

Notes to the Accounts

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice 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 significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties set out below.

(c) Subsidiaries

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 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 accounted for in accordance with note 1(f).

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 gains, 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(i)), 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 accounted for in accordance with note 1(f).

(d) 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 accounted for in accordance with note 1(f). The consolidated 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(e).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(i)), 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 accounted for in accordance with note 1(f).

Notes to the Accounts (cont'd)

1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(e) Goodwill**

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:—

- for acquisitions before 1st July, 2001, positive goodwill is eliminated against reserves and is reduced by impairment loss (see note 1(i)); and
- for acquisitions on or after 1st July, 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(i)).

In respect of acquisition of associates, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(i)) is included in the carrying amount of the interest in associates.

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:—

- for acquisitions before 1st July, 2001, negative goodwill is credited to a capital reserve; and
- for acquisitions on or after 1st July, 2001, to the extent that negative goodwill 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, it is recognised in the consolidated 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 consolidated 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 consolidated profit and loss account.

In respect of any negative goodwill not yet recognised in the consolidated profit and loss account:—

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and
- for associates, such negative goodwill is included in the carrying amount of the interest in associates.

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

(f) Investments in securities

The Group's policies for investments in securities other than investments in subsidiaries and associates are as follows:—

- (i) Investments held on a continuing basis for an identified long-term purpose are classified as "investment securities". Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.
- (ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iii) All other securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.
- (iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

Notes to the Accounts (cont'd)

1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Fixed assets

- (i) Fixed assets are carried in the balance sheets on the following bases:—
- investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by a qualified valuer of the Group and at least every three years by external qualified valuers; and
 - land and buildings held for own use are stated in the balance sheet at cost less accumulated depreciation (see note 1(m)) and impairment losses (see note 1(i)).
 - other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(m)) and impairment losses (see note 1(i)).
- (ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:—
- when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties immediately prior to the revaluation; and
 - when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.
- (iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.

(h) Properties held for and under development

Properties held for and under development are stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any provision considered necessary by the directors.

(i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:—

- other fixed assets (other than properties carried at revalued amounts);
- investments in subsidiaries and associates (except for those accounted for note 1(f) as specified in notes 1(c) and (d)); and
- positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently.

Notes to the Accounts (cont'd)

1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Impairment of assets (cont'd)

(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.

(j) Completed properties for sale

Completed properties for sale remaining unsold at the year end are valued at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(k) Development expenditure

Construction and other costs, including borrowing costs and expenses relating to the marketing and sale of development properties prior to the issuance of a completion certificate by the relevant government authorities, are included as part of properties held for/under development. Interest payable on loans relating to properties held for/under development is capitalised up to the date of completion of the properties.

(l) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:—

(i) Sale of properties

Revenue arising from the development of properties for sale together with the interest earned on instalment sale of properties are recognised upon the sale of properties or the issuance of the completion certificate by the relevant government authorities, whichever is later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under creditors and accrued expenses.

(ii) Rental income from operating leases

Rental income receivable 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.

(iii) Interest income

Interest earned on loans and advances to customers and investee company and bank deposits are accrued on a time apportioned basis on the principal outstanding and at the rate applicable.

(iv) Management and sales commission

Management and sales commission is recognised as the relevant services are rendered.

(v) Guaranteed return on investment

Guaranteed return on investment is recognised on a straight-line basis over the construction period of the relevant development project on the total development costs incurred and at the applicable rate of return.

Notes to the Accounts (cont'd)

1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(m) Depreciation****(i) Investment properties**

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuation takes into account the state of each property at the date of valuation.

(ii) Properties held for and under development

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

(iii) Land and buildings held for own use

Land and buildings held for own use are depreciated on a straight-line basis over the remaining terms of the respective leases or 40 years if shorter.

(iv) Other fixed assets

Other fixed assets are stated at cost, less depreciation. Depreciation is provided on a straight-line basis over their estimated useful lives as follows:—

Leasehold improvements, furniture, fixtures and office equipment	—	5 years
Motor vehicles and yacht	—	4 to 5 years

(n) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or 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 the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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) Translation of foreign currencies

Foreign currency transactions, inclusive of those entered into by the Company's subsidiaries and associates established outside Hong Kong, the operations and cash flows of which have a direct impact upon those of the Company, during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The accounts of other subsidiaries and associates expressed in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising thereon are dealt with as a movement in reserves.

Notes to the Accounts (cont'd)

1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(q) Leased assets**

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(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(m) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(l)(ii) above.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to 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 received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made.

(r) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(s) 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 construction which necessarily takes a substantial period of time to get ready for its intended use or sale.

