

1857	1875	1893	1911	1929	1947	1965	1983
1858	1876	1894	1912	1930	1948	1966	1984
1859	1877	1895	1913	1931	1949	1967	1985
1860	1878	1896	1914	1932	1950	1968	1986
1861	1879	1897	1915	1933	1951	1969	1987
1862	1880	1898	1916	1934	1952	1970	1988
1863	1881	1899	1917	1935	1953	1971	1989
1864	1882	1900	1918	1936	1954	1972	1990
1865	1883	1901	1919	1937	1955	1973	1991
1866	1884	1902	1920	1938	1956	1974	1992
1867	1885	1903	1921	1939	1957	1975	1993
1868	1886	1904	1922	1940	1958	1976	1994
1869	1887	1905	1923	1941	1959	1977	1995
1870	1888	1906	1924	1942	1960	1978	1996
1871	1889	1907	1925	1943	1961	1979	1997
1872	1890	1908	1926	1944	1962	1980	1998
1873	1891	1909	1927	1945	1963	1981	1999
1874	1892	1910	1928	1946	1964	1982	2000

Wheelock and Company Limited Annual Report **2001/02**



WHEELLOCK

Founded 1857

Wheelock and Company Limited is a listed investment company in Hong Kong.

Its principal investment interest in Wharf Holdings, a major property investor in Hong Kong with complementary businesses established in the areas of logistics and CME (communications, media and entertainment), represents some 50 per cent of the Group's total assets. Together with its investment interest in one of the leading property developers namely New Asia Realty and Trust which forms another 30 per cent of Wheelock's total assets, the two have generated an extremely solid recurrent dividend income stream for the Group.

Distribution and retail businesses including Lane Crawford, Joyce and City'Super account for 2 per cent of the Group's total assets. The remaining 18 per cent of total assets are primarily represented by its other direct property and securities investments.

Founded in Shanghai in 1857, Wheelock today is headquartered in Hong Kong with over 11,000 employees in Asia. It is listed on the Stock Exchange of Hong Kong (SEHK: 0020).

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- 2 Chairman's Statement
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A Chinese version of this Annual Report is available from the Company upon request.

如有需要，可向本公司索取本年報之中文版本。

Financial Highlights

	2002 HK\$ Million	Restated 2001 HK\$ Million
Results		
Turnover	7,164.7	3,761.5
Operating profit	142.4	132.3
Group profit attributable to shareholders	546.6	523.3
Earnings per share	26.9¢	25.8¢
Dividends attributable to the year	152.4	152.3
Dividends per share	7.5¢	7.5¢
Dividends from major subsidiary/associate		
New Asia Realty	107.5	107.5
Wharf	968.3	968.3
Financial position		
Total assets	54,667.2	58,476.5
Net debts	13,175.0	15,664.5
Shareholders' funds	26,485.1	28,419.3
Net assets per share	HK\$13.04	HK\$13.99
Net debts to total assets (excluding cash)	25.7%	27.4%

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
1992/1993	1,468.3	24,100.8	71.6	28.5	2.51
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

Chairman's Statement

RESULTS

Wheelock and Company Limited's consolidated profit attributable to shareholders for the year ended 31 March 2002 was HK\$546.6 million, compared to HK\$523.3 million for the previous year.

Earnings per share were 26.9 cents, compared to 25.8 cents for the previous year.

The consolidated net asset value of the Company as at 31 March 2002 was HK\$13.04 per share, compared to HK\$13.99 per share a year earlier.

An interim dividend of 2.5 cents per share was paid in January 2002, and the Directors recommend a final dividend of 5.0 cents per share to be approved at the Annual General Meeting. The total dividend for the year will be 7.5 cents per share, the same as last year.

The Wharf (Holdings) Limited

Interest in The Wharf (Holdings) Limited represents almost 50 per cent of Group total assets. Share of Wharf's profit contribution to Wheelock was HK\$1,202.9 million with dividend to Wheelock totalling HK\$968.3 million.

For the most part of the financial year under review, operating environment was very challenging due mainly to the global economic downturn. Underpinned by its five core assets, namely, *Harbour City*, *Times Square*, *Modern Terminals*, *i-CABLE* and *Wharf New T&T*, **The Wharf (Holdings) Limited** performed reasonably well. These five brands account for about 90 per cent of **Wharf's** total business assets.

Wharf Estates Limited's core properties *Harbour City* and *Times Square* contributed an aggregated HK\$3 billion in rental income, an improvement of six per cent over a year ago.

Wharf China Limited grouped under its portfolio several businesses that have operations with "China leveraging" opportunities such as property, hotels and logistics. Annual contribution from China property rental now amounts to nearly HK\$200 million.

Modern Terminals maintained profitability at the 2000 level with an increased throughput of 4.7 per cent and a productivity gain of almost 12 per cent.

Wharf Communications Limited successfully accomplished a few major milestone achievements. While *i-CABLE's* net profit increased by 735 per cent to HK\$167 million, **Wharf New T&T** also broke into net profitability for the very first time with just six per cent market share.

New Asia Realty and Trust Company, Limited

New Asia Realty's assets represent almost 30 per cent of Group total assets. Attributable profit before property provisions from New Asia Realty to Wheelock was HK\$449.9 million with dividend to Wheelock totalling HK\$107.5 million.

Despite the higher sales contributions from its principal subsidiaries such as **Realty Development Corporation**, operating margin was under considerable pressure due to the soft market situation. Adhering to the Group's accounting policy, further property provisions were made during the year. Apart from development property, **Realty Development Corporation's** investment property contribution, including the one from Wheelock House, was fairly steady.

Singapore-listed subsidiary **Marco Polo Developments Limited** posted strong growth in property sales due mainly to higher sales recognition from the Ardmore Park project. Key investment property Wheelock Place achieved an average occupancy of 94 per cent at satisfactory rental during the financial year under review. Upcoming focus will be on the launch of the Grange Residences, the redevelopment of the former Marco Polo Hotel.

Property and Investments

Direct property and securities investments represent 18 per cent of Group total assets.

Wheelock's landbank was mainly represented by its direct one-third interest or effective interest of 74 per cent in Bellagio and 20 per cent direct interest or effective interest of 62 per cent in Sorrento. Sorrento Phase I was successfully launched in November 2001 and sales proceeds generated during the financial year amounted to HK\$4.2 billion. Both Bellagio Phase I and Sorrento Phase II will be launched in due course.

The performance of the Group's investment portfolio totalling HK\$3,727.7 million was generally in line with that of the broader stock market.

Distribution and Retail

Assets under the Distribution and Retail Division represent 2 per cent of Group total assets.

The year 2001/2002 was an extremely challenging year for retailers as consumer spending continued to be cautious.

Lane Crawford managed to achieve a slight growth in turnover as well as a modest profit in spite of the tough business environment and shrinking margin. During the year under review, the Taiwan project was dropped and investment expensed off.

Joyce posted a loss for the year ended March 2002. The gross margin was eroded by the severe competition and Ad Hoc's closure sale. The termination of the Armani franchise and the need to make additional provision for inventories also had significant impact on **Joyce's** performance.

Bucking the trend, **City'Super** reported double-digit growth in sales turnover. During the financial year under review, average sales per square foot remained fairly steady.

OUTLOOK

Hong Kong is best positioned in Asia, having successfully dealt with the three major challenges, namely, the sovereignty change since 1982, the Asian Financial Crisis in 1997 and the "hollowing out" phenomenon since 1979. The worst is behind us.

Hong Kong is exceptionally strong in the service industry which now contributes 86 per cent of Hong Kong's GDP. Yet, this sector accounts for only 33 per cent of GDP in China. We see that being a great opportunity as Hong Kong is the service platform and service provider to help rebuild China's much needed service industry. China's WTO membership is a new milestone for Hong Kong, presenting unprecedented positive opportunities and challenges. Hong Kong's critical mass in logistics, corporate and financial services, market place for goods and commercial services is unparalleled. Hong Kong is the haven for private enterprise. We believe Hong Kong is in the right place, at the right time and with the right neighbour. Over the last 50 years, Hong Kong has been preparing for the opening of the China market. It is now opening.

With the strong recurrent dividend income stream coming from **Wharf** and **New Asia Realty**, Wheelock is well-placed to participate in the recovery of the Hong Kong economy.

Peter K. C. Woo
Chairman

Hong Kong, 14 June 2002

Corporate Structure



 <p>WHARF <i>Established 1886</i></p> <p>A major listed property investor with complementary businesses established in the areas of logistics and CME. Principal subsidiaries include Wharf Estates Limited, Wharf China Limited and Wharf Communications Limited.</p>	<p>New Asia Realty and Trust Company, Limited</p> <p>A listed property company with a landbank of more than two million square feet (GFA) in Hong Kong. It also holds controlling interests in Realty Development Corporation Limited and Marco Polo Developments Limited.</p>	<p>Distribution and Retail</p> <p>Lane Crawford: A premier retailer in terms of brands, marketing and merchandising in Hong Kong and China Mainland. Joyce: A leader in the high-end fashion retailing business first established in the early 1970's. City'Super: A privately-owned high-end lifestyle specialty store located in Harbour City and Times Square.</p>
 <p>Wharf Estates Limited</p> <p>A wholly-owned subsidiary of Wharf with direct control over core properties including Harbour City and Times Square, which together represent 70 per cent of Wharf's business assets.</p>	 <p>A listed property company with a landbank of more than one million square feet (GFA) in Hong Kong which is primarily represented by its interests in Sorrento and the King's Park development.</p>	<hr/> <p>50%</p> <p>WHARF</p> <hr/>
 <p>Wharf China Limited</p> <p>A wholly-owned subsidiary of Wharf. Main operations include China property, Marco Polo Hotels and Modern Terminals which forms 10 per cent of Wharf's business assets.</p>	 <p>MARCO POLO DEVELOPMENTS LTD www.mpd.com</p> <p>A Singapore-listed high-end property developer which is currently redeveloping the former Marco Polo Hotel site into a freehold, luxury condominium complex. The company also owns Wheelock Place, a landmark property in the Orchard Road area.</p>	<hr/> <p>30%</p> <p>NEW ASIA REALTY AND TRUST</p> <hr/>
 <p>Wharf Communications Limited</p> <p>A wholly-owned subsidiary of Wharf with main operations being i-CABLE and Wharf New T&T. CME businesses account for 10 per cent of Wharf's business assets.</p>		<hr/> <p>18%</p> <p>OTHER HOLDINGS</p> <hr/> <p>2% RETAIL</p> <hr/>

Profit and Asset Composition

Net Profit/(Loss) and Shareholders' Funds

	Net profit/(loss)				Shareholders' funds			
	2002 HK\$ Million	%	2001 HK\$ Million	%	2002 HK\$ Million	%	2001 HK\$ Million	%
Wharf Holdings ⁽¹⁾	1,202.9	62	1,355.5	63	26,091.4	68	27,612.1	67
New Asia Realty ⁽²⁾	449.9	23	440.3	21	6,287.2	16	6,671.8	16
Joyce	(44.2)	(2)	(2.0)	–	171.4	–	215.7	1
Lane Crawford	10.5	1	58.4	3	213.5	1	223.1	1
City'Super	3.0	–	3.5	–	14.3	–	11.3	–
Other holdings	306.9	16	288.7	13	5,828.6	15	6,503.8	15
	1,929.0	100	2,144.4	100	38,606.4	100	41,237.8	100
Corporate items ⁽³⁾	(477.3)		(773.4)		(12,121.3)		(12,818.5)	
Non-recurring items ⁽⁴⁾	(905.1)		(847.7)		–		–	
	546.6		523.3		26,485.1		28,419.3	
Per share	26.9¢		25.8¢		HK\$13.04		HK\$13.99	

Notes:

- 1) Wharf's profit contribution is based on attributable amount to the Group.
- 2) New Asia Realty's profit contribution excludes dividend income from its 7% holdings in Wharf.
- 3) Corporate items include borrowing costs and net debt of the Company and wholly-owned subsidiaries respectively.
- 4) Non-recurring items represent attributable losses arose from provisions made for impairment of the Group's properties.

