ordinary shares)	48	Holding company

## Notes:

- \* The accounts of these companies have been audited by PricewaterhouseCoopers.
- Unless otherwise stated, the subsidiaries and associates were held indirectly by the Company.
- The above list gives the principal subsidiaries and associates of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.
- All associates are corporate entities.

# | REPORT OF THE AUDITORS |

## TO THE SHAREHOLDERS OF WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 29 to 67 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.

It is our responsibility to form an independent opinion, based on our audit, on the accounts and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## 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 judgments 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 profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 18 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>
Lane Crawford House, 70 Queen's Road Central, Central	IL7 R.P. & IL45 Sec.A R.P.	2842	181,400	100	1977	Office & shop
Shop C, G/F & 3/F-24/F, Wheelock House, 20 Pedder Street, Central	ML 99 Sec. A,C, R.P. & ML 100 Sec.A,B, R.P.	2854	214,400	74	1984	Office & Shop
Fitfort, Basement-3/F, Healthy Gardens Podium, 560 King's Road, North Point	IL 3546	2086	239,700	74	1979	Shopping arcade & car park
Shops & godown spaces, 100-142 Belcher's Street, Kennedy Town	IL 906 Sec. E-M & R.P.	2882	134,000	74	1960s & 70s	Shopping arcade & godown
Wheelock Place, 501 Orchard Road, Singapore	–	2089	464,900	56	1993	Office & shopping arcade

## | SCHEDULE OF PRINCIPAL PROPERTIES |

<b>Properties under development/ completed properties for sale</b>	<b>Lot number</b>	<b>Site area (sq. ft.)</b>	<b>Approx. gross floor area (sq. ft.)</b>	<b>Attributable % owned</b>	<b>Expected year of completion</b>	<b>Type/usage</b>	<b>Stage of completion</b>
Sorrento – Phase I	KIL 11080	184,926	231,700	66	–	Residential	Completed
– Phase II			1,235,400*	66	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 R.P.	566,090	376,600	74	–	Residential	Completed
– Phases III & IV	in DD 390		1,571,400	74	2006	Residential	Superstructure in progress
33 Castle Peak Road, Sham Tseng							
The Grange Residences, 247 Tanglin Road, Singapore	–	167,000	488,200	56	2003	Residential	Superstructure in progress
Ardmore View, 2B Ardmore Park Road, Singapore	–	44,100	92,200	56	–	Residential	Planning
Parc Palais, 18 Wylie Road, King's Park, Homantin	KIL 11118	387,569	904,200	15	2004	Residential	Superstructure in progress
Metro Loft, 38 Kwai Hei Street, Kwai Chung	KCTL 448	25,489	242,100	74	–	Industrial/office	Completed
Various units of World Tech Centre, 95 How Ming Street, Kwun Tong	KTIL 195 R.P.	37,341	73,300	74	–	Industrial	Completed
Various units of My Loft, 9 Hoi Wing Road, Tuen Mun	TMTL 379	40,946	57,200	74	–	Godown	Completed
Various units of Palm Cove, 168 Castle Peak Road, Castle Peak Bay, Tuen Mun	TMTL 386	174,226	46,800	74	–	Residential	Completed
Various units of The Astrid, 180 Argyle Street, Homantin	KIL 11005	61,118	17,700	74	–	Residential	Completed
Various units of Bailey Garden, 23 Bailey Street, Hung Hom	KIL 11022	33,896	10,500	74	–	Shop	Completed

