

# NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

## 1. BASIS OF PREPARATION

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standard on Auditing 910 “Engagements to review financial statements”. KPMG’s independent review report to the board of directors is included on page 13.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the HKSA except that comparative figures for the cash flow statement have not been prepared as the company has taken advantage of the transitional provisions set out in the Main Board Listing Rules.

The financial information relating to the financial year ended 31 December 2000 included in the interim financial report does not constitute the company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2000 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 20 March 2001.

The same accounting policies adopted in the 2000 annual accounts have been applied to the interim financial report, except as disclosed in note 2 below.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2000 annual accounts.

## 2. DIVIDENDS PROPOSED OR DECLARED

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1 January 2001, in order to comply with Statement of Standard Accounting Practice 9 (revised) “Events after the balance sheet date”, issued by the Hong Kong Society of Accountants, 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).

As a result of this new accounting policy, the Group’s net assets at 31 December 2000, have been increased by HK\$7,663,000. There is no impact on the Group’s net assets as at 30 June 2001 and its profit attributable to shareholders for both periods presented. This new accounting policy has been adopted retrospectively, with the opening balance of reserves and the comparative information adjusted for the amounts relating to prior periods.

### 3. SEGMENTAL INFORMATION

The analysis of the principal activities and geographical location of the operations of the Company and its subsidiaries during the financial period are as follows:

	Group turnover		Contribution to (loss)/profit from operations	
	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Principal Activities</b>				
Leisure (Discontinued)	—	8,163	—	(911)
Investment holding	8,392	47,390	(22,561)	11,206
Hospitality related services	45,866	—	(4,617)	—
	<u>54,258</u>	<u>55,553</u>	<u>(27,178)</u>	<u>10,295</u>
<b>Geographical Locations of Operations</b>				
Indonesia (Discontinued)	—	8,163	—	(911)
Hong Kong	8,392	47,390	(22,561)	11,206
United States	45,866	—	(4,617)	—
	<u>54,258</u>	<u>55,553</u>	<u>(27,178)</u>	<u>10,295</u>

### 4. COST OF SALES AND ADMINISTRATIVE EXPENSES

- a) Cost of sales was incurred by the hospitality related service business units which commenced operations on 29 December 2000.

(2000: Cost of sales was incurred by the leisure business unit which was disposed in October 2000).

- b) Administrative expenses were incurred largely by the hospitality related service business units which commenced operations on 29 December 2000.

(2000: Administrative expenses were incurred by both the Company and the leisure business unit, the latter was disposed in October 2000).

## 5. PROFIT ON DISPOSAL OF SUBSIDIARIES

For the period ended 30 June 2000, profit from ordinary activities before taxation was arrived at after taking into account the gain of HK\$3,161,000 arising from the disposal of the Company's hotel and property interests, which had previously been consolidated in its 52.4% owned subsidiary, Millennium & Copthorne Hotels plc, to its immediate holding company, City Developments Limited. Pursuant to the terms of the transfer agreement, the disposal was effective on 1 January 2000.

## 6. (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Interest expense on borrowings	8	2,612
Depreciation of fixed assets	1,613	1,364
Exchange loss (net)	27,702	26,356
Net (gain) on sale of fixed assets	(726)	(194)
Gain on sale of other securities	0	692
Unrealised (gain)/loss on stating securities at fair value (net)	(4,041)	409
	<u>          </u>	<u>          </u>

## 7. TAXATION

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong taxation	—	636
Overseas taxation	6	—
	<u>      </u>	<u>      </u>
	6	636
	<u>      </u>	<u>      </u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong. Overseas taxation has been provided on estimated assessable profits at the rates of taxation prevailing in the countries in which the Group operates.

The Company is exempted from taxation in the Cayman Islands for a period of twenty years from 1989 under the provisions of Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands.

## 8. DIVIDENDS

- a) Dividends attributable to the interim period

The Directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2001 (2000: Nil).