(t) Retirement costs

The Group operates a defined contribution scheme and a Mandatory Provident Fund Scheme (the "MPF Scheme"). The regular cost of providing retirement benefits of the defined contribution scheme is charged to the profit and loss account at 4% or 6% of the eligible employees' basic salaries depending on the length of services. For the MPF Scheme, in addition to the minimum benefit set out in the MPF Ordinance, the Group provides certain voluntary top-up benefits to the employees. The Group also participates in the state-organised pension scheme operated by the Government of the PRC for its employees of the subsidiaries in the PRC. The Group contributes a certain percentage of the employees' payroll to fund the benefits.

(u) Related parties

For the purposes of these accounts, parties are 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.

(v) Segment reporting

A segment is a 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.

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.

Notes to the Accounts (cont'd)

1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Segment reporting (cont'd)

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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. 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 enterprises 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 loans, borrowings, corporate and financing expenses and minority interests.

2 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

The Group comprises the following main business segments:—

Property development	— the development and sale of properties
Property investment	— the leasing of properties to generate rental income
Finance	— the provision of financing to generate interest income
Management and sales commissions	— the provision of property management services to generate management income
Guaranteed return on investment	— the investment of An-Ju project to generate guaranteed return

(a) Revenue and results

	Property development		Property investment		Finance		Management and sales commissions		Guaranteed return on investment		Unallocated		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	398,391	268,571	67,503	66,156	81,865	103,833	26,168	31,173	3,685	13,516	—	—	577,612	483,249
External revenue	398,391	268,571	67,503	66,156	81,865	103,833	26,168	31,173	3,685	13,516	—	—	577,612	483,249
Segment result	43,341	74,323	20,673	36,401	64,603	102,116	25,131	29,359	3,685	13,516	1,217	(9,074)	158,650	246,641
Profit from operations													158,650	246,641
Finance costs													(8,141)	(5,939)
													150,509	240,702
Share of losses less profits of associates	4,131	(3,675)	2,632	(32,413)	—	—	—	—	—	—	(14,217)	(25,121)	(7,454)	(61,209)
Profit from ordinary activities before taxation													143,055	179,493
Taxation													(6,554)	12,439
Profit from ordinary activities after taxation													136,501	191,932
Minority interests													(3,615)	(24,216)
Profit attributable to shareholders													132,886	167,716

Notes to the Accounts (cont'd)

2 SEGMENTAL INFORMATION (cont'd)

(b) Assets and liabilities

	Property development		Property investment		Finance		Management and sales commissions		Guaranteed return on investment		Unallocated		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	5,380,774	6,594,532	3,500,681	2,260,209	125,691	150,994	44,278	29,469	—	—	783,761	618,021	9,835,185	9,653,225
Interest in associates	140,029	178,508	740,097	748,055	789,801	750,210	—	—	—	—	19,852	34,155	1,689,779	1,710,928
Total assets													11,524,964	11,364,153
Segment liabilities	(216,171)	(475,373)	(117,242)	(102,428)	(12,640)	(229)	(4,912)	(2,484)	—	—	(2,578,493)	(2,621,714)	(2,929,458)	(3,202,228)

(c) Other information

	Property development		Property investment		Finance		Management and sales commissions		Guaranteed return on investment	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation & amortisation	466	72	186	669	57	57	59	38	—	—
Significant non-cash expenses (other than depreciation and amortisation)	—	—	—	16,869	—	—	—	—	—	—
Capital expenditure	239	2,070	2,117	76,860	—	—	1	148	—	—

No geographical analysis of each segment is shown as less than 10% of the Group's operations and assets and liabilities are outside the PRC.

Notes to the Accounts (cont'd)

3 TURNOVER

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are primarily property development and investment, project management, property management, finance and investment holding in the PRC.

Turnover represents proceeds from the sale of properties, rental and interest income, management and sales commissions, and guaranteed return on investment. The amount of each significant category of revenue included in turnover during the year is as follows:—

	The Group	
	2002 HK\$'000	2001 HK\$'000
Sale of properties	398,391	268,571
Rental income	67,503	66,156
Interest income	81,865	103,833
Management and sales commissions	26,168	31,173
Guaranteed return on investment	3,685	13,516
	<u>577,612</u>	<u>483,249</u>

4 OTHER NET (LOSS) / INCOME

	The Group	
	2002 HK\$'000	2001 HK\$'000
Net loss on disposal of fixed assets	(9,037)	—
Exchange gain / (loss)	1,231	(1,302)
Write back of construction costs	—	66,170
Net gain / (loss) on disposal of associates	4,351	(4,461)
Others	(57)	17
	<u>(3,512)</u>	<u>60,424</u>

5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging / (crediting):—

(a) Finance costs

	The Group	
	2002 HK\$'000	2001 HK\$'000
Bank interest	74,597	97,697
Interest on loans wholly repayable within five years	17,423	32,251
Other borrowing costs	3,800	200
Total borrowing costs	<u>95,820</u>	<u>130,148</u>
Less: amount capitalised*	<u>87,679</u>	<u>124,209</u>
	<u>8,141</u>	<u>5,939</u>

* Borrowing costs have been capitalised at a rate of 3.96% (2001: 6.54%) per annum.

