

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*For the six months ended 31st December, 2001*

### **1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30th June, 2001, except as described below.

In the current period, the Group adopted, for the first time, the following new and revised Statements of Standard Accounting Practice (“SSAP”s) issued by the Hong Kong Society of Accountants and which became effective during the period. Certain comparative figures have been restated to conform with the current period’s presentation.

#### **Dividends proposed or declared after the balance sheet date**

In accordance with SSAP 9 (Revised) “Events after the balance sheet date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this adjustment is summarised in note 3.

#### **Segment reporting**

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment reporting”. Segment disclosures for the six months ended 31st December, 2000 have been amended so that they are presented on a consistent basis.

#### **Goodwill**

In the current period, the Group has adopted SSAP 30 “Business combinations” and has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation in respect of goodwill between the date of acquisition of the relevant associate and the date of adoption of SSAP 30 has been recognised retrospectively. Following restatement, goodwill is presented as an asset in the balance sheet. Goodwill is amortised over its estimated useful life on a straight line basis over periods ranging between 5 to 20 years. The effect of these adjustments is summarised in note 3.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

### 3. PRIOR PERIOD ADJUSTMENTS

The financial effect of the adoption of the new and revised accounting policies described in note 2 is summarised below:

	<b>Retained profits</b> <i>HK\$</i>	<b>Goodwill reserve</b> <i>HK\$</i>
Balance at 1st July, 2000		
As originally stated	6,959,756,314	—
Derecognition of liability for final dividend for the year ended 30th June, 2000	181,495,097	—
Reclassification of goodwill reserve previously written off against retained profits to interests in associates	185,889,768	(185,889,768)
Restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation	<u>(37,177,952)</u>	<u>185,889,768</u>
As restated	<u>7,289,963,227</u>	<u>—</u>

The effect of these changes in accounting policies on the results for the current and prior periods is as follows:

	6 months ended 31st December, 2001 <i>HK\$</i>	Year ended 30th June, 2001 <i>HK\$</i>	6 months ended 31st December, 2000 <i>HK\$</i>
Amortisation of goodwill	<u>4,647,244</u>	<u>9,294,488</u>	<u>4,647,244</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

### 4. SEGMENT INFORMATION

#### Business segments

Six months ended 31st December, 2001

	Property investment HK\$	Property trading HK\$	Securities trading and investment HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$
REVENUE								
Turnover								
Property rental	386,581,902	12,815,895	145,149	890,117	14,615,922	—	—	415,048,985
Property sales	500,337,000	975,607	—	—	—	—	—	501,312,607
Hotel operation	—	—	—	—	102,079,493	—	—	102,079,493
Management services	24,035,057	—	—	—	—	165,319,749	—	189,354,806
Share investment and dealing	—	—	22,341,132	—	—	—	—	22,341,132
Financing	—	—	—	3,060,439	—	—	—	3,060,439
	910,953,959	13,791,502	22,486,281	3,950,556	116,695,415	165,319,749	—	1,233,197,462
Other revenue	7,592,808	24,095	1,694,864	1,617,686	—	7,883,458	—	18,812,911
Inter-segment sales	—	—	—	—	—	9,156,615	(9,156,615)	—
Total revenue	918,546,767	13,815,597	24,181,145	5,568,242	116,695,415	182,359,822	(9,156,615)	1,252,010,373
SEGMENT RESULT	655,390,988	10,270,551	(259,153,870)	5,568,242	57,100,229	78,764,411	—	547,940,551
Unallocated corporate expenses								(184,206,163)
Profit from operations								363,734,388

Six months ended 31st December, 2000

	Property investment HK\$	Property trading HK\$	Securities trading and investment HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$
REVENUE								
Turnover								
Property rental	401,295,426	12,166,842	224,118	833,100	1,000,908	—	—	415,520,394
Property sales	5,900,000	79,696,200	—	—	—	—	—	85,596,200
Hotel operation	—	—	—	—	6,669,253	—	—	6,669,253
Management services	22,394,886	—	—	—	—	152,550,200	—	174,945,086
Share investment and dealing	—	—	20,366,822	—	—	—	—	20,366,822
Financing	—	—	—	7,826,907	—	—	—	7,826,907
	429,590,312	91,863,042	20,590,940	8,660,007	7,670,161	152,550,200	—	710,924,662
Other revenue	7,512,120	2,381,223	4,247,737	122,371	268,780	28,118,535	—	42,650,766
Inter-segment sales	—	—	—	—	—	5,497,498	(5,497,498)	—
Total revenue	437,102,432	94,244,265	24,838,677	8,782,378	7,938,941	186,166,233	(5,497,498)	753,575,428
SEGMENT RESULT	368,417,895	(2,716,562)	28,313,695	8,775,833	5,352,216	103,414,339	—	511,557,416
Unallocated corporate expenses								(167,055,242)
Profit from operations								344,502,174

