

Consolidated Profit and Loss Account

For the six months ended 30th June, 2001

	Note	Six months ended 30th June 2001 (Unaudited) HK\$ Million	2000 (Unaudited) HK\$ Million
Turnover	(2)		
Group activities		1,259	4,550
Share of property sales of jointly controlled entities		1,386	2,890
		2,645	7,440
Group turnover		1,259	4,550
Investment and other income		612	684
Operating costs			
Property and related costs		(706)	(2,397)
Salaries and related expenses		(328)	(383)
Interest expenses		(342)	(365)
Other expenses		(167)	(205)
		(1,543)	(3,350)
Share of results of jointly controlled entities		335	59
Operating profit		663	1,943
Share of results of associates	(3)	4,119	15,967
Profit before taxation	(4)	4,782	17,910
Taxation	(5)	(565)	(575)
Profit after taxation		4,217	17,335
Minority interests		(5)	60
Profit attributable to shareholders		4,212	17,395
Dividends			
Interim dividend of HK\$0.38 (2000 – HK\$0.38) per share		880	880
Earnings per share	(6)	HK\$1.82	HK\$7.57

Consolidated Balance Sheet

As at 30th June, 2001

	30/6/2001 (Unaudited) HK\$ Million	31/12/2000 (Audited) HK\$ Million
Non-current assets		
Fixed assets	15,282	15,245
Associates	120,462	119,383
Jointly controlled entities	30,101	28,039
Investments in securities	3,670	1,555
Long term loans	488	484
	170,003	164,706
Current assets		
Investments in securities	596	2,695
Stock of properties	18,351	18,039
Debtors, deposits and prepayments	881	886
Bank balances and deposits	1,685	2,429
	21,513	24,049
Current liabilities		
Bank and other loans	5,950	7,250
Creditors and accrued expenses	1,600	1,565
Provision for taxation	702	680
	13,261	14,554
Total assets less current liabilities	183,264	179,260
Non-current liabilities		
Bank and other loans	15,093	13,806
Deferred items	5	12
	15,098	13,818
Minority interests	4,606	3,298
Total net assets	163,560	162,144
Representing:		
Share capital	1,158	1,158
Share premium	9,331	9,331
Reserves	2,349	2,319
Retained profits	149,842	146,510
Dividend		
Interim dividend for 2001	880	–
Final dividend for 2000	–	2,826
Total shareholders' funds	163,560	162,144

Consolidated Statement of Recognised Gains and Losses

For the six months ended 30th June, 2001

	Six months ended 30th June 2001 (Unaudited) HK\$ Million	2000 (Unaudited) HK\$ Million
Exchange gains on translation of financial statements of subsidiaries, jointly controlled entities and associates	30	21
Net profit for the period	4,212	17,395
Total recognised gains and losses	4,242	17,416

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2001

	Six months ended 30th June 2001 (Unaudited) HK\$ Million	2000 (Unaudited) HK\$ Million
Net cash inflow/(outflow) from operating activities	320	(1,426)
Net cash outflow from returns on investments and servicing of finance	(377)	(377)
Tax paid	(5)	(8)
Net cash outflow from investing activities	(1,980)	(3,162)
Net cash outflow before financing	(2,042)	(4,973)
Net cash inflow from financing	1,298	4,076
Decrease in cash and cash equivalents	(744)	(897)
Cash and cash equivalents at 1st January	2,429	3,337
Cash and cash equivalents at 30th June	1,685	2,440

Notes to Interim Financial Statements

(1) **Basis of preparation**

The interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” in Hong Kong. Save for changes described below, the interim financial statements have been prepared based on the same principal accounting policies as those set out in the annual report 2000.

In accordance with SSAP 10 (revised) “Accounting for Investments in Associates” and SSAP 30 “Business Combinations”, goodwill arising on acquisition of subsidiaries and associates with effect from 1st January, 2001 is carried at cost as an asset and amortised over its estimated useful life as an expense, while the Group in prior years charged goodwill to reserves. This change in accounting policy has no significant impact on the interim financial statements. Goodwill previously charged to reserves and not yet recognised in profit and loss account is insignificant.