Notes to the Accounts (cont'd)

5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION (cont'd)

(b) Other items

	The Group	
	2002 HK\$'000	2001 HK\$'000
Staff costs (including retirement costs of HK\$1,735,000 (2001: HK\$1,675,000))	53,328	54,673
Less: amount capitalised (including retirement costs of HK\$1,441,000 (2001: HK\$1,218,000))	<u>30,677</u>	<u>41,365</u>
	<u>22,651</u>	<u>13,308</u>
Provision for doubtful debts	<u>5,048</u>	<u>17,946</u>
Depreciation	1,584	3,653
Less: amount capitalised	<u>679</u>	<u>2,784</u>
	<u>905</u>	<u>869</u>
Auditors' remuneration	<u>2,039</u>	<u>2,006</u>
Cost of completed properties for sale	<u>292,439</u>	<u>204,434</u>
Operating lease charges	2,163	1,775
Less: amount capitalised	<u>1,712</u>	<u>1,504</u>
	<u>451</u>	<u>271</u>
Rental receivables net of outgoings HK\$2,814,000 (2001: HK\$1,304,000)	<u>(64,689)</u>	<u>(64,852)</u>

6 SHARE OF LOSSES LESS PROFITS OF ASSOCIATES

	The Group	
	2002 HK\$'000	2001 HK\$'000
Share of losses less profits before taxation	7,454	61,209
Attributable taxation	<u>14,256</u>	<u>6,425</u>
	<u>21,710</u>	<u>67,634</u>

Notes to the Accounts (cont'd)

7 TAXATION

(a) Taxation in the consolidated profit and loss account represents:—

	The Group	
	2002 HK\$'000	2001 HK\$'000
Provision for Hong Kong Profits Tax at 16% (2001: 16%) on the estimated assessable profits for the year	649	685
Overprovision of Hong Kong Profits Tax in respect of prior years	(36)	(1,922)
Taxation outside Hong Kong provided for at the applicable rates of taxation on the estimated assessable profits for the year arising in the relevant tax jurisdictions	4,039	18,598
Overprovision of taxation outside Hong Kong in respect of prior years	(188)	(21,202)
	<u>4,464</u>	<u>(3,841)</u>

(b) Taxation in the consolidated balance sheet represents:—

	The Group	
	2002 HK\$'000	2001 HK\$'000
Provision for Hong Kong Profits Tax for the year	649	685
Provision for taxation outside Hong Kong for the year	4,039	18,598
Balance of profits tax provision relating to previous years	125,255	130,773
	<u>129,943</u>	<u>150,056</u>

(c) Deferred taxation

No provision for deferred taxation has been made in the accounts as the directors consider that no liability would be likely to arise as a result of the reversal of timing differences in the foreseeable future. The major components of potential deferred taxation assets not recognised are as follows:—

	The Group	
	2002 HK\$'000	2001 HK\$'000
Depreciation in excess of related depreciation allowances	2,152	1,559
Unutilised tax losses	1,882	1,644
	<u>4,034</u>	<u>3,203</u>

No provision for deferred taxation has been made in respect of the revaluation surpluses arising on investment properties as pursuant to an indemnity deed dated 15th March, 1996, Henderson Land Development Company Limited ("Henderson Land") will indemnify the Group's share of the Land Appreciation Tax ("LAT") and PRC income tax arising on the disposal of such properties as set out in note 8.

Notes to the Accounts (cont'd)

8 TAX INDEMNITY

Tax indemnity represents indemnity receivable from an intermediate holding company, Henderson Land, pursuant to an indemnity deed dated 15th March, 1996 in respect of PRC income tax and LAT payable by the Group in consequence of the disposal by the Group of any of its property interests owned by the Group as at 31st December, 1995 ("Property Interests") insofar as such taxation is attributable to the difference between (i) the value attributed to the relevant Property Interests in the valuation of the Group's Property Interests by DTZ Debenham Tie Leung Limited (formerly C.Y. Leung & Company Limited) as at 31st December, 1995 ("the Valuation") and (ii) the aggregate of the attributable costs of such Property Interests incurred up to 31st December, 1995 and the attributable amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of such Property Interests, on the assumption that such Property Interests are disposed of at the value attributed to them in the Valuation and computed by reference to the current rates and legislation governing PRC income tax and LAT.