Market Value Basis Net Assets

	2002		2001	
	HK\$ Million	%	HK\$ Million	%
Wharf Holdings*	19,479.1	68	21,474.3	68
New Asia Realty*	3,148.9	11	3,148.9	10
Joyce*	134.8	–	140.6	–
Lane Crawford	213.5	1	223.1	1
City'Super	14.3	–	11.3	–
Other holdings	5,828.6	20	6,503.8	21
	28,819.2	100	31,502.0	100
Corporate items	(12,121.3)		(12,818.5)	
	16,697.9		18,683.5	
Per share	HK\$8.22		HK\$9.20	

* Listed and based on market values at 31 March 2001 and 2002.

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. K. H. Leung (*Finance Director*)
Mr. B. M. Chang
Sir S. Y. Chung, JP
Mr. Quinn Y. K. Law
Ms. Doreen Y. F. Lee
Mr. William W. Y. Lee
Mr. T. Y. Ng
Mr. Paul Y. C. Tsui
Mr. Harry S. S. Wong

Secretary

Mr. Wilson W. S. Chan, FCIS

Registrars

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central
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

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

Auditors

PricewaterhouseCoopers

Business Review



The Wharf (Holdings) Limited, a major listed associate with strategic focus on Hong Kong and China, is driven by strong recurrent earnings and value creation opportunities originating from its flagship property *Harbour City* at Kowloon Point. Core brands including *Harbour City*, *Times Square*, *Modern Terminals*, *i-CABLE* and *Wharf New T&T* make up 90 per cent of the group's business assets. Development of these core brands will steer the group's future investments in Hong Kong and China.

Wharf Estates Limited

Harbour City's 10 office blocks accounted for the bulk of all 2001 office leasing activities in Kowloon, with a net takeup of more than 500,000 square feet in gross floor area. Excluding Tower 6 of Gateway II, *Harbour City* achieved an occupancy rate of 91 per cent at the year end. Tower 6 is expected to reach 80 per cent occupancy by the second half of 2002.

Gateway Apartments continued to receive favourable response with occupancy maintained at around 85 per cent. The average duration of leases is between nine and 18 months.

Consolidated occupancy for the three Marco Polo Hotels along Canton Road was 83 per cent – a decline of four percentage points over 2000. However, the average room rate remained fairly stable.

Retail occupancy at *Harbour City* held up firmly above 95 per cent throughout 2001. Despite the adverse economic conditions and fairly poor consumer sentiment, rental reversions turned positive during the fourth quarter.

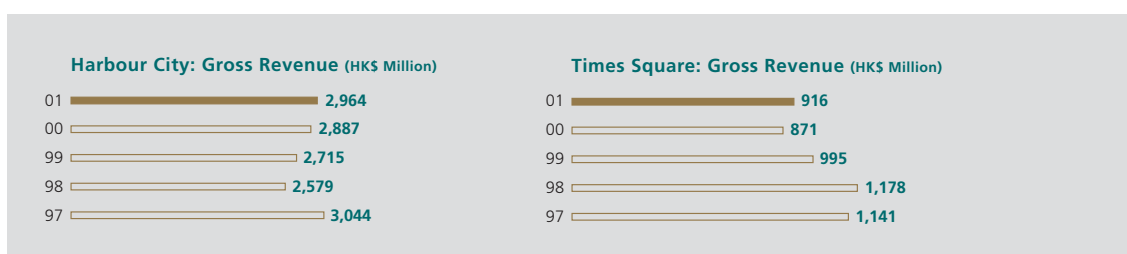
Times Square's retail podium maintained its distinctively high occupancy rate of 98 per cent plus throughout 2001. While more than 50 per cent of retail tenancies are due for renewal in 2002, opportunities will be taken to further refine tenant quality and trade mix.

Due to the superior quality of its office space, *Times Square* offices' average occupancy for the year increased steadily to about 92 per cent.

Business Review (continued)

Development projects with a total of 1.1 million square feet in GFA, including Galaxia, Serenade Cove and Nelson Court, were sold. **Wharf** acquired in July 2001 a 15.6 per cent interest in a consortium to develop a property in Yau Tong, Kowloon. Attributable gross floor area to **Wharf** is about 1.6 million square feet.

Mountain Court and Chelsea Court have been leasing well in the high-end luxury rental market. No. 1 Plantation Road is now near completion. Redevelopment for 3-5 Gough Hill Path is also progressing according to schedule.

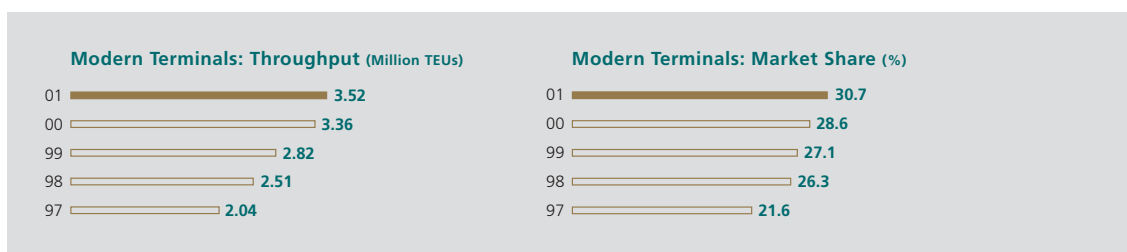


Wharf China Limited

The overall occupancy rate for the two *Times Square* complexes in Beijing and Shanghai improved to 70 per cent since they came on stream in 2000. Annual rental income is now close to HK\$200 million. Chongqing Times Square, currently under construction, has a total GFA of 1.6 million square feet and an estimated construction cost of HK\$1 billion.

For Marco Polo Hotels, last year's most exciting event was the opening of the Marco Polo Beijing in December. With China's WTO entry and Marco Polo Hotels' presence in Beijing and Xiamen, there exists a good opportunity to roll out the Marco Polo Hotel brand and business model in other cities in China.

By delivering a growth of 4.7 per cent in the number of TEUs handled in 2001, *Modern Terminals'* market share in Kwai Chung expanded to 30.7 per cent from 28.6 per cent. With respect to port development projects, *Modern Terminals* obtained the in-principle approval in February 2001 from the Central Government in Beijing for taking up an interest of approximately 20 per cent in Shekou Container Terminal 2 project. The completion date for the first berth of Container Terminal 9 in Hong Kong will be early 2003.



Business Review (continued)

Wharf Communications Limited

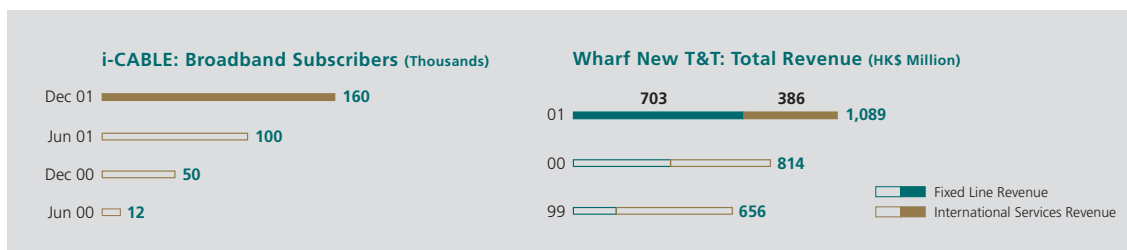
i-CABLE

Total Pay TV subscribers exceeded 560,000 at the end of 2001.

The broadband business broke into net profitability in the second half of 2001, and became one of the first broadband ISPs in the world, if not the only one, to be profitable. The broadband access subscriber base tripled to 160,000 during 2001, with an estimated market share of 30 per cent in the residential sector.

Wharf New T&T

In October 2001, the name of New T&T was officially changed to *Wharf New T&T*. The year 2001 was a major milestone year for *Wharf New T&T* which broke into profitability even with only 6 per cent of the total market share. Total installed fixed lines grew from 140,000 to approximately 240,000 by the end of 2001, representing an annual growth rate of 70 per cent. The total volume of outgoing IDD minutes in 2001 reached 320 million minutes, more than double the 1999 figure. Fixed lines accounted for 65 per cent of total net revenue, up from 49 per cent a year ago and 27 per cent two years ago. In particular, high-value data lines represented over 40 per cent of fixed line revenue and became the fastest growing part of the business.



Business Review (continued)



New Asia Realty and Trust Company, Limited

Sorrento is a joint-venture project equally owned by **New Asia Realty, Wheelock, Realty Development Corporation, Wharf** and Harbour Centre Development, located above the MTR's Kowloon Station. Phase I comprising 1,272 units in three towers was launched in November 2001. Total sales reached 926 units or 73 per cent of total Phase I units. Sales proceeds generated during the financial year under review amounted to HK\$4.2 billion. Completion of Phase II, two towers consisting of 854 units, is expected by early 2004. The soft launch or pre-sale may start as early as the fourth quarter of 2002.

Bellagio, the Sham Tseng site on the western shore of the New Territories, is a joint-venture development equally owned by **New Asia Realty, Wheelock** and **Wharf**. With 2.8 million square feet in GFA, it is being developed into 3,354 units in eight towers under four phases. Construction work for all four phases is progressing according to schedule. Completion of Phase I, covering 840 units in two towers, is scheduled for late 2002 and the pre-sale launch is planned for the second half of 2002.

Realty Development Corporation Limited

The pre-sale for Palm Cove commenced in March 2002. Out of the total 260 units, 155 units or 60 per cent have already been sold. This residential development located along Castle Peak Road has a total GFA of 243,600 square feet and completion is expected by mid-2003.

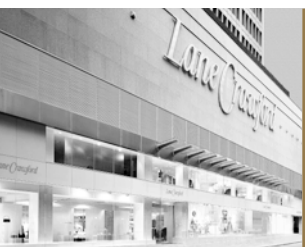
The King's Park development, a 20 per cent owned joint-venture project located in Homantin, is being developed into eight towers consisting of 700 units with a total GFA of 904,200 square feet. Demolition works have been completed and foundation works are now in progress. Pre-sale is now targeted to take place during the fourth quarter of 2002.

Marco Polo Developments Limited

Wheelock Place, a commercial building with 464,800 square feet in GFA on Orchard Road, achieved an average occupancy of 94 per cent at satisfactory rental during the financial year under review.

The former Marco Polo Hotel site is being redeveloped into a freehold, luxury, high-rise condominium complex with 488,200 square feet in GFA, known as "Grange Residences". Main construction work is now in progress and scheduled to be substantially completed by second half of 2003. Ardmore View is currently leased out with average occupancy at 90 per cent. This residential redevelopment with a total GFA of 92,200 square feet will proceed when market conditions improve.