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

# THE WHARF (HOLDINGS) LIMITED

## EXTRACTS FROM THE PUBLISHED ACCOUNTS

### THE WHARF (HOLDINGS) LIMITED

Accounts for the year ended 31 December 2002

#### Consolidated Profit and Loss Account

Group profit attributable to shareholders

Dividends

#### Consolidated Balance Sheet

Fixed assets

Goodwill

Long-term deposits

Associates

Long-term investments

Deferred debtors

Deferred items

Current assets

Current liabilities

Share capital

Reserves

Shareholders' equity

Minority interests

Long-term loans

Deferred taxation

Other deferred liabilities

	Year ended 31/12/2002 HK\$ Million	Year ended 31/12/2001 HK\$ Million
	2,303	2,519
	1,370	1,908
	31/12/2002 HK\$ Million	31/12/2001 HK\$ Million
	69,044	74,445
	397	419
	156	468
	3,367	3,389
	1,178	1,088
	459	485
	468	533
	5,945	7,637
	(11,420)	(12,181)
	69,594	76,283
	2,447	2,447
	46,266	52,198
	48,713	54,645
	3,729	3,730
	16,381	17,019
	479	467
	292	422
	69,594	76,283

# FIVE-YEAR FINANCIAL SUMMARY

<b>HK\$ Million</b>	(Restated) 1999	(Restated) 2000	(Restated) 2001	2002	<b>2003</b>
<b>Financial year ended 31 March</b>					
<b>Consolidated Profit and Loss Account</b>					
Turnover	7,099.4	4,551.0	3,761.5	7,164.7	<b>9,868.0</b>
Group profit attributable to shareholders	602.4	723.0	516.6	546.6	<b>64.0</b>
Prior year adjustments (Note a, c & d)	55.0	141.4	6.7	–	–
Restated amount	657.4	864.4	523.3	546.6	<b>64.0</b>
Dividends	152.2	152.3	152.3	152.4	<b>152.4</b>
<b>Consolidated Balance Sheet</b>					
Fixed assets	9,444.3	5,764.9	5,351.5	4,934.6	<b>3,885.9</b>
Associates (Note a, c & d)	24,392.5	23,570.9	24,733.4	23,379.4	<b>20,976.3</b>
Long-term investments (Note c)	3,460.0	3,613.1	3,335.5	3,727.7	<b>753.2</b>
Deferred debtors	420.3	91.0	57.4	43.9	<b>385.1</b>
Current assets	20,381.4	24,260.6	24,998.7	22,581.6	<b>16,489.5</b>
Current liabilities (Note b)	(10,264.5)	(9,952.4)	(10,330.6)	(12,629.6)	<b>(5,191.6)</b>
	47,834.0	47,348.1	48,145.9	42,037.6	<b>37,298.4</b>
Share capital	1,015.1	1,015.4	1,015.4	1,015.8	<b>1,015.9</b>
Reserves (Note a to d)	26,533.1	26,227.0	27,403.9	25,469.3	<b>22,278.0</b>
Shareholders' funds	27,548.2	27,242.4	28,419.3	26,485.1	<b>23,293.9</b>
Minority interests (Note a, c & d)	6,592.4	6,217.6	6,118.0	5,730.3	<b>3,452.3</b>
Long-term loans	12,701.4	12,704.9	12,398.9	9,315.9	<b>10,035.7</b>
Deferred taxation	562.0	734.9	790.8	110.4	–
Deferred items	430.0	448.3	418.9	395.9	<b>516.5</b>
	47,834.0	47,348.1	48,145.9	42,037.6	<b>37,298.4</b>

## Notes:

Pursuant to the adoption of the following new or revised Statements of Standard Accounting Practice (“SSAPs”) and Interpretation,

- SSAP 9 (revised) : Events after the balance sheet date
- SSAP 24 : Accounting for investments in securities
- SSAP 28 : Provisions, contingent liabilities and contingent assets
- Interpretation 9 : Accounting for pre-operating costs

Certain figures have been reclassified or restated as set out below:

- a) These figures have been restated pursuant to the adoption of SSAP 28 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.
- b) These figures have been restated pursuant to the adoption of SSAP 9 (revised) as explained in note 10(c) 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.
- c) Figures for 1999 have been restated pursuant to the adoption of SSAP 24 as explained in note 11 to the 2000 accounts.
- d) These figures have been restated pursuant to the adoption of Interpretation 9 as explained in note 11 to the 2001 accounts. Figures for 1999 have not been restated as it would involve delay and expenses out of proportion to the benefit to shareholders.