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of HK\$68,675,000 (2001: HK\$53,238,000) which has been dealt with in the accounts of the Company.

10 DIVIDENDS

(a) Dividends attributable to the year

	The Company	
	2002 HK\$'000	2001 HK\$'000
Interim dividend declared and paid of HK\$0.06 (2001: HK\$0.06) per share	29,807	29,807
Final dividend proposed after balance sheet date of HK\$0.06 (2001: HK\$0.06) per share	29,807	29,807
	<u>59,614</u>	<u>59,614</u>

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

	The Company	
	2002 HK\$'000	2001 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, at HK\$0.06 (2001: HK\$0.10) per share	29,807	49,678

Notes to the Accounts (cont'd)

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$132,886,000 (2001: HK\$167,716,000) and on 496,776,205 ordinary shares (2001: 496,776,205 ordinary shares) in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the year is not shown as the existence of outstanding options during the year ended 30th June, 2002 has an anti-dilutive effect on the calculation of diluted earnings per share for the year. There was no potential dilution of earnings per share during 2001.

12 CHANGES IN ACCOUNTING POLICIES

(a) Dividends

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1st July, 2001, in order to comply with SSAP 9 (revised) "Event after the balance sheet date", the Group recognises dividends proposed or declared as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends). Consequently, dividend income from subsidiaries and associates is recognised as income in the Company's profit and loss account in the accounting period in which they are declared.

As a result of the new accounting policy, the Group's net assets as at the year end have been increased by HK\$29,807,000 (2001: HK\$49,678,000). There is no impact on the Group's profit attributable to shareholders for the periods presented. The new accounting policy has been adopted retrospectively, with the opening balances of retained profits and the comparative information adjusted for the amounts relating to prior periods.

(b) Goodwill

In accordance with SSAP 30 "Business combinations", goodwill arising on acquisition of subsidiaries and associates after 1st July, 2001 is recognised as an asset in the balance sheet and amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Negative goodwill arising on acquisition after 1st July, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances as set out in note 1(e). Upon disposal of a subsidiary or an associate the attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account is included in the calculation of the profit and loss on disposal.

In prior years, positive / negative goodwill arising on acquisition of subsidiaries and associates was eliminated against / credited to reserves. With the transitional provisions in SSAP 30, the Group has elected not to restate positive / negative goodwill previously eliminated against / credited to reserves. However, any impairment arising on such positive goodwill is recognised in the profit and loss account in accordance with the newly issued SSAP 31 "Impairment of assets" (see note 1(i)). This change in accounting policy has no significant impact on the account.

Notes to the Accounts (cont'd)

13 FIXED ASSETS

The Group

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles and yacht HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Total HK\$'000
Cost or valuation: –							
At 1st July, 2001	8,182	17,394	24,522	25,150	75,248	2,166,000	2,241,248
Additions	—	1,353	1,506	—	2,859	—	2,859
Transfer from completed properties for sale	—	—	—	—	—	908,458	908,458
Disposals	(4,870)	(9,147)	(37)	—	(14,054)	—	(14,054)
Surplus on revaluation	—	—	—	—	—	336,142	336,142
At 30th June, 2002	<u>3,312</u>	<u>9,600</u>	<u>25,991</u>	<u>25,150</u>	<u>64,053</u>	<u>3,410,600</u>	<u>3,474,653</u>
Representing: –							
Cost	3,312	9,600	25,991	25,150	64,053	—	64,053
Valuation 2002	—	—	—	—	—	3,410,600	3,410,600
	<u>3,312</u>	<u>9,600</u>	<u>25,991</u>	<u>25,150</u>	<u>64,053</u>	<u>3,410,600</u>	<u>3,474,653</u>
Aggregate depreciation: –							
At 1st July, 2001	1,327	7,764	21,840	24,248	55,179	—	55,179
Charge for the year	80	620	874	10	1,584	—	1,584
Written back on disposal	(727)	(78)	(17)	—	(822)	—	(822)
At 30th June, 2002	<u>680</u>	<u>8,306</u>	<u>22,697</u>	<u>24,258</u>	<u>55,941</u>	<u>—</u>	<u>55,941</u>
Net book value: –							
At 30th June, 2002	<u>2,632</u>	<u>1,294</u>	<u>3,294</u>	<u>892</u>	<u>8,112</u>	<u>3,410,600</u>	<u>3,418,712</u>
At 30th June, 2001	<u>6,855</u>	<u>9,630</u>	<u>2,682</u>	<u>902</u>	<u>20,069</u>	<u>2,166,000</u>	<u>2,186,069</u>