Business Review (continued)



Lane Crawford

As part of the Group's ongoing efforts in refreshing **Lane Crawford's** brand image as well as maintaining the company's prestigious standards, the façade of Lane Crawford House and the interior have been renovated and reconfigured, giving the Central Store a visually engaging and contemporary look.

Retail trading in Hong Kong remained profitable during the year despite the fact that the overall retail sector was heading for a downturn. Shanghai operation is profitable.



JOYCE

In September 2001, **Joyce** at Pacific Place was expanded from 4,000 square feet to 8,700 square feet.

In August 2001, the **Joyce** Taiwan store was renovated and its size reduced by approximately one-third, resulting in increased turnover and lower rental costs. In March 2002, **Joyce** at Nathan Road was relocated to more cost-effective and better located premises on Canton Road, anchoring the expanding **Joyce** retail presence at **Harbour City**. Both of these stores' increased turnover coupled with rental savings should improve the company's profitability.



city'super

The stores at **Times Square** and **Harbour City** remained to be the major contributors to total sales. A new food-court operation occupying 19,000 square feet at Silvercord in Tsimshatsui was opened in November 2001.

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Disclosure of Further Corporate Information

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

(A) COMMENTARY ON ANNUAL RESULTS

(I) Review of 2001/2002 Results and Segmental Performance

Group profit attributable to Shareholders for the year under review was HK\$546.6 million, an increase of 4.5% from HK\$523.3 million. Earnings per share were 26.9 cents compared to 25.8 cents for the previous year. The Group's major associate, The Wharf (Holdings) Limited, contributed profit and dividend of HK\$1,202.9 million and HK\$968.3 million respectively to the Group for the year under review.

The Group's turnover for the year was HK\$7,164.7 million, increased significantly by HK\$3,403.2 million or nearly doubled from HK\$3,761.5 million for 2000/2001. The large increase is principally due to increase in property sales from HK\$1,294.1 million to HK\$4,486.2 million, which was substantially derived from the pre-sale of residential units at the Sorrento Phase I and in respect of the sales of Ardmore Park units in Singapore recognised by Marco Polo Developments group ("MPDL"). In spite of the difficult retail market, the Group also managed to record a 10.2% increase in its retailing sales to HK\$2,056.9 million as Lane Crawford continued to sustain its turnover though Joyce's revenue experienced fall-off following the anticipated termination of its Armani franchise, which expired in January 2001.

The Group's operating profit before borrowing costs increased slightly by 7.6% to HK\$142.4 million from HK\$132.3 million achieved in the previous year despite the above-mentioned significant increase in revenue, which was mainly caused by the absence of profit from disposal of securities in the year under review while there was a profit of HK\$231.5 million on disposal of non-trading securities in the previous year.

Operating profit from sale of property was mainly derived from recognition of a proportion of profit from sales of Ardmore Park units, of which 33.0% was recognised in 2001/2002 against 15.7% in the previous year. The Certificate of Statutory Completion of Ardmore Park was obtained on 18 October 2001 and stage billings accumulating to 93% of the total sales price of the sold units have been billed and fully received.

The pre-sale of Sorrento Phase I was firstly launched in November 2001 with an extremely favourable response. Over 70% of the Phase I units were sold with sale proceeds over HK\$4 billion by end of the year under review. A proportion of the pre-sale profit was recognised for 2001/2002 in accordance with the established accounting policy. The pre-sale profit recognised is insignificant as the project is still under development stage.

The retail market in Hong Kong and Taiwan remained sluggish and low buying sentiment impacted the fashion retail sector very much. Under these circumstances, added by drop in gross margin caused by severe competition and price promotion activities, the Group recorded a net retail operating loss of HK\$80.3 million, compared to a profit of HK\$56.8 million for 2000/2001. For the year under review, Joyce reported an operating loss of HK\$84.8 million, which includes an exceptional provision of HK\$26.2 million for stock and closure of its Ad Hoc division, while Lane Crawford managed to achieve a small profit.

Disclosure of Further Corporate Information (continued)

The Group's operating profit for 2001/2002 is after charging a total provision of HK\$1,250.5 million for impairment in value of properties, which included HK\$265.2 million made for certain Singapore properties held by MPDL, HK\$217.8 million made by Realty Development Corporation group ("RDC") in respect of its development projects in Tuen Mun and Kwai Chung and certain lands reserved for development with the remaining provision mainly made for the Bellagio project. The provision of HK\$1,221.2 million made in 2000/2001 was mainly for the Bellagio project and RDC's development projects as mentioned above.

Included in the operating profit for the year was other net income of HK\$113.0 million against HK\$442.2 million for 2000/2001, which included a loss of HK\$35.4 million and a profit of HK\$231.5 million, respectively, on disposal of non-trading securities.

Borrowing costs charged to the profit and loss account for the year were HK\$554.2 million, a substantial decrease from HK\$897.7 million incurred in the previous year as a result of interest rate cuts and the reduction in the Group's net debt, which was mainly attributable to the collection of sale proceeds in respect of the stage billings of Ardmore Park and the pre-sale of Sorrento Phase I.

The share of profits of associates was HK\$1,404.1 million, mainly contributed by the Wharf group, against HK\$1,587.4 million in 2000/2001. Wharf reported a profit attributable to shareholders of HK\$2,519.0 million for its financial year ended 31 December 2001, compared to HK\$2,494.0 million achieved in 2000.

The taxation charge for 2001/2002 was HK\$399.6 million, against HK\$253.2 million in 2000/2001. Higher taxation charges were recorded mainly due to increased sales revenue recognised by MPDL.

The profits shared by minority interests for the year amounted to HK\$46.1 million, against HK\$45.5 million in 2000/2001.

(II) Liquidity and Financial Resources

- (a) The consolidated net asset value of the Group at 31 March 2002 was HK\$26,485.1 million or HK\$13.04 per share, decreased from HK\$28,419.3 million or HK\$13.99 per share at 31 March 2001, which was mainly due to the downward revaluation of the investment properties and long-term investments of the Group and its principal associate, Wharf.
- (b) At 31 March 2002, the ratio of the Group's net debt to total assets was 25.7%, compared to 27.4% at 31 March 2001. At 31 March 2002, the Group's net debt amounted to HK\$13,175.0 million, made up of HK\$16,626.1 million in debts and HK\$3,451.1 million in deposits and cash, a decrease of 15.9% as compared with HK\$15,664.5 million at 31 March 2001. The decrease in the Group's net debt was mainly due to the receipt of substantial proceeds from the sale of Ardmore Park units and the Sorrento Phase I units during the year under review.

At 31 March 2002, the Group's stakeholders' deposits, representing mainly the bank deposits held on stake for the pre-sold units at Sorrento Phase I, amounted to HK\$1,153.1 million. Should these bank deposits be included as the Group's cash, the Group's net debt would further reduce to HK\$12,021.9 million or 24.0% of its total assets.

Disclosure of Further Corporate Information (continued)

The debt maturity profile of the Group at 31 March 2002 is analysed as follows:

	2002 HK\$ Million	2001 HK\$ Million
Repayable within 1 year	7,310.2	4,564.7
Repayable after 1 year, but within 2 years	4,940.0	7,580.9
Repayable after 2 years, but within 5 years	3,422.9	4,818.0
Repayable after 5 years	953.0	–
	16,626.1	16,963.6

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

	2002 HK\$ Million	2001 HK\$ Million
Investment properties	2,857.5	3,859.6
Long-term investments	785.2	363.2
Properties under development for sale	15,144.4	6,009.7
	18,787.1	10,232.5

Some of the pledges relating to long-term investments and properties under development for sale as included above representing a total amount of HK\$924.4 million have been discharged subsequent to 31 March 2002.

- (d) To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars except that the borrowings for financing Singapore assets are denominated in Singapore dollars. The Group has no significant exposure to foreign exchange fluctuation.
- (e) At 31 March 2002, the Group maintained a portfolio of long-term investments of HK\$3,727.7 million, which primarily comprised blue chip securities with a market value of HK\$3,655.3 million (2001: HK\$3,324.0 million). The investment revaluation deficit at 31 March 2002 was HK\$264.0 million while there was a surplus of HK\$87.7 million at 31 March 2001. The performance of the investment portfolio is basically in line with the general market trend of the stock markets.
- (f) During the financial year, high liquidity was sustained in the banking market. The Group arranged a total of approximately HK\$16 billion committed banking facilities, of which HK\$3.8 billion relates to the financing of the Bellagio project, to refinance its loan facilities with substantial reduction in interest costs and on more favourable terms such as longer maturities, more lenient covenants and the inclusion of revolving condition.

(III) Contingent Liabilities

- (a) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$601.4 million (2001: HK\$595.3 million) of which HK\$320.2 million (2001: HK\$322.4 million) had been drawn at the balance sheet date.

Disclosure of Further Corporate Information (continued)

- (b) 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.

(IV) Disposal of Subsidiaries

During the financial year, the Group disposed of its 100% interest in several sites at Yau Tong to the Wharf group for a total consideration of HK\$753.5 million. The consideration was calculated on the basis of the value of the properties as assessed by an independent valuer. This transaction was previously announced on 18 July 2001.

(V) Employees

The Group had approximately 2,200 employees as at 31 March 2002. Employees are remunerated according to nature of the job and market trend, with 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 2002 was HK\$433.7 million.

(B) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS**(I) Directors****Mr. Peter K. C. Woo, GBS, JP, Chairman (Age: 55)**

Mr. Woo has resumed the role of Chairman 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: 73)

Mr. Li has been a Director of the Company since 1969. He became Chairman of the Company in 1996 and relinquished the title of Chairman and assumed the title of Senior Deputy Chairman of the Company in April 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 ("New Asia") and Marco Polo Developments Limited ("MPDL") in Singapore and also a director of Joyce Boutique Holdings Limited ("Joyce").

Disclosure of Further Corporate Information (continued)

Mr. Stephen T. H. Ng, Deputy Chairman (Age: 49)

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

Mr. K. H. Leung, Finance Director (Age: 57)

Mr. Leung was appointed the Finance Director of the Company in 1992. He is also a director of Wharf and New Asia.

Mr. B. M. Chang, Director (Age: 73)

Mr. Chang became a Director of the Company in 1969. He is also a director of World-Wide Shipping Agency Limited.

Sir S. Y. Chung, JP, Director (Age: 84)

Sir Sze-Yuen Chung became a Director of the Company in 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. Quinn Y. K. Law, Director (Age: 49)

Mr. Law became a Director of the Company in 1992. He is also a director of Wharf.

Ms. Doreen Y. F. Lee, Director (Age: 46)

Ms. Lee became a Director of the Company in 1998. She is also a director and the general manager of Harriman Leasing Limited, the managing director of Wharf Estates Management Company Limited, an executive director of Wharf Properties Limited and a director of Harriman Realty Company, Limited.

Mr. William W. Y. Lee, Director (Age: 75)

Mr. Lee became a Director of the Company in 1993.

Mr. T. Y. Ng, Director (Age: 54)

Mr. Ng became a Director of the Company in 1992. He is also a director of Wharf, HCDL, Joyce, New Asia, Realty Development Corporation Limited and MPDL.

