

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Six Months Ended | |
|--|-------------------------|-----------|
| | 30th June | |
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Net cash inflow from operating activities | 651,890 | 516,886 |
| Net cash outflow from returns on investments and servicing of finance | (315,930) | (430,335) |
| Tax paid | (49,439) | (46,853) |
| Net cash outflow from investing activities | (3,871,831) | (626,803) |
| Net cash outflow before financing | (3,585,310) | (587,105) |
| Net cash inflow from financing | 3,502,045 | 690,490 |
| (Decrease)/increase in cash and cash equivalents | (83,265) | 103,385 |
| Effect of foreign exchange rate changes | (14,962) | 6,108 |
| Cash and cash equivalents at 1st January | 372,317 | 459,439 |
| Cash and cash equivalents at 30th June | 274,090 | 568,932 |

*Notes:***(1) Principal Accounting Policies**

These unaudited condensed consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25, "Interim financial reporting", issued by the Hong Kong Society of Accountants and Appendix 16 to the Listing Rules.

The accounting policies and methods of computation used in the preparation of the consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2000 except that the Group has changed its accounting policy following the adoption of SSAP 9 (revised) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001.

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the proposed final dividend amounting to HK\$110,421,000 previously recorded as a current liability as at 31st December 2000 has been restated and shown as a separate component of shareholders' funds.

(2) Segmental Information

The Group's turnover and profit from operations, analysed by business segment and location of markets are as follows:

| | Six Months Ended | |
|------------------------------------|-------------------------|------------------|
| | 30th June | |
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Turnover | | |
| By business segment: | | |
| Rental income | 403,204 | 433,673 |
| Hotel operation income | 794,512 | 856,172 |
| Trading income | 50,146 | 107,115 |
| Others | 43,339 | 47,044 |
| | <u>1,291,201</u> | <u>1,444,004</u> |
| By location of markets: | | |
| Hong Kong | 580,818 | 688,318 |
| North America | 431,706 | 431,835 |
| Europe | 149,256 | 169,496 |
| Asia Pacific, other than Hong Kong | 129,421 | 154,355 |
| | <u>1,291,201</u> | <u>1,444,004</u> |
| Profit from operations | | |
| By business segment: | | |
| Rental income | 330,804 | 361,393 |
| Hotel operation income | 223,276 | 245,159 |
| Trading income | 11,649 | 24,490 |
| Others | 35,202 | 35,632 |
| | <u>600,931</u> | <u>666,674</u> |
| Unallocated corporate expenses | (55,699) | (27,721) |
| | <u>545,232</u> | <u>638,953</u> |
| By location of markets: | | |
| Hong Kong | 357,949 | 413,469 |
| North America | 154,513 | 152,252 |
| Europe | 53,751 | 65,078 |
| Asia Pacific, other than Hong Kong | 34,718 | 35,875 |
| | <u>600,931</u> | <u>666,674</u> |
| Unallocated corporate expenses | (55,699) | (27,721) |
| | <u>545,232</u> | <u>638,953</u> |

(3) Profit from Operations

| | Six Months Ended 30th June | |
|--|---------------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Profit from operations has been arrived at after charging/crediting: | | |
| Charging: | | |
| Total borrowing costs | 374,685 | 386,312 |
| Less: Amount capitalised to properties under development | (137,567) | (159,476) |
| Finance costs | 237,118 | 226,836 |
| Depreciation and amortisation | 7,010 | 3,986 |
| Staff costs | 291,620 | 297,480 |
| Net exchange loss | – | 3,690 |
| Crediting: | | |
| Interest income | 21,714 | 17,167 |
| Dividend income | 4,121 | 4,419 |
| Net exchange gain | 978 | – |

(4) Taxation

| | Six Months Ended 30th June | |
|----------------------------------|---------------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Company and subsidiaries: | | |
| Hong Kong | 28,484 | 32,153 |
| Other jurisdictions | 27,730 | 26,693 |
| Deferred taxation | 5,166 | 1,804 |
| Share of taxation of associates: | | |
| Hong Kong | 59 | 917 |
| | 61,439 | 61,567 |

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

(7) Trade Debtors

The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The ageing analysis of trade debtors is as follows:

| | 30th June 2001 HK\$'000 | 31st December 2000 HK\$'000 |
|---------------|--|-----------------------------------|
| 0 – 3 months | 125,703 | 152,880 |
| 3 – 6 months | 9,416 | 14,562 |
| Over 6 months | 33,943 | 27,326 |
| | <u>169,062</u> | <u>194,768</u> |

(8) Trade Creditors

The ageing analysis of trade creditors is as follows:

| | 30th June 2001 HK\$'000 | 31st December 2000 HK\$'000 |
|---------------|--|-----------------------------------|
| 0 – 3 months | 99,929 | 122,189 |
| 3 – 6 months | 270 | 240 |
| Over 6 months | 786 | 691 |
| | <u>100,985</u> | <u>123,120</u> |