The analysis of net book value of properties is as follows:—

	The Group	
	2002 HK\$'000	2001 HK\$'000
Outside Hong Kong under long leases	—	4,144
under medium-term leases	<u>3,413,232</u>	<u>2,168,711</u>
	<u>3,413,232</u>	<u>2,172,855</u>

The Group's investment properties were revalued as at 30th June, 2002 by an independent firm of surveyors, DTZ Debenham Tie Leung Limited who have among their staff Fellow of Hong Kong Institute of Surveyors on an open market value basis calculated on total rental income taking into account reversionary income potential.

The Group's share of LAT and PRC income tax arising on any disposal of such revalued investment properties are estimated at approximately HK\$100,722,000 (2001: HK\$21,254,000) and HK\$77,556,000 (2001: HK\$16,365,000) respectively. Pursuant to an indemnity deed dated 15th March, 1996, Henderson Land will indemnify the Group's share of the LAT and PRC income tax liabilities of HK\$100,722,000 (2001: HK\$21,254,000) and HK\$77,556,000 (2001: HK\$16,365,000) respectively (note 8).

Notes to the Accounts (cont'd)

13 FIXED ASSETS (cont'd)

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

The gross carrying amounts of investment properties of the Group held for use in operating leases were HK\$3,410,600,000 (2001: HK\$2,166,000,000).

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

	The Group	
	2002 HK\$'000	2001 HK\$'000
Within 1 year	80,483	56,509
After 1 year but within 5 years	101,637	89,703
After 5 years	25,093	32,173
	<u>207,213</u>	<u>178,385</u>

14 INTEREST IN SUBSIDIARIES

	The Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	5,997,196	5,983,727
Less: impairment loss	(5,707)	(4,631)
	<u>5,991,490</u>	<u>5,979,097</u>
Amounts due to subsidiaries	(269)	(9,582)
	<u>5,991,221</u>	<u>5,969,515</u>

Details of principal subsidiaries are shown on pages 65 to 70.

15 INTEREST IN ASSOCIATES

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted investments				
Share of net liabilities	(107,386)	(52,727)	—	—
Loans to associates	1,816,270	1,782,760	47	49
Loans from associates	(19,105)	(19,105)	—	—
	<u>1,689,779</u>	<u>1,710,928</u>	<u>47</u>	<u>49</u>

Details of principal associates are shown on page 71.

Notes to the Accounts (cont'd)

16 INVESTMENTS IN SECURITIES

	The Group	
	2002 HK\$'000	2001 HK\$'000
Investment securities — equity securities		
Listed outside Hong Kong	20,314	20,314
Unlisted	53,461	53,461
Total	73,775	73,775
Market value of listed securities	23,788	23,842

17 PROPERTIES HELD FOR DEVELOPMENT

	The Group	
	2002 HK\$'000	2001 HK\$'000
Outside Hong Kong in the PRC	3,790,336	3,657,342

Included in the balance at 30th June, 2002 are properties held for development carried at net realisable value of HK\$1,220,084,000 (2001: HK\$1,162,795,000) as estimated by the directors after taking into account a valuation report prepared by DTZ Debenham Tie Leung Limited dated 24th September, 2002 in respect of certain properties of the Group.

18 INSTALMENTS RECEIVABLE

- (a) This represents the principal content of instalments receivable from the sale of flats after twelve months from the balance sheet date. The amounts receivable within twelve months from the balance sheet date are included under current assets.
- (b) The ageing analysis of instalments receivable (net of provision for bad debts) under current assets is as follows:—

	The Group	
	2002 HK\$'000	2001 HK\$'000
Under 1 month overdue	45,799	119,638
More than 1 month overdue but less than 3 months overdue	1,145	3,250
More than 3 months overdue but less than 6 months overdue	1,907	1,616
More than 6 months overdue	37,660	49,383
	86,511	173,887

19 LOANS RECEIVABLE

	The Group	
	2002 HK\$'000	2001 HK\$'000
Amount due from an investee company	205,610	294,314

Notes to the Accounts (cont'd)

19 LOANS RECEIVABLE (cont'd)

Amount due from an investee company represents funds advanced by the Group pursuant to a financing arrangement for certain government-sponsored An-Ju housing projects in Tianjin, the PRC, under which the Group is entitled to interest income, management commission and guaranteed return on investment.