Mr. Paul Y. C. Tsui, Director (Age: 55)

Mr. Tsui became a Director of the Company in 1998. He is also the senior deputy managing director of Wheelock Properties Limited, the senior managing director of Harriman Realty Company, Limited, an executive director of Wharf, a director of HCDL, i-CABLE, Joyce and MPDL, as well as the group financial controller of the Company and Wharf.

Mr. Harry S. S. Wong, Director (Age: 46)

Mr. Wong became a Director of the Company in 1998. He is also a director of Joyce and the managing director of Wharf China 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 Finance Director of the Company as named under (B)(I) above. Only those four Directors are regarded as members of the Group’s senior management.

Disclosure of Further Corporate Information (continued)

(C) 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 2002 in respect of the Pension Scheme amounted to HK\$11.4 million. During the year, no forfeiture of employers' 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 profit and loss account during the financial year ended 31 March 2002 amounted to HK\$22.0 million.

(D) 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 2002:

82,488,864

(ii) Percentage of the issued share capital that it represents as at 31 March 2002:

4%

Disclosure of Further Corporate Information (continued)

- (d)** Maximum entitlement of each participant under the Scheme as at 31 March 2002:
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:
Six years

(II) Details of Share Options Granted

During the financial year, a total of 450,000 ordinary shares, which represented all the outstanding share options held by Directors of the Company at the beginning of the year, were allotted to two Directors of the Company, namely, Mr. S. T. H. Ng and Mr. H. S. S. Wong, on their exercise of the relevant share options, certain particulars of which are as set out in the Report of the Directors on page 24. The 200,000 shares issued to Mr. S. T. H. Ng related to options granted to him on 13 August 1991 which were exercisable during the period from 13 August 1994 to 12 August 2001, and the 250,000 shares issued to Mr. H. S. S. Wong related to options granted to him on 14 April 1992 which were exercisable during the period from 13 April 1995 to 12 April 2002. Apart from these, there were no share options held by any Directors, Chief Executive or substantial shareholders of the Company at any time during the financial year.

Particulars, and movements during the financial year, of the Company's outstanding share options, which were granted to six Employees working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, were as follows:

Disclosure of Further Corporate Information (continued)

Date Granted	No. of ordinary share represented by unexercised options outstanding as at 01/04/2001	No. of ordinary share represented by options lapsed/ exercised during the financial year	No. of ordinary share represented by unexercised options outstanding as at 31/03/2002	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options	Consideration paid for the options granted
(i) 13 Aug 1991	340,000	(340,000)	–	13/08/1994 to 12/08/2001	HK\$5.20	HK\$1.00
(ii) 14 Apr 1992	594,000	(502,000)	92,000	13/04/1995 to 12/04/2002	HK\$5.50	HK\$1.00
(iii) 7 Oct 1993	100,000	(100,000)	–	30/09/1997 to 29/09/2003	HK\$10.60	HK\$1.00
	1,034,000	(942,000)	92,000			

The weighted average closing price of the ordinary shares of the Company immediately before the dates of all exercises by Employees of the Company's share options during the financial year was HK\$6.50 per share.

(E) MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 March 2002:

- (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 51% of the Group's total purchases;
- (b) the largest supplier accounted for 20% 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.

(F) CONNECTED/RELATED PARTY TRANSACTIONS

During the financial year, the Company and/or its subsidiaries (other than such subsidiaries of the Company as are themselves publicly-listed in Hong Kong or their subsidiaries) did not enter into any transaction which was regarded as connected transaction discloseable by the Company under the Listing Rules. Transactions constituting connected transaction(s) for those publicly-listed subsidiaries, which were not subject to any public disclosure by the Company itself, were duly disclosed by the relevant subsidiaries under the Listing Rules.

Furthermore, with regard to the Related Party Transactions as disclosed under Note 27 to the Accounts on page 64, none of those transactions constitute connected transactions discloseable by the Company under the Listing Rules.

(G) 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 2002.

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 65 and 66.

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 42 to 44.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2002 are set out on pages 65 and 66.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 March 2002 are set out in the Consolidated Profit and Loss Account on page 26.

Appropriations of profits and movements in reserves during the financial year are set out in Note 22 to the Accounts on pages 59 to 61.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is given on page 72.

DIVIDENDS

An interim dividend of 2.5 cents per share was paid on 31 January 2002. 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 2002, payable on 20 September 2002 to Shareholders on record as at 4 September 2002. This recommendation has been disclosed in the Accounts.

SHARE CAPITAL

During the financial year, upon exercises by certain grantees of options granted under the Company's Executive Share Incentive Scheme (the "Option Scheme"), a total of 842,000 ordinary shares of HK\$0.50 each of the Company, credited as fully paid, were allotted and issued by the Company, of which 502,000 shares were issued at a price of HK\$5.50 per share and 340,000 shares at HK\$5.20 per share.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 11 to the Accounts on page 53.

Report of the Directors (continued)

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 March 2002, all being repayable on demand or within a period not exceeding one year, are set out in Note 19 to the Accounts on page 57. Those which would fall due for repayment after a period of one year are set out in Note 23 to the Accounts on page 62.

INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year is set out in Note 5 to the Accounts on page 48.

DONATIONS

The Group made donations during the financial year totalling HK\$2.3 million.

DIRECTORS

The Directors of the Company during the financial year were Mr. B. M. Chang, Sir S. Y. Chung, Mr. J. T. Hung (resigned on 1 February 2002), Mr. Q. Y. K. Law, Ms. D. Y. F. Lee, Mr. W. W. Y. Lee, Mr. K. H. Leung, Mr. G. W. J. Li, Mr. S. T. H. Ng, Mr. T. Y. Ng, Mr. P. Y. C. Tsui and Mr. H. S. S. Wong.

Subsequent to the financial year end, Mr. P. K. C. Woo has resumed as Chairman of the Company while Mr. G. W. J. Li has relinquished the title of Chairman and assumed the title of Senior Deputy Chairman, all with effect from 1 April 2002.

It is the intention of the Board that future board composition should include more independent Directors after the coming Annual General Meeting. Mr. G. W. J. Li, Ms. D. Y. F. Lee and Mr. H. S. S. Wong are due to retire from the Board by rotation at the forthcoming Annual General Meeting. Mr. G. W. J. Li, being eligible, offers himself for re-election. However, Ms. D. Y. F. Lee and Mr. H. S. S. Wong, both senior executives of The Wharf (Holdings) Limited, would not offer themselves for re-election. Mr. Q. Y. K. Law and Mr. T. Y. Ng, both Directors of The Wharf (Holdings) Limited, have decided to resign as Directors of the Company, effective on the conclusion of the forthcoming Annual General Meeting.

With the exception of the Chairman and a Director holding executive office of the Company (who are both not subject to retirement by rotation under the provisions of the Company's Articles of Association) together with Mr. G. W. J. Li, Mr. Q. Y. K. Law, Ms. D. Y. F. Lee, Mr. T. Y. Ng and Mr. H. S. S. Wong (who will retire/resign from the Board at the forthcoming Annual General Meeting as mentioned above), the remaining six present Directors would continue to serve on the Board for a term of one to three years until they become due to retire from the Board by rotation in accordance with Article 103(A) of the Company's Articles of Association.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation.

Report of the Directors (continued)

DIRECTORS' INTERESTS IN SHARES

At 31 March 2002 (except otherwise stated), Directors of the Company had 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
The Company		
Mr. Peter K. C. Woo (at 1 April 2002)	1,204,934,330	Corporate Interest in 209,712,652 shares and Other Interest in 995,221,678 shares (See Notes a & b)
Mr. B. M. Chang	8,629,575	Corporate Interest (See Note b)
Mr. G. W. J. Li	1,486,491	Personal Interest
Mr. S. T. H. Ng	300,000	Personal Interest
Mr. T. Y. Ng	70,000	Personal Interest
Mr. H. S. S. Wong	230,000	Personal Interest
Wharf		
Sir S. Y. Chung	348,238	Personal Interest in 189,427 shares and Corporate Interest in 158,811 shares (See Note b)
Mr. G. W. J. Li	686,549	Personal Interest
Mr. S. T. H. Ng	230,057	Personal Interest
Mr. T. Y. Ng	178,016	Personal Interest
New Asia		
Sir S. Y. Chung	94,710	Family Interest
Mr. G. W. J. Li	2,900	Personal Interest

Notes:

- (a) Mr. Peter K. C. Woo became Chairman and Director of the Company on 1 April 2002. 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 are applicable to a director or chief executive of a listed company, to be interested. For the avoidance of doubt and double counting, it should be noted that such 995,221,678 shares were entirely duplicated and included in the shareholding interest of Bermuda Trust (Guernsey) Limited as mentioned below in the paragraph headed 'Substantial Shareholders' Interests'.
- (b) 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.

Report of the Directors (continued)

During the financial year, Mr. S. T. H. Ng exercised options under the Option Scheme to subscribe for a total of 200,000 ordinary shares of the Company at an exercise price of HK\$5.20 per share, and Mr. H. S. S. Wong also exercised options under the Option Scheme to subscribe for a total of 250,000 ordinary shares of the Company at an exercise price of HK\$5.50 per share, and ordinary shares of the Company were allotted and issued to them accordingly.

Save 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 of Hong Kong Limited 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 2002 by any Directors and 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 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 31 March 2002 as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:

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

Notes:

- (a) The shareholdings stated against Mr. Woo and Mrs. Woo respectively under (i) and (ii) above represented the same block of shares, which were also included in Mr. Woo's shareholding interest as stated above under the section headed 'Directors' Interests in Shares'.
- (b) The 995,221,678 shares of the Company in which Bermuda Trust (Guernsey) Limited was interested as stated under (iii) above represented an interest comprised in certain trust properties in which Mr. Woo has been taken, under certain provisions of the SDI Ordinance which are applicable to a director or chief executive of a listed company, to be also interested with effect from 1 April 2002 (being the effective date of appointment and election of Mr. Woo as a Director and Chairman of the Company).

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.

Report of the Directors (continued)

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, with the exception of the options to subscribe for ordinary shares of the Company previously granted under the Option Scheme to, *inter alia*, certain executives of the Group, some of whom were Directors of the Company during the financial year. Particulars and the effect of the Option Scheme are set out in the Disclosure of Further Corporate Information under the heading "(l) Summary of the Scheme" on pages 18 and 19.

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.

AUDITORS

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

PricewaterhouseCoopers replaced Price Waterhouse in October 1998 following their merger with Coopers & Lybrand.