In accordance with SSAP 9 (revised) “Events after the Balance Sheet Date”, dividends declared or proposed after balance sheet dates should not be recognised as a liability at the balance sheet dates. Accordingly, interim dividend for 2001 and final dividend for 2000 are shown as separate components of equity in the interim financial statements.

(2) Turnover and contribution

The Group's turnover by operating activities and their respective contribution for the period are as follows:

	Turnover		Contribution	
	Six months ended 30th June		Six months ended 30th June	
	2001 HK\$ Million	2000 HK\$ Million	2001 HK\$ Million	2000 HK\$ Million
Property sales				
Company and subsidiaries	661	4,138	48	1,869
Jointly controlled entities	1,386	2,890	266	79
Property rental	358	223	268	157
Hotel operation	131	45	24	–
Real estate agency and management	109	144	25	20
	2,645	7,440	631	2,125
Investment and finance			416	362
Others (including share of results of jointly controlled entities)			(42)	(179)
Interest expenses			(342)	(365)
Operating profit			663	1,943

Turnover of the Group's overseas operations, mainly from the Mainland, accounted for approximately 17% of the Group's turnover and their contributions were not material.

Turnover of jointly controlled entities (save for proceeds from property sales shared by the Group) and turnover of listed and unlisted associates are not included.

(3) Share of results of associates

The share of results of associates in 2001 included the Group's share of profit of HK\$14,991 million arising from the merger of VoiceStream Wireless Corporation and Deutsche Telekom AG recognised by Hutchison Whampoa Limited and the Group's share of a provision for overseas investments of HK\$14,042 million made by Hutchison Whampoa Limited.

The share of results of associates in 2000 included the Group's share of profit of HK\$24,985 million arising from disposal of the shareholding in Mannesmann AG by Hutchison Whampoa Limited and the Group's share of a provision for overseas investments of HK\$14,991 million made by Hutchison Whampoa Limited.

(4) Profit before taxation

	Six months ended 30th June	
	2001 HK\$ Million	2000 HK\$ Million
Profit before taxation is arrived at after charging/(crediting):		
Interest expenses	680	704
Less: Interest capitalised	(338)	(339)
	342	365
Costs of properties sold	572	2,024
Depreciation	30	25
Net realised and unrealised holding gains on other investments	(262)	(30)

(5) Taxation

	Six months ended 30th June	
	2001 HK\$ Million	2000 HK\$ Million
Company and subsidiaries		
Hong Kong profits tax	27	215
Overseas tax	–	(7)
Deferred tax	(7)	–
Jointly controlled entities		
Hong Kong profits tax	11	13
Overseas tax	23	11
Associates		
Hong Kong profits tax	173	172
Overseas tax	338	171
	565	575

Hong Kong profits tax has been provided for at the rate of 16% (2000 – 16%) on the estimated assessable profits for the period. Overseas taxation has been provided for at the applicable local rates on the estimated assessable profits of the individual company concerned.

(6) Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders and on 2,316,164,338 shares (2000 – weighted average of 2,298,783,148 shares) in issue during the period.

(7) Related party transactions

During the period and in the ordinary course of business, the Group undertook various transactions with related parties on normal commercial terms, including advances made to, repayments received from, and guarantees provided for associates and jointly controlled entities. At the interim period end date, amounts due from associates and jointly controlled entities amounted to HK\$526 million and HK\$28,008 million respectively, amounts due to associates and jointly controlled entities amounted to HK\$78 million and HK\$866 million respectively, and interest received from jointly controlled entities during the period amounted to HK\$261 million.

Other than the aforementioned, there were no other significant related party transactions required for disclosure in the interim financial statements.

(8) Debtors and creditors

The Group's debtors mainly comprise receivables for sale of properties and rental. Credit policies for each project are determined based on normal commercial terms with reference to the prevailing market conditions. The Group's creditors mainly comprise costs payable for property development projects which are payable upon completion of work certified by the architects.

At the interim period end date, most of the Group's debtors and creditors were current within their respective terms of credit and there were no significant overdue amounts.

(9) Review of interim financial statements

The interim financial statements are unaudited, but have been reviewed by the Audit Committee.