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)***For the six months ended 31st December, 2001***4. SEGMENT INFORMATION (continued)****Geographical segments**

Six months ended 31st December, 2001

	<b>Hong Kong</b> <i>HK\$</i>	<b>Singapore</b> <i>HK\$</i>	<b>Consolidated</b> <i>HK\$</i>
REVENUE			
External sales	1,135,314,958	116,695,415	1,252,010,373
SEGMENT RESULT	490,840,322	57,100,229	547,940,551
Unallocated corporate expenses			(184,206,163)
Profit from operations			363,734,388

Six months ended 31st December, 2000

	<b>Hong Kong</b> <i>HK\$</i>	<b>Singapore</b> <i>HK\$</i>	<b>Consolidated</b> <i>HK\$</i>
REVENUE			
External sales	745,636,487	7,938,941	753,575,428
SEGMENT RESULT	506,205,200	5,352,216	511,557,416
Unallocated corporate expenses			(167,055,242)
Profit from operations			344,502,174

**5. PROFIT FROM OPERATIONS**

<b>Six months ended</b>	
<b>31st December,</b>	31st December,
<b>2001</b>	2000
<b><i>HK\$</i></b>	<b><i>HK\$</i></b>

Profit from operations has been arrived at after charging:

Depreciation	<b>6,847,303</b>	3,695,665
Amortisation of goodwill	<b>4,647,244</b>	4,647,244

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

### 6. FINANCE INCOME

	Six months ended	
	31st December, 2001	31st December, 2000
	HK\$	HK\$
Interest income on		
– advances to associates	44,377,528	96,812,923
– advances to investee companies	3,537,410	3,980,474
– bank deposits	11,998,960	38,206,737
	<u>59,913,898</u>	<u>139,000,134</u>

### 7. FINANCE COSTS

	Six months ended	
	31st December, 2001	31st December, 2000
	HK\$	HK\$
Interests on borrowings, net of amounts capitalised to properties under development	244,464,424	270,607,040
Provision for premium on redemption of convertible bonds	27,630,227	48,104,689
Amortisation of issue costs of convertible bonds	3,048,030	7,695,709
Loan facility arrangement fees and finance charges	15,524,934	10,092,023
	<u>290,667,615</u>	<u>336,499,461</u>

### 8. TAXATION

	Six months ended	
	31st December, 2001	31st December, 2000
	HK\$	HK\$
Hong Kong Profits Tax:		
– Taxation attributable to the Company and its subsidiaries	28,013,995	27,700,898
– Share of taxation attributable to associates	9,493,758	4,743,912
	<u>37,507,753</u>	<u>32,444,810</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for both periods.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

### 9. DIVIDENDS

	<b>Six months ended</b>	
	<b>31st December,</b>	31st December,
	<b>2001</b>	2000
	<i>HK\$</i>	<i>HK\$</i>
Final dividend for the year ended 30th June, 2001 of HK2 cents ( <i>year ended 30th June, 2000 of HK5 cents</i> ) with a scrip dividend option per share	<b>76,821,664</b>	181,495,097

The Directors have determined that an interim dividend for the period of HK2 cents (*six months ended 31st December, 2000: HK2 cents*) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 17th April, 2002.

### 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$195,529,507 (*six months ended 31st December, 2000: HK\$202,952,666 as restated*) and on the weighted average of 3,852,541,638 (*six months ended 31st December, 2000: 3,632,736,121*) ordinary shares in issue throughout the period.

No diluted earnings per share amount has been compiled and presented for both periods as the effect of the assumed conversion of the Company's outstanding convertible bonds would result in an increase in net profit per share from operations.