By Order of the Board

Wilson W. S. Chan

Secretary

Hong Kong, 14 June 2002

Consolidated Profit and Loss Account

for the year ended 31 March 2002

	Note	2002 HK\$ Million	Restated 2001 HK\$ Million
Turnover	3	7,164.7	3,761.5
Other net income	4	113.0	442.2
		7,277.7	4,203.7
Direct costs and operating expenses		(4,831.7)	(2,201.2)
Selling and distribution expenses		(694.2)	(404.9)
Administrative expenses		(358.9)	(244.1)
Provision for impairment in value of properties		(1,250.5)	(1,221.2)
Operating profit	3	142.4	132.3
Borrowing costs	5	(554.2)	(897.7)
Share of profits less losses of associates	2	1,404.1	1,587.4
Profit before taxation		992.3	822.0
Taxation	6	(399.6)	(253.2)
Profit after taxation		592.7	568.8
Minority interests		(46.1)	(45.5)
Group profit attributable to shareholders	7	546.6	523.3
Dividends attributable to the year	8		
Interim dividend declared during the year		50.8	50.8
Final dividend proposed after the balance sheet date		101.6	101.5
		152.4	152.3
Earnings per share	9	26.9 cents	25.8 cents

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

Consolidated Statement of Recognised Gains and Losses

for the year ended 31 March 2002

	2002 HK\$ Million	Restated 2001 HK\$ Million
Company and subsidiaries		
(Deficit)/surplus on revaluation of non-trading securities	(351.4)	7.4
(Provision)/written back for impairment of other properties	(29.9)	36.9
Exchange difference on translation of financial statements of foreign entities	(48.3)	(123.0)
Others	–	1.2
Associates		
(Deficit)/surplus on revaluation of investment properties	(2,087.3)	1,009.1
(Deficit)/surplus on revaluation of other properties	(116.8)	56.3
(Deficit)/surplus on revaluation of non-trading securities	(71.1)	50.5
Others	7.4	(12.8)
Net (losses)/gains not recognised in the profit and loss account		
	(2,697.4)	1,025.6
Group profit attributable to shareholders	546.6	523.3
Company and subsidiaries		
Reserves transferred to the profit and loss account on disposal of:		
Non-trading securities	(0.3)	(110.4)
Properties	(0.8)	–
Net provision for non-trading securities	–	21.7
Associates		
Reserves transferred from/(to) the profit and loss account on:		
Disposal of non-trading securities	50.3	(364.6)
Impairment of non-trading securities	171.2	–
Goodwill transferred to the profit and loss account on disposal of an associate	144.1	–
Total recognised (losses)/gains		
	(1,786.3)	1,095.6
Reserves arising on consolidation	–	80.8
	(1,786.3)	1,176.4
Cumulative effect of changes in accounting policy to reserves at 31 March 2001		57.5

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

Consolidated Balance Sheet

at 31 March 2002

	Note	2002 HK\$ Million	Restated 2001 HK\$ Million
Non-current assets			
Fixed assets	11	4,934.6	5,351.5
Associates	13	23,379.4	24,733.4
Long-term investments	14	3,727.7	3,335.5
Deferred debtors	15	43.9	57.4
		32,085.6	33,477.8
Current assets			
Properties under development for sale	16	16,767.3	22,322.9
Properties held for sale	16	395.5	615.8
Inventories	17	325.3	350.0
Trade and other receivables	18	1,642.4	410.9
Bank balances and deposits		3,451.1	1,299.1
		22,581.6	24,998.7
Current liabilities			
Short-term loans and overdrafts	19	7,310.2	4,564.7
Trade and other payables	20	1,444.4	1,229.2
Deposits from sale of properties		2,945.9	4,503.8
Taxation		929.1	32.9
		12,629.6	10,330.6
Net current assets		9,952.0	14,668.1
Total assets less current liabilities		42,037.6	48,145.9
Capital and reserves			
Share capital	21	1,015.8	1,015.4
Reserves	22	25,469.3	27,403.9
		26,485.1	28,419.3
Minority interests		5,730.3	6,118.0
Non-current liabilities			
Long-term bank loans	23	9,315.9	12,398.9
Deferred taxation	24	110.4	790.8
Deferred profits		395.9	418.9
		9,822.2	13,608.6
Total equity and non-current liabilities		42,037.6	48,145.9

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

Peter K. C. Woo
Chairman

Paul Y. C. Tsui
Director

Company Balance Sheet

at 31 March 2002

	Note	2002 HK\$ Million	Restated 2001 HK\$ Million
Non-current assets			
Subsidiaries	12	11,130.3	14,707.2
Current assets			
Trade and other receivables		0.4	0.3
Bank balances and deposits		0.1	0.1
		0.5	0.4
Current liabilities			
Short-term loans and overdrafts	19	6,496.7	3,764.9
Trade and other payables		14.6	18.0
		6,511.3	3,782.9
Net current liabilities		(6,510.8)	(3,782.5)
Total assets less current liabilities		4,619.5	10,924.7
Capital and reserves			
Share capital	21	1,015.8	1,015.4
Reserves	22	3,603.7	3,584.3
		4,619.5	4,599.7
Non-current liabilities			
Long-term bank loans	23	–	6,325.0
Total equity and non-current liabilities		4,619.5	10,924.7

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

Peter K. C. Woo
Chairman

Paul Y. C. Tsui
Director

Consolidated Cash Flow Statement

for the year ended 31 March 2002

	2002 HK\$ Million	2001 HK\$ Million
Net cash inflow from operating activities (Note a)	2,868.8	107.4
Returns on investments and servicing of finance		
Interest received	69.2	49.2
Interest paid	(740.1)	(1,332.8)
Dividends received from associates	975.6	972.4
Dividends received from investments	130.7	135.4
Dividends paid to shareholders	(152.3)	(152.3)
Dividends paid to minority shareholders	(84.8)	(85.5)
Net cash inflow/(outflow) from returns on investments and servicing of finance	198.3	(413.6)
Taxation		
Hong Kong profits tax paid	(18.2)	(7.5)
Tax Reserve Certificates refunded	–	60.5
Overseas tax paid	(1.3)	(4.0)
Tax (paid)/refunded	(19.5)	49.0
Investing activities		
Purchases of shares in a subsidiary	(14.7)	(11.6)
Purchase of subsidiaries (Note b)	–	(6.8)
Purchase of shares in associates	–	(73.4)
Purchase of non-trading securities	(2,212.4)	(2,250.7)
Purchase of fixed assets	(65.2)	(50.5)
Disposal of subsidiaries (Note c)	753.5	–
Proceeds from disposal of non-trading securities	1,259.4	3,083.0
Proceeds from disposal of unlisted investments	–	19.3
Proceeds from disposal of fixed assets	7.8	20.5
Decrease in net advances from associates	(293.2)	(86.8)
Net cash (outflow)/inflow from investing activities	(564.8)	643.0
Net cash inflow before financing	2,482.8	385.8

Consolidated Cash Flow Statement (continued)

	2002 HK\$ Million	2001 HK\$ Million
Financing (Note d)		
Issue of ordinary shares	4.4	0.5
Net drawdown of long-term bank loans	3,559.9	3,822.9
Net repayment of short-term loans	(3,833.6)	(3,351.8)
Net cash (outflow)/inflow from financing	(269.3)	471.6
Increase in cash and cash equivalents	2,213.5	857.4
Effect of foreign exchange rate changes	(16.7)	(68.0)
Cash and cash equivalents at 1 April	1,039.7	250.3
Cash and cash equivalents at 31 March	3,236.5	1,039.7
Analysis of the balances of cash and cash equivalents at 31 March		
Bank balances and deposits maturing within three months	3,451.1	1,299.1
Bank loans and overdrafts due within three months	(214.6)	(259.4)
	3,236.5	1,039.7

Consolidated Cash Flow Statement (continued)

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

a) Reconciliation of profit before taxation to net cash inflow from operating activities

	2002 HK\$ Million	Restated 2001 HK\$ Million
Profit before taxation	992.3	822.0
Share of profits less losses of associates	(1,404.1)	(1,587.4)
Interest income	(68.9)	(21.5)
Interest expense	463.2	843.5
Dividend income from investments	(152.2)	(141.2)
Depreciation	70.1	56.2
Provision for impairment in value of properties	1,250.5	1,221.2
Net loss/(profit) on disposal of non-trading securities	35.4	(231.5)
Loss on disposal of fixed assets	11.9	0.1
Profit on disposal of subsidiaries	(17.5)	–
Deferred profits realised	(100.1)	(56.2)
Net provision for non-trading securities	–	16.6
Net other provision released	–	(84.0)
Profit on sale of unlisted investments	–	(18.6)
Exchange differences	(65.5)	(184.5)
Decrease in deferred debtors	13.5	33.6
Decrease/(increase) in properties under development for sales	4,067.2	(1,721.0)
Decrease in properties held for sale	220.3	108.1
Decrease in inventories	24.7	30.2
Increase in trade and other receivables	(1,118.8)	(50.6)
(Decrease)/increase in deposits from sale of properties	(1,557.9)	998.8
Increase in trade and other payables	204.7	73.6
Net cash inflow from operating activities	2,868.8	107.4

Consolidated Cash Flow Statement (continued)

b) Purchase of subsidiaries

	2002 HK\$ Million	2001 HK\$ Million
Net assets acquired:		
Fixed assets	–	96.2
Current assets	–	234.1
Current liabilities	–	(119.2)
Minority interests	–	(200.0)
	–	11.1
Reserves arising on consolidation	–	(4.3)
	–	6.8
Satisfied by:		
Cash consideration paid	–	212.2
Analysis of the net outflow of cash and cash equivalents in respect of the purchases of subsidiaries:		
Cash consideration paid	–	212.2
Bank balances and deposits acquired	–	(249.4)
Bank loans and overdrafts acquired	–	44.0
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	–	6.8

c) Disposal of subsidiaries

	2002 HK\$ Million	2001 HK\$ Million
Net assets disposal of:		
Fixed assets	3.4	–
Current assets	717.1	–
Current liabilities	(0.6)	–
Net assets disposed	719.9	–
Profit recognised	17.5	–
Unrealised profit deferred	16.1	–
	753.5	–
Satisfied by:		
Cash consideration received	753.5	–

Consolidated Cash Flow Statement (continued)

d) Analysis of changes in financing

	Share capital and share premium HK\$ Million	Long-term bank loans HK\$ Million	Short-term loans HK\$ Million	Restated Minority interests HK\$ Million
Balance at 1 April 2000	2,924.0	12,704.9	3,627.1	6,217.6
Issue of ordinary shares	0.5	–	–	–
Cash inflow/(outflow) related to financing	–	3,822.9	(3,351.8)	–
Dividends paid to minority shareholders	–	–	–	(85.5)
Purchase of subsidiaries (Note b)	–	–	–	200.0
Increase in interest in a subsidiary	–	–	–	(15.2)
Minority interests' share of reserves	–	–	–	(96.9)
Exchange differences	–	(98.9)	–	(102.0)
Reclassification	–	(4,030.0)	4,030.0	–
Balance at 31 March 2001 and 1 April 2001	2,924.5	12,398.9	4,305.3	6,118.0
Issue of ordinary shares	4.4	–	–	–
Cash inflow/(outflow) related to financing	–	3,559.9	(3,833.6)	–
Dividends paid to minority shareholders	–	–	–	(84.8)
Increase in interest in a subsidiary	–	–	–	(18.9)
Minority interests' share of reserves	–	–	–	(244.3)
Exchange differences	–	(19.0)	–	(39.7)
Reclassification	–	(6,623.9)	6,623.9	–
Balance at 31 March 2002	2,928.9	9,315.9	7,095.6	5,730.3

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

Notes to the Accounts (continued)

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

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

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

Notes to the Accounts (continued)

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

The amount of any write down 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 whereby their carrying amount is written off in equal annual instalments over the shorter of 50 years and the remaining term of the lease.

Notes to the Accounts (continued)

(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 and 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 year in which the reversals are recognised.

g) Investments in securities

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

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

- (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.

Notes to the Accounts (continued)

- (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) 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 accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the rate of exchange ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the profit and loss account with the exception of those arising on the translation of the accounts of overseas subsidiaries and associates which are dealt with in 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. No profit or loss is recognised on outstanding non-speculative forward contracts which are used as hedges of firm commitments.

j) 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(k) (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.