20 DEBTORS, PREPAYMENTS AND DEPOSITS

The Group maintains a defined credit policy. Consideration in respect of sold properties are payable by the purchaser pursuant to the terms of the sale and purchase agreement. Monthly rent in respect of leasing properties are payable in advance by tenants. Other trade debtors settle their accounts according to the payment terms as stated in the contracts. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

The ageing analysis of trade debtors (net of provision for bad debts) is as follows:—

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Under 1 month overdue	42,873	56,335	—	—
More than 1 month overdue but less than 3 months overdue	7,153	3,890	—	—
More than 3 months overdue but less than 6 months overdue	14,318	6,863	—	—
More than 6 months overdue	168,661	83,849	—	—
	233,005	150,937	—	—
Prepayments, deposits and other receivables	305,078	440,734	116,752	129,412
	538,083	591,671	116,752	129,412

The above balances include HK\$357,010,000 (2001: HK\$429,314,000) which are not expected to be recovered within one year.

21 BANK LOANS AND OVERDRAFTS

	The Group	
	2002 HK\$'000	2001 HK\$'000
At 30th June, 2002, the bank loans and overdrafts were repayable as follows:—		
Within 1 year or on demand	467,744	528,228
After 1 year but within 2 years	597,143	700,000
After 2 years but within 5 years	759,316	735,582
	1,824,203	1,963,810

The Group has unsecured banking facilities, amounting to HK\$4,802,863,000 (2001: HK\$4,614,844,000), of which HK\$1,824,203,000 (2001: HK\$1,963,810,000) were utilised at 30th June, 2002.

Notes to the Accounts (cont'd)

22 CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade creditors with the following ageing analysis:—

	The Group	
	2002 HK\$'000	2001 HK\$'000
Trade creditors:—		
Due within 1 month and on demand	4,130	12,642
Due after 1 month but within 3 months	1,003	69,200
Due after 3 months but within 6 months	36,990	64,191
Due after 6 months	140,818	217,930
	<u>182,941</u>	<u>363,963</u>
Rental and other deposits	24,466	18,218
Other payables	150,603	203,408
	<u>358,010</u>	<u>585,589</u>

The above balances include HK\$117,399,000 (2001: HK\$136,019,000) which are not expected to be settled within one year.

23 AMOUNTS DUE TO FELLOW SUBSIDIARIES

	The Group	
	2002 HK\$'000	2001 HK\$'000
Amounts due to fellow subsidiaries	617,302	502,773

The amounts due to fellow subsidiaries are unsecured, will not be repayable within the next twelve months and are interest free with the exception of loans totalling HK\$405,872,000 (2001: HK\$282,594,000) which carry interest at the prevailing Hong Kong Inter-bank Offer Rates.

24 SHARE CAPITAL

	Number of shares		Nominal value	
	2002 '000	2001 '000	2002 HK\$'000	2001 HK\$'000
Authorised:—				
Ordinary shares of HK\$1.00 each	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:—				
Ordinary shares of HK\$1.00 each	496,776	496,776	496,776	496,776

Pursuant to a resolution passed at an extraordinary general meeting of the Company held on 15th March, 1996, a share option scheme was approved and adopted by the Company under which the directors are authorised to grant options to subscribe for shares of the Company (the "Shares") not exceeding in total 10% of the Company's issued share capital from time to time. Consideration of HK\$1.00 per grant of options is payable by each grantee.

Notes to the Accounts (cont'd)

24 SHARE CAPITAL (cont'd)

The exercise price of the options is to be determined by the directors and will not be less than 80% of the average closing price of the Shares on The Stock Exchange of Hong Kong Limited on the five business days immediately preceding the date of offer of such options or the nominal value of the Shares, whichever is the higher. The options are exercisable at any time within three years commencing on the expiry of six months after the date on which the options are accepted or 14th March, 2006, whichever is the earlier.

At 30th June, 2002, the details of outstanding share options were as follows:—

Date of grant	Number of share options granted	Exercise price per share HK\$	Exercisable period - 3 years commencing on	Number of share options lapsed / exercised	Number of share options outstanding at 30th June, 2002
12th December, 2000	1,000,000	4.00	28th June, 2001	—	1,000,000
21st February, 2001	1,500,000	4.00	21st August, 2001	—	1,500,000
2nd May, 2001	1,500,000	4.00	2nd November, 2001	—	1,500,000

During the year, no share options were granted, exercised, cancelled or lapsed.