- b) Dividends attributable to the previous financial year, approved and paid during the interim period

	<b>Six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividends in respect of the previous financial year, approved and paid during the interim period, of 2 cents (2000: 6 cents) per share	<u>7,663</u>	<u>121,511</u>

## 9. (LOSS)/EARNINGS PER SHARE

- a) **Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on (loss)/profit after taxation attributable to shareholders of HK\$(26.5) million (2000: HK\$11.0 million) and on 383,125,524 (2000: weighted average of 2,026,897,140) ordinary shares in issue during the period, after taking into consideration the buyback of Nil (2000: 468,000) ordinary shares and the issue of Nil (2000: 39,463,934) ordinary shares during the period.

- b) **Diluted (loss)/earnings per share**

The calculation of diluted (loss)/earnings per share is based on (loss)/profit after taxation attributable to shareholders of HK\$(26.5) million (2000: HK\$11.0 million) and on 383,125,524 (2000: weighted average of 2,034,097,448) ordinary shares in issue during the period, adjusted for the effects of all dilutive potential ordinary shares.

## 10. FIXED ASSETS

During the period ended 30 June 2001, the Group acquired fixed assets amounting to HK\$3,287,000.

## 11. TRADE AND OTHER RECEIVABLES

Trade and other receivables net of provisions for bad and doubtful receivables are analysed as follows:

	<b>At 30 June 2001</b>	<b>At 31 December 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	3,400	5,169
1 to 3 months overdue	1,474	1,739
More than 3 months overdue but less than 12 months overdue	86	226
	<hr/>	<hr/>
Total trade receivables	4,960	7,134
Other receivables, deposits and prepayments	45,897	13,286
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	<u>50,857</u>	<u>20,420</u>

Debts are due within 1 month from the date of billing. However, debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

## 12. CASH AND CASH EQUIVALENTS

	<b>At 30 June 2001</b>	<b>At 31 December 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits with banks and other financial institutions	291,700	329,333
Cash at bank and in hand	190,379	232,393
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	<u>482,079</u>	<u>561,726</u>

### 13. TRADE AND OTHER PAYABLES

Trade and other payables are analysed as follows:

	<b>At 30 June 2001</b>	<b>At 31 December 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within one month or on demand	3,369	6,388
Total trade creditors	3,369	6,388
Other payables	45,913	39,935
	<u>49,282</u>	<u>46,323</u>

### 14. SHARE CAPITAL

	<b>No. of shares</b>	
<b>Issued and fully paid</b>	<i>'000</i>	<i>HK\$'000</i>
At 30 June 2001	383,126	383,126

During the period ended 30 June 2001, there was no change in the Company's issued share capital.

At 30 June 2001, there were no outstanding share options.

### 15. RESERVES

	<b>Other Reserves</b>
	<i>HK\$'000</i>
At 1 January 2001	
- As previously reported	188,270
- Prior period adjustment in respect of dividends ( <i>note 2</i> )	7,663
- As restated	195,933
Dividend approved in respect of the previous financial year ( <i>note 8(b)</i> )	(7,663)
Exchange differences	(10)
Loss for the period	(26,498)
At 30 June 2001	<u>161,762</u>

## 16. COMMITMENTS

	<b>At 30 June 2001 HK\$'000</b>	<b>At 31 December 2000 HK\$'000</b>
The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:		
- Within 1 year	2,464	—
- From 1 to 2 years	2,464	—
	<u>2,464</u>	<u>—</u>

In addition, the Group is committed to purchase foreign currencies totalling HK\$277,853,775 (2000: HK\$267,556,700) and sell foreign currencies totalling HK\$279,426,013 (2000: HK\$255,288,554) under certain forward foreign exchange contracts entered into in the normal course of business.

## 17. MATERIAL RELATED PARTY TRANSACTIONS

During the period, in addition to transaction set out in note 5, there were the following material related party transactions:

	<b>Six months ended 30 June</b>	
	<b>2001 HK\$'000</b>	<b>2000 HK\$'000</b>
Pricing determined on agreed terms :		
- rental expenses paid/payable to affiliated company	601	—
- management fees received/receivable from affiliated company	16,424	—
- sale of fixed assets to affiliated companies	715	2,128
- income received/receivable from affiliated companies for rental of equipment	63	—
	<u>63</u>	<u>—</u>