The adjustment to comparative basic earnings per share, arising from the changes in accounting policies shown in note 3 above, is as follows:

	<b>Basic</b>
	<i>HK cents</i>
Reconciliation of basic earnings per share for the six months ended 31st December, 2000	
Reported figure before adjustment	5.71
Adjustment arising from the adoption of SSAP 30	(0.12)
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Restated figure	5.59
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### 11. INVESTMENT PROPERTIES

During the period, properties under development were transferred to investment properties amounting to HK\$499,028,625.

### 12. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment amounted to HK\$25,365,406.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

### 13. INTERESTS IN ASSOCIATES

	<b>31st December, 2001</b>	30th June, 2001 (As restated)
	<i>HK\$</i>	<i>HK\$</i>
Share of net assets	<b>3,856,728,704</b>	3,700,870,965
Goodwill	<b>32,202,144</b>	139,417,328
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	<b>3,888,930,848</b>	3,840,288,293
Advances to associates	<b>7,715,448,531</b>	7,429,493,474
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	<b>11,604,379,379</b>	11,269,781,767
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### 14. LOANS RECEIVABLE

The Group offers loans to buyers of properties sold by the Group and the repayment of the loans is specified in the respective loan agreements.

### 15. ACCOUNTS AND OTHER RECEIVABLES

Included in accounts and other receivables are trade receivables of HK\$111,160,952 (30th June, 2001: HK\$113,040,533) comprising mainly of rental receivables which are billed in advance and settlement are expected upon receipt of billings.

The following is an aging analysis of trade receivables at the reporting date:

	<b>31st December, 2001</b>	30th June, 2001
	<i>HK\$</i>	<i>HK\$</i>
0 – 30 days	<b>45,033,107</b>	52,240,474
31 – 60 days	<b>9,853,417</b>	3,819,254
61 – 90 days	<b>4,601,334</b>	5,193,552
Over 90 days	<b>51,673,094</b>	51,787,253
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	<b>111,160,952</b>	113,040,533
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Trade receivables over 90 days amounting to HK\$51,673,094 (30th June, 2001: HK\$51,787,253) are sufficiently covered by rental deposits received from the respective tenants and no provision is required for these receivables under the Group's provision policy.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

### 16. ACCOUNTS AND OTHER PAYABLES

Included in accounts and other payables are trade payables of HK\$67,114,823 (30th June, 2001: HK\$60,696,457).

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

	<b>31st December, 2001 HK\$</b>	30th June, 2001 HK\$
0 – 30 days	<b>50,444,084</b>	45,753,001
31 – 60 days	<b>7,166,154</b>	4,037,286
61 – 90 days	<b>3,371,268</b>	801,970
Over 90 days	<b>6,133,317</b>	10,104,200
	<b><u>67,114,823</u></b>	<b><u>60,696,457</u></b>

### 17. SHARE CAPITAL

	<b>Number of ordinary shares of HK\$1 each</b>	<b>Nominal value HK\$</b>
Authorised:		
At 1st July, 2001 and 31st December, 2001	<b><u>6,000,000,000</u></b>	<b><u>6,000,000,000</u></b>
Issued and fully paid:		
At 1st July, 2001	3,860,583,211	3,860,583,211
Issued in lieu of cash dividend	21,303,378	21,303,378
Cancellation upon repurchase of own shares	<u>(19,500,000)</u>	<u>(19,500,000)</u>
<b>At 31st December, 2001</b>	<b><u>3,862,386,589</u></b>	<b><u>3,862,386,589</u></b>

On 17th December, 2001, the Company issued and allotted a total of 21,303,378 shares of HK\$1 each in the Company at an issue price of HK\$2.515 each to the shareholders who elected to receive shares in the Company in lieu of cash for the final dividend in respect of financial year ended 30th June, 2001 pursuant to the scrip dividend circular despatched to shareholders on 15th November, 2001. These shares rank pari passu in all respects with the existing shares in issue.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