25 CAPITAL RESERVES

	Reserve on consolidation HK\$'000	The Group Other reserve (note) HK\$'000	Total HK\$'000
At 1st July, 2000	71,075	4,305	75,380
Transfer from profit and loss account (note)	—	49	49
Capital reserve arising on consolidation	4	—	4
At 30th June, 2001	71,079	4,354	75,433
At 1st July, 2001	71,079	4,354	75,433
Transfer from profit and loss account (note)	—	70	70
At 30th June, 2002	71,079	4,424	75,503

Note: According to the relevant PRC rules and regulations applicable to wholly foreign-owned enterprises, one of the Company's subsidiaries is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant subsidiary's registered capital.

Notes to the Accounts (cont'd)

26 INVESTMENT PROPERTY REVALUATION RESERVE

	The Group	
	2002 HK\$'000	2001 HK\$'000
Balance at 1st July	70,646	122,752
Revaluation surplus / (deficit)	257,001	(52,106)
Balance at 30th June	327,647	70,646

27 RETAINED PROFITS

	The Group		The Company	
	2002 HK\$'000	2001 Restated HK\$'000	2002 HK\$'000	2001 Restated HK\$'000
Balance at 1st July				
— as originally stated	1,090,425	982,372	5,666	12,042
— prior period adjustment in respect of dividend proposed (note 12(a))	29,807	49,678	29,807	49,678
— as restated	1,120,232	1,032,050	35,473	61,720
Profit for the year (note 9)	132,886	167,716	68,675	53,238
Dividends approved in respect of the previous year (note 10(b))	(29,807)	(49,678)	(29,807)	(49,678)
Dividends declared in respect of the current year (note 10(a))	(29,807)	(29,807)	(29,807)	(29,807)
Transfer to capital reserves	(70)	(49)	—	—
Balance at 30th June	1,193,434	1,120,232	44,534	35,473
Retained by:—				
Company and subsidiaries	1,412,821	1,284,960		
Associates	(219,387)	(164,728)		
	1,193,434	1,120,232		

28 MINORITY INTERESTS

Included in the minority interests are long term loans totalling HK\$459,788,000 (2001: HK\$439,545,000) from the minority shareholders and joint venture partners which are unsecured, will not be repayable within the next twelve months and bear interest either at an annual rate of US Dollar Prime Rate plus 1.5% or in accordance with terms specified in the respective joint venture agreements. Interest payable to the minority shareholders and joint venture partners amounted to HK\$1,554,000 (2001: HK\$2,188,000).

29 DISTRIBUTABLE RESERVES

The distributable reserves of the Company at 30th June, 2002 amounted to HK\$44,534,000 (2001 (restated): HK\$35,473,000).

Notes to the Accounts (cont'd)

30 COMMITMENTS

(a) At 30th June, 2002, the Group had commitments not provided for in these accounts as follows:—

	The Group	
	2002 HK\$'000	2001 HK\$'000
Contracted for	2,810,440	2,809,495
Authorised but not contracted for	914,878	685,408
	<u>3,725,318</u>	<u>3,494,903</u>

Based on information available at the balance sheet date, the directors estimate that the Group's commitments disclosed above are payable as follows:—

	The Group	
	2002 HK\$'000	2001 HK\$'000
Within 1 year	645,569	582,210
After 1 year but within 2 years	644,041	582,210
After 2 years	2,435,708	2,330,483
	<u>3,725,318</u>	<u>3,494,903</u>

The above commitments will be financed by the Group's existing banking facilities and operating cash flows.

(b) At 30th June, 2002, the Group had total future minimum lease payments under non-cancellable operating leases are payable as follows:—

	The Group	
	2002 HK\$'000	2001 HK\$'000
Within 1 year	616	1,670
After 1 year but within 5 years	11	627
	<u>627</u>	<u>2,297</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

Notes to the Accounts (cont'd)

31 CONTINGENT LIABILITIES

At 30th June, 2002, contingent liabilities of the Group and of the Company were as follows:—

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
(a) Guarantees given by the Company and its subsidiaries to financial institutions in respect of financing provided to purchasers of flats	268,670	145,137	—	—
(b) Guarantees given by the Company to banks to secure banking facilities of subsidiaries	—	—	1,023,202	1,463,322
	<u>268,670</u>	<u>145,137</u>	<u>1,023,202</u>	<u>1,463,322</u>

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with fellow subsidiaries

Details of material related party transactions between the Group and Henderson Land and its subsidiaries other than the Group (the "Henderson Land Group") and subsidiaries of Henderson Development Limited (the "Henderson Development companies") are as follows:—