Notes to the Accounts (continued)

k) 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.

l) Deferred taxation

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

m) Borrowing costs

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

n) Related parties

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

Notes to the Accounts (continued)

o) Provisions

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

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

p) Segment reporting

A segment is 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.

q) Pension schemes**(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 funds 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.

Notes to the Accounts (continued)

2. SEGMENT INFORMATION

a) Business segments

(i) Revenue and results

	Segment Revenue		Segment Results	
	2002 HK\$ Million	2001 HK\$ Million	2002 HK\$ Million	2001 HK\$ Million
Property development	4,486.2	1,294.1	1,046.1	560.0
Property investment	337.7	332.9	241.9	233.6
Retail and distribution	2,056.9	1,865.7	(80.3)	56.8
Investment and others	401.1	380.3	211.5	532.0
	7,281.9	3,873.0	1,419.2	1,382.4
Inter-segment revenue (Note i)	(117.2)	(111.5)	–	–
	7,164.7	3,761.5	1,419.2	1,382.4
Unallocated expenses			(26.3)	(28.9)
Provision for impairment in value of properties				
– property development			(1,065.5)	(1,004.9)
– property investment			(185.0)	(216.3)
Operating profit			142.4	132.3
Borrowing costs			(554.2)	(897.7)
Share of results of associates (Note ii)			1,404.1	1,587.4
Profit before taxation			992.3	822.0

Notes:

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

Property investment	54.6	50.6
Investment and others	62.6	60.9
	117.2	111.5

(ii) Share of results of associates

Property investment	1,366.5	1,280.4
Property development	32.6	143.3
Communication, media and entertainment	155.8	28.9
Pay television	174.3	104.9
Telecommunication	4.0	(34.0)
Internet, multimedia and others	(22.5)	(42.0)
Logistics	921.9	926.7
Terminals	874.5	877.2
Other logistics business	47.4	49.5
Hotels	85.9	89.4
Investment and others	(29.4)	453.0
Unallocated expenses and other items	(576.8)	(538.6)
Borrowing costs	(552.4)	(795.7)
	1,404.1	1,587.4

Notes to the Accounts (continued)

(ii) Assets and liabilities

	Assets		Liabilities	
	2002 HK\$ Million	2001 HK\$ Million	2002 HK\$ Million	2001 HK\$ Million
Property development	17,271.4	23,082.7	3,649.6	5,009.8
Property investment	4,818.8	5,207.4	111.5	110.0
Retail and distribution	620.8	649.2	367.5	358.0
Investment and others	3,968.5	3,504.7	32.4	103.5
Segment assets and liabilities	26,679.5	32,444.0	4,161.0	5,581.3
Associates (Note)	23,379.4	24,733.4	–	–
Unallocated items	4,608.3	1,299.1	18,290.8	18,357.9
Total assets and liabilities	54,667.2	58,476.5	22,451.8	23,939.2

Note: Share of net segment assets less liabilities of associates

Property development	1,413.6	1,512.4
Property investment	27,131.6	28,643.2
Communication, media and entertainment	1,270.2	913.6
Logistics	2,029.3	2,314.4
Hotels	1,797.7	1,929.9
Unallocated and other items	(10,263.0)	(10,580.1)
	23,379.4	24,733.4

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

(iii) Other information

As disclosed in note 11 to the accounts, capital expenditure of HK\$65.2 million (2001: HK\$50.5 million) and depreciation and amortisation of HK\$70.1 million (2001: HK\$56.2 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.

Notes to the Accounts (continued)

b) Geographical segments
(i) Revenue and results

	Segment Revenue		Segment Results	
	2002 HK\$ Million	2001 HK\$ Million	2002 HK\$ Million	2001 HK\$ Million
Hong Kong	4,348.7	2,329.6	343.2	568.3
Singapore	2,696.3	1,349.5	1,042.8	778.2
Others	119.7	82.4	6.9	7.0
	7,164.7	3,761.5	1,392.9	1,353.5
Provision for impairment in value of properties				
– Hong Kong			(985.3)	(1,203.3)
– Singapore			(265.2)	(17.9)
			142.4	132.3

(ii) Assets

	Assets	
	2002 HK\$ Million	2001 HK\$ Million
Hong Kong	21,731.4	21,431.4
Singapore	4,904.8	10,975.1
Others	43.3	37.5
	26,679.5	32,444.0

Notes to the Accounts (continued)

3. TURNOVER AND OPERATING PROFIT**a) Turnover**

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

	2002 HK\$ Million	2001 HK\$ Million
Property development	4,486.2	1,294.1
Property investment	283.1	282.3
Retail and distribution	2,056.9	1,865.7
Investment and others	338.5	319.4
	7,164.7	3,761.5

b) Operating profit

	2002 HK\$ Million	2001 HK\$ Million
Operating profit is arrived at:		
after charging:		
Staff costs, including retirement scheme costs HK\$22.0 million (2001: HK\$18.5 million)	405.4	360.1
Cost of properties sold	3,440.6	765.7
Cost of inventories sold	1,214.7	1,057.7
Depreciation	70.1	56.2
Auditors' remuneration	6.0	5.0
Operating lease rentals – land and building	263.0	229.3
and after crediting:		
Rental income from operating leases less outgoings – including gross rental income from investment properties HK\$263.3 million (2001: HK\$263.4 million)	206.5	205.8
Dividend income from listed investments	152.2	140.9

In addition, staff costs of HK\$28.3 million (2001: HK\$10.0 million) were capitalised in costs of properties under development.

Notes to the Accounts (continued)

c) Directors' emoluments

	2002 HK\$ Million	2001 HK\$ Million
Fees	0.4	0.4
Basic salaries, housing allowances, other allowances and benefits in kind	2.6	3.4
Deemed profit on share option exercise	0.5	–
Retirement scheme contributions	–	–
Discretionary bonuses and/or performance – related bonuses	4.1	2.9
Compensation for loss of office	–	–
Inducement for joining the Group	–	–
	7.6	6.7

For the year under review, total emoluments (including any reimbursement) amounting to HK\$105,000 (2001: 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 2002 of all the Directors of the Company in office during the year were in the following ranges:

Bands (in HK\$)	2002 Number	2001 Number
Not more than \$1,000,000	10*	10
\$1,500,001 – \$2,000,000	1	1
\$4,500,001 – \$5,000,000	–	1
\$5,000,001 – \$5,500,000	1	–
	12	12

Note: The emoluments of two Directors in the band marked * above included deemed profit on share option exercise totalling HK\$0.5 million (2001: HK\$ nil).

Notes to the Accounts (continued)

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 2002 of four employees (2001: 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

	2002 HK\$ Million	2001 HK\$ Million
Basic salaries, housing allowances, other allowances and benefits in kind	12.4	8.7
Deemed profit on share option exercise	–	–
Pension scheme contributions	0.4	0.5
Discretionary bonuses and/or performance-related bonuses	26.1	3.7
Compensation for loss of office	–	–
Inducement for joining the Group	–	–
	38.9	12.9

(ii) Bandings

Bands (in HK\$)	2002 Number	2001 Number
\$2,000,001 – \$2,500,000	–	1
\$2,500,001 – \$3,000,000	–	2
\$3,000,001 – \$3,500,000	2	–
\$4,000,001 – \$4,500,000	1	–
\$5,000,001 – \$5,500,000	–	1
\$28,500,001 – \$29,000,000 (Note)	1	–
	4	4

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

Notes to the Accounts (continued)

4. OTHER NET INCOME

	2002 HK\$ Million	2001 HK\$ Million
Net (loss)/profit on disposal of non-trading securities	(35.4)	231.5
Deferred profits realised	100.1	56.2
Profit on disposal of subsidiaries	17.5	–
Net provision for non-trading securities	–	(16.6)
Net other provision released	–	84.0
Others	30.8	87.1
	113.0	442.2

Included in the net (loss)/profit on disposal of non-trading securities is a net surplus, before deduction of minority interests, of HK\$0.3 million (2001: HK\$144.5 million) transferred from investment revaluation reserves.

5. BORROWING COSTS

	2002 HK\$ Million	2001 HK\$ Million
Interest payable on		
Bank loans and overdrafts	610.5	1,063.8
Other loans repayable within 5 years	134.4	241.8
Other borrowing costs	140.8	102.5
	885.7	1,408.1
Less: Amount capitalised	(331.5)	(510.4)
	554.2	897.7

Notes to the Accounts (continued)

6. TAXATION

The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16% (2001: 16%). 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:

	2002 HK\$ Million	2001 HK\$ Million
Company and subsidiaries		
Hong Kong profits tax for the year	13.3	19.3
Overseas taxation charge/(credit) for the year	905.0	(2.7)
Deferred taxation (Note 24)	(665.0)	93.1
	253.3	109.7
Associates		
Hong Kong profits tax for the year	143.0	111.2
Overseas taxation for the year	8.8	16.8
Underprovisions in prior years	–	30.0
Deferred taxation	(5.5)	(14.5)
	146.3	143.5
	399.6	253.2

7. 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\$167.7 million (2001: HK\$169.5 million).

Notes to the Accounts (continued)

8. DIVIDENDS**a) Dividends attributable to the year**

	2002 HK\$ Million	2001 HK\$ Million
Interim dividend declared and paid of 2.5 cents (2001: 2.5 cents) per share	50.8	50.8
Final dividend of 5.0 cents proposed after the balance sheet date (2001: 5.0 cents) per share	101.6	101.5
	152.4	152.3

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

	2002 HK\$ Million	2001 HK\$ Million
Final dividend in respect of the previous financial year, approved and paid during the year, of 5.0 cents (2001: 5.0 cents) per share	101.5	101.5

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings for the year of HK\$546.6 million (2001: HK\$523.3 million) and on the weighted average of 2,031.3 million (2001: 2,030.8 million) ordinary shares in issue during the year.

No figure for diluted earnings per share is shown as the exercise of the subscription rights attached to the share options referred to in note 21 to the accounts would not have a material diluting effect on the earnings per share.

Notes to the Accounts (continued)

10. CHANGES IN ACCOUNTING POLICIES**a) Goodwill/negative goodwill**

In prior years, goodwill/negative goodwill arising on consolidation, representing the excess/shortfall of the cost of investments in subsidiaries and associates over the appropriate share of the fair value of the identifiable assets and liabilities acquired, was taken to reserves in the year in which it arose.

On disposal of a subsidiary or an associate, the attributable amount of goodwill/negative goodwill was included in calculating the profit or loss on disposal.

With effect from 1 April 2001, the Group adopted an accounting policy to recognise goodwill/negative goodwill as set out in note 1(c)(iii) in order to comply with SSAP 30 "Business combinations" issued by the Hong Kong Society of Accountants.

The Group has taken advantage of the transitional provisions set out in paragraph 88 of SSAP 30 which do not require restatement of positive/negative goodwill taken to reserves prior to 1 April 2001.