### 18. SHARE PREMIUM AND RESERVES

	Share premium HK\$	Investment property revaluation reserve HK\$	Other security revaluation reserve HK\$	Capital redemption reserve HK\$	Exchange reserve HK\$	Retained profits HK\$	Total HK\$
At 1st July, 2000							
As previously stated	8,495,721,378	8,219,225,128	(289,628,303)	99,020,000	—	6,959,756,314	23,484,094,517
Prior period adjustments (note 3)	—	—	—	—	—	330,206,913	330,206,913
As restated	8,495,721,378	8,219,225,128	(289,628,303)	99,020,000	—	7,289,963,227	23,814,301,430
Premium on issue of shares upon scrip dividend	127,436,311	—	—	—	—	—	127,436,311
Premium on issue of shares upon private placement	603,000,000	—	—	—	—	—	603,000,000
Shares issue expenses	(14,761,873)	—	—	—	—	—	(14,761,873)
Cancellation upon repurchase of own shares	—	—	—	1,500,000	—	(4,868,553)	(3,368,553)
Surplus (deficit) on revaluation	—	364,072,044	(216,767,062)	—	—	—	147,304,982
Revaluation reserves released on disposal	—	(12,195,631)	—	—	—	—	(12,195,631)
Share of deficit on revaluation of property interest by minority shareholders	—	35,665,732	—	—	—	—	35,665,732
Share of deficit on revaluation of property interests of associates	—	(186,612,555)	—	—	—	—	(186,612,555)
Share of revaluation reserves released on disposal of an associate	—	(77,355,563)	—	—	—	—	(77,355,563)
Share of revaluation reserves released on disposal of property interests of associates	—	(915,178,813)	—	—	—	—	(915,178,813)
Impairment loss charged to income statement	—	—	6,856,943	—	—	—	6,856,943
Exchange rate adjustment	—	—	—	—	10,215,468	—	10,215,468
Net profit for the year	—	—	—	—	—	491,681,822	491,681,822
Dividends paid	—	—	—	—	—	(258,408,120)	(258,408,120)
At 30th June, 2001	9,211,395,816	7,427,620,342	(499,538,422)	100,520,000	10,215,468	7,518,368,376	23,768,581,580
Premium on issue of shares upon scrip dividend	32,274,618	—	—	—	—	—	32,274,618
Shares issue expenses	(30,050)	—	—	—	—	—	(30,050)
Cancellation upon repurchase of own shares	—	—	—	19,500,000	—	(43,838,143)	(24,338,143)
Deficit on revaluation	—	—	(25,093,184)	—	—	—	(25,093,184)
Revaluation reserves released on disposal	—	(578,348,089)	76,055,950	—	—	—	(502,292,139)
Share of revaluation reserves released on disposal of associates	—	(30,728,620)	—	—	—	—	(30,728,620)
Impairment loss charged to income statement	—	—	93,107,616	—	—	—	93,107,616
Exchange rate adjustment	—	—	—	—	5,096,768	—	5,096,768
Net profit for the period	—	—	—	—	—	195,529,507	195,529,507
Dividends paid	—	—	—	—	—	(76,821,664)	(76,821,664)
At 31st December, 2001	<b>9,243,640,384</b>	<b>6,818,543,633</b>	<b>(355,468,040)</b>	<b>120,020,000</b>	<b>15,312,236</b>	<b>7,593,238,076</b>	<b>23,435,286,289</b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

### 19. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following commitments and contingent liabilities not provided for in the financial statements:

	<b>31st December, 2001 HK\$</b>	30th June, 2001 HK\$
(a) Commitments for property development expenditure:		
Authorised but not contracted for	<b>397,238,555</b>	418,688,891
Contracted but not provided for	<b>503,260,646</b>	762,904,815
	<b>900,499,201</b>	1,181,593,706
(b) Guarantees in respect of banking facilities and other liabilities of associates:		
Utilised	<b>2,538,979,403</b>	4,475,680,000
Not utilised	<b>896,950,000</b>	514,950,000
	<b>3,435,929,403</b>	4,990,630,000
(c) At 31st December, 2001 and 30th June, 2001, the Company and a wholly-owned subsidiary are parties to a legal claim and counterclaim in respect of the termination of a sale and purchase agreement dated 19th December, 1996 between the Company and the subsidiary and Hang Lung Development Company Limited and its subsidiary. In the opinion of the Directors, since these claim and counterclaim are being contested, likelihood of the conclusion of the case within a short period of time is remote at the present stage of the legal proceedings. Accordingly, no provision for contingency has been made.		