	The Group	
	2002 HK\$'000	2001 HK\$'000
Interest expenses (note (i))	(17,423)	(32,252)
Accounting fees paid (note (ii))	(2,000)	(2,000)
Tax indemnity (note (iii))	12,166	15,023
	<u>12,166</u>	<u>15,023</u>

Notes:—

- (i) Interest expenses represent interest payable on the basis of outstanding balances owed to the Henderson Land Group and Henderson Development companies by subsidiaries of the Company. Interest under these intra group financing arrangements is charged based on the prevailing Hong Kong Inter-bank Offer Rate per annum.
- (ii) Accounting fees represent charges for accounting services payable to the Henderson Land Group by subsidiaries of the Company on terms not unfavourable to the Group.
- (iii) The tax indemnity represents indemnity receivable from Henderson Land Group pursuant to an indemnity deed dated 15th March, 1996 (note 8).
- (iv) The amounts due to the fellow subsidiaries at 30th June, 2002 are set out in note 23.

Notes to the Accounts (cont'd)

32 MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(b) Transactions with companies controlled by a director of the Company

Mr Lee Ka Kit, a director of the Company, through companies controlled or owned by him has separate interests in certain subsidiaries and associates of the Company and through which the Company holds its interest in certain development projects in the PRC. Mr Lee through companies controlled or owned by him had provided finance in the form of advances to these subsidiaries and associates in accordance with the percentage of his equity interest in these companies. At 30th June, 2002, the advances made to the Company's subsidiaries and associates through companies controlled or owned by Mr Lee amounting to HK\$410,158,000 (2001: HK\$377,948,000) and HK\$646,116,000 (2001: HK\$623,415,000) respectively are unsecured. Interest payable by these subsidiaries and associates to companies controlled or owned by Mr Lee under such arrangements during the year ended 30th June, 2002 are HK\$Nil (2001: HK\$Nil) and HK\$39,597,000 (2001: HK\$50,659,000) respectively.

(c) Transactions with associates

	The Group	
	2002 HK\$'000	2001 HK\$'000
Interest income recognised	50,486	62,541
Management fee recognised	6,793	7,831
	<u>57,279</u>	<u>70,372</u>

The amounts due to and due from the associates at the year end are set out in note 15.

In the opinion of the directors of the Company, the transactions with the above related parties were carried out on normal commercial terms and in the ordinary course of business.

33 DIRECTORS' REMUNERATION

(a) Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:—

	The Group	
	2002 HK\$'000	2001 HK\$'000
Executives directors		
Fees	220	220
Salaries and other emoluments	4,045	2,651
Retirement scheme contributions	246	180
	<u>4,511</u>	<u>3,051</u>
Independent non-executive directors		
Fees	40	60
Other emoluments	100	100
	<u>140</u>	<u>160</u>
Non-executive director		
Fee	20	20
Salary and other emolument	—	597
Discretionary bonus	—	1,638
Retirement scheme contribution	—	13
	<u>20</u>	<u>2,268</u>

Notes to the Accounts (cont'd)

33 DIRECTORS' REMUNERATION (cont'd)

(b) The remuneration of the directors is within the following bands:—

HK\$	The Group	
	2002 Number of Directors	2001 Number of Directors
Nil — 1,000,000	12	12
1,000,001 — 1,500,000	—	2
1,500,001 — 2,000,000	1	—
2,000,001 — 2,500,000	—	1
2,500,001 — 3,000,000	1	—
	<u>14</u>	<u>15</u>

34 SENIOR MANAGEMENT REMUNERATION

(a) Of the five individuals with the highest emoluments, two (2001: one) of them are directors whose emoluments are disclosed in note 33. The aggregate of the emoluments in respect of the other three (2001: four) individuals are as follows:—

	The Group	
	2002 HK\$'000	2001 HK\$'000
Salaries and other emoluments	5,953	8,513
Retirement scheme contributions	286	248
	<u>6,239</u>	<u>8,761</u>

(b) The remuneration of three (2001: four) employees who were not directors during the year and who were amongst the five highest paid employees of the Group, were within the following bands:—

HK\$	The Group	
	2002 Number of Employees	2001 Number of Employees
1,500,001 — 2,000,000	2	2
2,000,001 — 2,500,000	—	1
2,500,001 — 3,000,000	1	—
3,000,001 — 3,500,000	—	1
	<u>3</u>	<u>4</u>

35 ULTIMATE HOLDING COMPANY

The directors consider that the ultimate holding company at 30th June, 2002 to be Henderson Development Limited, which is incorporated in Hong Kong.

36 COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of changes in accounting policies for dividends, details of which are set out in note 12.