Goodwill arising in prior years and not restated for the reasons noted above has been assessed for indications of impairment as required by SSAP 31 "Impairment of assets" issued by the Hong Kong Society of Accountants. As a result of this review upon adoption of SSAP 30 and SSAP 31, which has been applied retrospectively, goodwill arising in prior years has been considered to have been impaired in prior years, and, consequently, revenue reserves as at 1 April 2000 were restated and reduced by HK\$160.9 million whilst other capital reserves at 1 April 2000 were increased by a corresponding amount, representing the Group's and the Group's share of associates' impairment of goodwill arising in prior years.

b) Planned maintenance provision

In prior years, the Group's associates operated a planned maintenance scheme for their hotels which projected future maintenance requirements over a period of four years. Within this scheme actual costs and/or projected costs of the ensuing four years' period, as estimated by the Group's associates, were equalised by annual provisions in the profit and loss account. With effect from 1 April 2001, maintenance costs are expensed in the profit and loss account in the year in which they are incurred in accordance with SSAP 28 "Provisions, contingent liabilities and contingent assets" issued by the Hong Kong Society of Accountants. The effect of this new accounting policy has been adopted retrospectively. In adjusting prior years' figures, revenue reserves as at 1 April 2000 were restated and increased by HK\$50.8 million representing the Group's share of the reversal of the previous provision for planned maintenance.

As a result of the adoption of SSAP 28 and restating the prior years' results and reserves, the Group's profit for the year attributable to shareholders has increased by HK\$9.1 million (2001: HK\$6.7 million) as a net result of not making provisions for planned maintenance and writing off the actual maintenance costs incurred during the year.

Notes to the Accounts (continued)

c) Proposed dividends

In prior years, dividends proposed after balance sheet date were accrued as liabilities at the balance sheet date. With effect from 1 April 2001, dividends proposed after balance sheet date are not recognised as a liability in the accounting period in which they related in accordance with the revised SSAP 9 “Events after the balance sheet date” issued by the Hong Kong Society of Accountants. The new accounting policy has been adopted retrospectively. In adjusting prior years’ figures, shareholders’ funds as at 1 April 2001 were restated and increased by HK\$101.5 million (1 April 2000: HK\$101.5 million) representing the proposed final dividend for the year ended 31 March 2001.

As a result of the adoption of SSAP 9 and restating the prior years’ reserves, the Group’s shareholders’ funds at 31 March 2002 have increased by HK\$101.6 million (2001: HK\$101.5 million).

d) Segment reporting

A segment is distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Inter-segment pricing is based on similar terms as those available to other external parties.

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

Notes to the Accounts (continued)

11. FIXED ASSETS

Group	Investment properties HK\$ Million	Other properties HK\$ Million	Other fixed assets HK\$ Million	Total HK\$ Million
Cost or valuation				
At 1 April 2001	4,661.1	583.6	477.4	5,722.1
Exchange differences	(40.5)	–	(0.1)	(40.6)
Additions	1.6	5.0	58.6	65.2
Disposals	(3.5)	–	(137.7)	(141.2)
Revaluation deficit	(307.1)	–	–	(307.1)
Provision for impairment	–	(41.7)	–	(41.7)
Reclassification	15.5	(17.2)	–	(1.7)
At 31 March 2002	4,327.1	529.7	398.2	5,255.0
Accumulated depreciation				
At 1 April 2001	–	31.9	338.7	370.6
Exchange differences	–	–	(0.1)	(0.1)
Charge for the year	–	6.1	64.0	70.1
Written back on disposals	–	–	(118.5)	(118.5)
Reclassification	–	(1.7)	–	(1.7)
At 31 March 2002	–	36.3	284.1	320.4
Net Book Value				
At 31 March 2002	4,327.1	493.4	114.1	4,934.6
At 31 March 2001	4,661.1	551.7	138.7	5,351.5
a) The analysis of cost or valuation of the above assets is as follows:				
At valuation in 2002	4,327.1	–	–	4,327.1
At valuation in 1995 less provision	–	438.3	–	438.3
At cost less provision	–	91.4	398.2	489.6
	4,327.1	529.7	398.2	5,255.0
b) Tenure of title to properties:				
Held in Hong Kong				
– Long lease	2,484.6	428.2	–	2,912.8
– Medium lease	–	91.4	–	91.4
Held outside Hong Kong				
– Long lease	1,842.5	–	–	1,842.5
– Medium lease	–	10.1	–	10.1
	4,327.1	529.7	–	4,856.8

Notes to the Accounts (continued)

c) Properties revaluation

- (i) The Group's investment properties have been revalued as at 31 March 2002 either by Harriman Realty Company, Limited, a subsidiary engaged in professional valuation, or an internal valuer, a qualified property appraiser in Singapore, on an open market value basis, after taking into consideration the net income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The surplus or deficit arising on revaluation less minority interests is dealt with in investment property revaluation reserves.

- (ii) Certain other properties were valued at 31 March 1995 by Chesterton Petty Limited, on an open market value basis, after taking into account the development potential of the properties where appropriate.

- (iii) Included in other properties are properties amounting to HK\$438.3 million which are stated at professional valuations at 31 March 1995 less subsequent provisions for diminution in value.

- d) The gross amounts of fixed assets of the Group held for use in operating leases were HK\$4,327.1 million (2001: HK\$4,661.1 million).

- e) The Group leases out properties under operating leases, which generally run for an initial period of two to five years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease income may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.

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

	2002 HK\$ Million	Group 2001 HK\$ Million
Within 1 year	232.5	200.5
After 1 year but within 5 years	283.0	233.3
After 5 years	7.2	11.1
	522.7	444.9

Notes to the Accounts (continued)

12. SUBSIDIARIES

	2002 HK\$ Million	Company 2001 HK\$ Million
Unlisted shares, at cost	3,495.0	3,495.0
Amounts due from subsidiaries	10,616.4	11,212.2
Amounts due to subsidiaries	(2,981.1)	–
	11,130.3	14,707.2

Details of principal subsidiaries at 31 March 2002 are shown on pages 65 and 66.

13. ASSOCIATES

	2002 HK\$ Million	Group Restated 2001 HK\$ Million
Share of net assets	27,287.1	28,931.2
Amounts due from associates	572.9	576.0
Loans from associates (Note b)	(1,803.9)	(2,362.8)
Amounts due to associates (Note c)	(2,676.7)	(2,411.0)
	23,379.4	24,733.4
a) Analysis of the cost of investment of the above:		
Shares listed in Hong Kong	11,529.7	11,529.7
Unlisted shares	95.3	95.9
	11,625.0	11,625.6
Market value of listed shares	22,669.2	24,991.1

b) 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 2002 amounted to HK\$101.8 million (2001: HK\$163.3 million).

c) Amounts due to associates are unsecured and interest free.

d) Extracts of the consolidated profit and loss account and consolidated balance sheet of The Wharf (Holdings) Limited, the significant associate of the Group, are shown on page 71.

e) Details of principal associates at 31 March 2002 are shown on page 67.

Notes to the Accounts (continued)

14. LONG-TERM INVESTMENTS

	2002 HK\$ Million	Group 2001 HK\$ Million
Non-trading equity securities, at market value		
Listed in Hong Kong	2,808.1	2,590.6
Listed outside Hong Kong	847.2	733.4
	3,655.3	3,324.0
Held-to-maturity securities		
Listed outside Hong Kong	38.6	–
Unlisted	23.4	–
Unlisted shares	10.4	11.5
	3,727.7	3,335.5
Market value of the above listed held-to-maturity securities	38.3	–

15. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

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

- a) The amount of properties under development for sale / held for sale carried at net realisable value is HK\$8,015.4 million (2001: HK\$7,190.6 million).
- b) Properties under development for sale with a carrying value of HK\$15,144.4 million (2001: HK\$6,009.7 million) is pledged as security for banking facilities made available to the Group.

17. INVENTORIES

The amount of inventories carried at net realisable value at 31 March 2002 is HK\$105.3 million (2001: HK\$68.1 million).

Notes to the Accounts (continued)

18. 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\$1,153.1 million (2001: HK\$ nil) in respect of pre-sale of properties and trade debtors of HK\$90.3 million (2001: HK\$77.7 million). The ageing analysis of the Group's trade debtors as at 31 March 2002 is as follows:

	2002 HK\$ Million	Group 2001 HK\$ Million
Current	73.0	58.7
31 – 60 days	6.3	5.8
61 – 90 days	5.3	5.0
Over 90 days	5.7	8.2
	90.3	77.7

19. SHORT-TERM LOANS AND OVERDRAFTS

	Group		Company	
	2002 HK\$ Million	2001 HK\$ Million	2002 HK\$ Million	2001 HK\$ Million
Bank loans and overdrafts				
Unsecured	680.5	399.5	171.7	264.9
Secured	5.8	135.2	–	–
Current portion of long-term bank loans				
Unsecured	6,325.0	3,500.0	6,325.0	3,500.0
Secured	298.9	30.0	–	–
Unsecured notes (Note)	–	500.0	–	–
	7,310.2	4,564.7	6,496.7	3,764.9

Note: The unsecured notes, bearing interest at 8.75% per annum, matured on 17 December 2001.

Notes to the Accounts (continued)

20. TRADE AND OTHER PAYABLES

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

	2002 HK\$ Million	Group 2001 HK\$ Million
Amounts payable in the next:		
0 – 30 days	501.1	387.6
31 – 60 days	146.8	152.3
61 – 90 days	24.7	29.5
Over 90 days	255.4	134.1
	928.0	703.5

21. SHARE CAPITAL

	2002 No. of shares Million	2001 No. of shares Million	2002 HK\$ Million	2001 HK\$ Million
Authorised				
Ordinary shares of HK\$0.50 each				
Balance at 1 April	2,800.0	2,420.0	1,400.0	1,210.0
Increase in authorised ordinary share capital	–	380.0	–	190.0
Balance at 31 March	2,800.0	2,800.0	1,400.0	1,400.0
Issued and fully paid				
Balance at 1 April	2,030.9	2,030.8	1,015.4	1,015.4
Exercise of share options granted under the Executive Share Incentive Scheme	0.8	0.1	0.4	–
Balance at 31 March	2,031.7	2,030.9	1,015.8	1,015.4

As at 31 March 2002, options to subscribe for 0.1 million ordinary shares of the Company at price of HK\$5.50 per share granted to a number of executives under the Company's Executive Share Incentive Scheme were unexercised. These options are exercisable between 13 April 1995 and 12 April 2002 subject to the terms of the grants.

During the year, options were exercised to subscribe for 0.8 million shares of HK\$0.50 each at considerations of HK\$5.20 and HK\$5.50 per share.

Notes to the Accounts (continued)

22. 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	Restated Total HK\$ Million
a) Group							
Company and subsidiaries							
Balance at 1 April 2001							
As previously reported	1,909.1	19.5	1.9	87.7	165.7	8,001.1	10,185.0
Prior year adjustments in respect of							
Goodwill (Note 10a)	–	–	–	–	47.4	(47.4)	–
Proposed dividend (Note 10c)	–	–	–	–	–	101.5	101.5
As restated	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 8b)	–	–	–	–	–	(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 8a)	–	–	–	–	–	(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
Associates							
Balance at 1 April 2001							
As previously reported	–	–	14,690.1	(98.5)	(242.9)	2,711.2	17,059.9
Prior year adjustments in respect of							
Goodwill (Note 10a)	–	–	–	–	113.5	(113.5)	–
Planned maintenance provision (Note 10b)	–	–	–	–	–	57.5	57.5
As restated	–	–	14,690.1	(98.5)	(129.4)	2,655.2	17,117.4
Revaluation deficit	–	–	(2,087.3)	(71.1)	–	–	(2,158.4)
Revaluation 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
Total reserves at 31 March 2002	1,913.1	19.5	12,604.7	(212.1)	39.4	11,104.7	25,469.3

Notes to the Accounts (continued)

	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	Restated Total HK\$ Million
a) Group							
Company and subsidiaries							
Balance at 1 April 2000							
As previously reported	1,908.6	19.5	1.9	183.8	246.3	8,159.9	10,520.0
Prior year adjustments in respect of							
Goodwill (Note 10a)	–	–	–	–	47.4	(47.4)	–
Proposed dividend (Note 10c)	–	–	–	–	–	101.5	101.5
As restated	1,908.6	19.5	1.9	183.8	293.7	8,214.0	10,621.5
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	–	(101.5)	(101.5)
Premium on shares issued	0.5	–	–	–	–	–	0.5
Revaluation surplus	–	–	–	7.4	–	–	7.4
Net provision	–	–	–	21.7	–	–	21.7
Realised on disposal	–	–	–	(110.4)	–	–	(110.4)
Exchange differences	–	–	–	–	(123.0)	–	(123.0)
Provision for other properties written back	–	–	–	–	36.9	–	36.9
Reserves arising on consolidation	–	–	–	–	4.3	–	4.3
Reclassification	–	–	–	(14.8)	–	(57.9)	(72.7)
Others	–	–	–	–	1.2	–	1.2
Profit for the year retained	–	–	–	–	–	51.4	51.4
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	–	(50.8)	(50.8)
Balance at 31 March 2001	1,909.1	19.5	1.9	87.7	213.1	8,055.2	10,286.5
Associates							
Balance at 1 April 2000							
As previously reported	–	–	13,676.6	200.8	(358.5)	2,188.1	15,707.0
Prior year adjustments in respect of							
Goodwill (Note 10a)	–	–	–	–	113.5	(113.5)	–
Planned maintenance provision (Note 10b)	–	–	–	–	–	50.8	50.8
As restated	–	–	13,676.6	200.8	(245.0)	2,125.4	15,757.8
Revaluation surplus	–	–	1,009.1	50.5	–	–	1,059.6
Revaluation of other properties	–	–	–	–	56.3	–	56.3
Realised on disposal	–	–	–	(364.6)	–	–	(364.6)
Reserves arising on consolidation	–	–	–	–	76.5	–	76.5
Reclassification	–	–	4.4	14.8	(4.4)	57.9	72.7
Others	–	–	–	–	(12.8)	–	(12.8)
Profit for the year retained	–	–	–	–	–	471.9	471.9
Balance at 31 March 2001	–	–	14,690.1	(98.5)	(129.4)	2,655.2	17,117.4
Total reserves at 31 March 2001	1,909.1	19.5	14,692.0	(10.8)	83.7	10,710.4	27,403.9

Included in other capital reserves is negative goodwill of HK\$146.8 million (2001: HK\$146.8 million).

Notes to the Accounts (continued)

	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Restated Total HK\$ Million
b) Company					
Balance at 1 April 2001					
As previously reported	1,909.1	19.5	77.2	1,477.0	3,482.8
Prior year adjustment in respect of proposed dividend (Note 10c)	–	–	–	101.5	101.5
As restated	1,909.1	19.5	77.2	1,578.5	3,584.3
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	(101.5)	(101.5)
Premium on shares issued	4.0	–	–	–	4.0
Profit for the year retained	–	–	–	167.7	167.7
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	(50.8)	(50.8)
Balance at 31 March 2002	1,913.1	19.5	77.2	1,593.9	3,603.7
Balance at 1 April 2000					
As previously reported	1,908.6	19.5	77.2	1,459.8	3,465.1
Prior year adjustment in respect of proposed dividend (Note 10c)	–	–	–	101.5	101.5
As restated	1,908.6	19.5	77.2	1,561.3	3,566.6
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	(101.5)	(101.5)
Premium on shares issued	0.5	–	–	–	0.5
Profit for the year retained	–	–	–	169.5	169.5
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	(50.8)	(50.8)
Balance at 31 March 2001	1,909.1	19.5	77.2	1,578.5	3,584.3

Reserves of the Company available for distribution to shareholders at 31 March 2002 amounted to HK\$1,593.9 million (2001: restated HK\$1,578.5 million).

Notes to the Accounts (continued)

23. LONG-TERM BANK LOANS

	Group		Company	
	2002 HK\$ Million	2001 HK\$ Million	2002 HK\$ Million	2001 HK\$ Million
Secured bank loans				
Repayable after 1 year, but within 2 years	140.0	1,255.9	–	–
Repayable after 2 years, but within 5 years	1,072.9	718.0	–	–
Repayable after 5 years	953.0	–	–	–
	2,165.9	1,973.9	–	–
Unsecured bank loans				
Repayable after 1 year, but within 2 years	4,800.0	6,325.0	–	6,325.0
Repayable after 2 years, but within 5 years	2,350.0	4,100.0	–	–
	7,150.0	10,425.0	–	6,325.0
	9,315.9	12,398.9	–	6,325.0

A bank loan of HK\$953.0 million with an original term of over one year and repayable on 7 March 2003 remains classified as a non-current liability in the balance sheet as an agreement has been reached with the banker to refinance the loan on a long-term basis.

24. DEFERRED TAXATION

	Group	
	2002 HK\$ Million	2001 HK\$ Million
At 1 April	790.8	734.9
Exchange differences	(15.4)	(37.2)
Transferred (to)/from profit and loss account (Note 6)	(665.0)	93.1
At 31 March	110.4	790.8
Major components of deferred taxation provided are set out below:		
Profit on pre-sale of properties	71.4	625.3
Surplus on revaluation of a property on acquisition of subsidiaries	39.0	165.5
	110.4	790.8

Notes to the Accounts (continued)

25. CONTINGENT LIABILITIES

At 31 March 2002

- a) There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities up to HK\$15,601.6 million (2001: HK\$6,172.3 million).
- b) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$601.4 million (2001: HK\$595.3 million) of which HK\$320.2 million (2001: HK\$322.4 million) had been drawn.
- 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.

26. COMMITMENTS**a) Commitments in respect of property developments and capital expenditures**

	2002 HK\$ Million	Group 2001 HK\$ Million
Contracted but not provided for	3,064.2	4,379.5

b) Capital commitments in respect of investments in China projects

	2002 HK\$ Million	Group 2001 HK\$ Million
Contracted but not provided for	501.9	1,504.6

c) Operating lease commitments

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

	2002 HK\$ Million	Group 2001 HK\$ Million
Within 1 year	188.8	268.6
After 1 year but within 5 years	139.3	280.0
After 5 years	0.3	6.8
	328.4	555.4

d) Forward exchange contracts

	2002 HK\$ Million	Group 2001 HK\$ Million
Forward exchange contracts outstanding	2,069.8	798.2

Notes to the Accounts (continued)

27. 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 2002:

- a) Loans and amounts due to associates of HK\$4,457.4 million (2001: HK\$4,750.8 million) were advanced from certain associates for the Bellagio and Sorrento projects, further details of which are disclosed in note 13 to the accounts.
- b) As disclosed in note 25(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.
- c) During the financial year, the Group has disposed of its 100% interest in several sites at Yau Tong to an associate, The Wharf (Holdings) Limited, for a total consideration of HK\$753.5 million. The consideration was calculated on the basis of the value of the properties as assessed by an independent valuer. This transaction was previously announced on 18 July 2001.

28. POST BALANCE SHEET EVENTS

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

29. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of changes in accounting policies for goodwill/negative goodwill, planned maintenance provision, proposed dividends and segment reporting in order to comply with SSAPs 30, 28, 9 and 26 respectively, details of which are set out in note 10 to the accounts.

30. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 14 June 2002.

Principal Subsidiaries and Associates

at 31 March 2002

Subsidiaries	Place of incorporation/ operation	Issued & fully paid up share capital (all being ordinary shares except otherwise stated)	Percentage of equity attributable to the Group	Principal activities
Actbilt Pte Limited	Singapore	2 S\$1 shares	56	Property
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	55	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	55	Property
* Joyce Beauty (Hong Kong) Limited	Hong Kong	10,000 HK\$1 shares	52	Retailing
* Joyce Boutique Holdings Limited	Bermuda/ International	1,600,000,000 HK\$0.1 shares	52	Holding company
* Joyce Boutique Limited	Hong Kong	100 HK\$100 shares 5,000 non-voting deferred HK\$100 shares	52 52	Retailing
* Joyce Cafe (Hong Kong) Limited	Hong Kong	2 HK\$1 shares	52	Restaurant
Keevil Company Limited	Hong Kong	2 HK\$1 shares	55	Property
Kennedy Town Service Company Limited	Hong Kong	50 HK\$100 shares	55	Finance
Kowloon Properties Company Limited	Hong Kong	10,000 HK\$1 shares	62	Property
* Lane Crawford International Limited	Bermuda/ International	2,000,000 HK\$0.05 shares	100	Holding company
* Lane Crawford (Hong Kong) Limited	Hong Kong	2 HK\$10 shares	100	Retailing
* Lane Crawford (Singapore) Pte Ltd	Singapore	25,000 S\$1 shares	100	Retailing
Marco Polo Developments Limited	Singapore	398,853,292 S\$1 shares	56	Property
Marnav Holdings Limited	Hong Kong	1,000,000 HK\$1 shares	55	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

Principal Subsidiaries and Associates (continued)

Subsidiaries	Place of incorporation/ operation	Issued & fully paid up share capital (all being ordinary shares except otherwise stated)	Percentage of equity attributable to the Group	Principal activities
* Office Buildings Management Limited	Hong Kong	198 HK\$100 shares	99	Property management
Pizzicato Limited	Hong Kong	2 HK\$10 shares	55	Property
Realty Development Corporation Limited	Hong Kong	1,151,389,640 HK\$0.2 shares	55	Holding company
* 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	55	Property
Sandsprings Limited	Hong Kong	2 HK\$10 shares	55	Property
Titano Limited	Hong Kong	2 HK\$1 shares	55	Property
Wavatah Company Limited	Hong Kong	2 HK\$1 shares	55	Property
* Wheelock Capital Limited (held directly)	Hong Kong	2 HK\$1 shares	100	Investment
* Wheelock China Limited (held directly)	Hong Kong/ China	2 HK\$1 shares	100	Holding company
* Wheelock International Limited	British Virgin Islands/ International	500 US\$1 shares	100	Management services
* 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	55	Property

Principal Subsidiaries and Associates (continued)

Associates	Place of incorporation/operation	Percentage of share capital (of the class of shares stated below) held by subsidiaries of the Company	Percentage of equity attributable to the Group	Principal activities
City Super Limited	Hong Kong	39 (ordinary shares)	39	Retailing
Dramstar Company Limited	Hong Kong	100 ("B" shares)	24	Property
Grace Sign Limited	Hong Kong	20 (ordinary shares)	11	Property
Hamptons Group Limited	United Kingdom	33 (ordinary shares)	18	Property agency
The Wharf (Holdings) Limited	Hong Kong	49.9 (ordinary shares)	48	Holding company

Notes:

- a) * The accounts of these companies have been audited by PricewaterhouseCoopers.
- b) Unless otherwise stated, the subsidiaries and associates were held indirectly by the Company.
- c) 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.
- d) All associates are corporate entities.