(9) Borrowings

| | 30th June 2001 HK\$'000 | 31st December 2000 HK\$'000 |
|--|--|-----------------------------------|
| Bank loans and overdrafts (unsecured) | 104,147 | 3,105 |
| Bank loans (secured) | 10,529,733 | 7,326,391 |
| Bills payable | – | 254 |
| Convertible bonds | – | 1,189,709 |
| Other long term loans | 1,882,082 | 1,289,604 |
| | <u>12,515,962</u> | <u>9,809,063</u> |
| The maturity of the above loans and overdrafts is as follows: | | |
| On demand or within one year | 1,797,296 | 2,302,161 |
| More than one year but not exceeding two years | 2,842,131 | 2,468,410 |
| More than two years but not exceeding five years | 7,306,455 | 5,038,492 |
| More than five years | 570,080 | – |
| | <u>12,515,962</u> | <u>9,809,063</u> |
| Less: Amount due within one year shown under current liabilities | <u>(1,797,296)</u> | <u>(2,302,161)</u> |
| Amount due after one year | <u>10,718,666</u> | <u>7,506,902</u> |

(10) Share Capital*(a) Authorised:*

| | 30th June 2001 | | 31st December 2000 | |
|---|--------------------------------------|---------------------------------------|-----------------------------|------------------------------|
| | Number of shares '000 | Nominal value HK\$'000 | Number of shares '000 | Nominal value HK\$'000 |
| Shares of HK\$0.5 each Balance brought forward and carried forward | 800,000 | 400,000 | 800,000 | 400,000 |

(b) Issued and fully paid:

| | 30th June 2001 | | 31st December 2000 | |
|---|--------------------------------------|---------------------------------------|-----------------------------|------------------------------|
| | Number of shares '000 | Nominal value HK\$'000 | Number of shares '000 | Nominal value HK\$'000 |
| Shares of HK\$0.5 each Balance brought forward | 552,105 | 276,052 | 546,401 | 273,201 |
| Shares issued for the purchase of subsidiaries | 16,670 | 8,335 | – | – |
| Issued upon exercise of share options under the Executive Share Option Scheme | 47 | 24 | 575 | 287 |
| Issued as scrip dividends | 8,267 | 4,134 | 5,129 | 2,564 |
| Balance carried forward | 577,089 | 288,545 | 552,105 | 276,052 |

(11) Reserves

| | Share premium <i>HK\$'000</i> | Revaluation reserves <i>HK\$'000</i> | Exchange translation reserve <i>HK\$'000</i> | Other reserves <i>HK\$'000</i> | Retained profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|-------------------------------------|--|---|--------------------------------------|--|--------------------------|
| Balance at | | | | | | |
| 31st December 2000 | | | | | | |
| – as originally stated | 2,709,343 | 7,785,906 | (80,632) | 403,941 | 6,297,309 | 17,115,867 |
| – prior year adjustments (<i>Note 1</i>) | – | – | – | – | 110,421 | 110,421 |
| – as restated | 2,709,343 | 7,785,906 | (80,632) | 403,941 | 6,407,730 | 17,226,288 |
| Premium on issue of shares upon scrip dividend and exercise of share options, net of expenses | 79,492 | – | – | – | – | 79,492 |
| Premium on issue of shares upon purchase of subsidiaries | 291,725 | – | – | – | – | 291,725 |
| Deficit arising on revaluation of securities during the period | – | (1,389) | – | – | – | (1,389) |
| Exchange translation adjustments | – | (34,491) | – | – | – | (34,491) |
| Exchange difference on translation of net overseas investments | – | – | (55,672) | – | – | (55,672) |
| Net exchange loss on forward contracts | – | – | (4,672) | – | – | (4,672) |
| 2000 final dividend | – | – | – | – | (110,429) | (110,429) |
| Profit for the period | – | – | – | – | 225,035 | 225,035 |
| 2001 interim dividend | – | – | – | – | (40,396) | (40,396) |
| Balance at | | | | | | |
| 30th June 2001 | <u>3,080,560</u> | <u>7,750,026</u> | <u>(140,976)</u> | <u>403,941</u> | <u>6,481,940</u> | <u>17,575,491</u> |

(12) Pledge of Assets

At 30th June 2001, the Group's properties with a total book value of approximately HK\$30,804,000,000 (as at 31.12.2000: HK\$27,918,000,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and deposits of approximately HK\$94,612,000 (as at 31.12.2000: HK\$104,156,000) were mortgaged or pledged to secure credit facilities granted to the Group.

(13) Commitments and Contingent Liabilities**The Group**

At 30th June 2001, the Group had commitments and contingent liabilities, so far as not provided for in these financial statements, as follows:

- (a) estimated expenditure in respect of property under development amounting to approximately HK\$3,772,870,000 (as at 31.12.2000: HK\$3,954,860,000) of which approximately HK\$282,312,000 (as at 31.12.2000: HK\$468,555,000) were contracted for;
- (b) authorised capital expenditure amounting to approximately HK\$23,540,000 (as at 31.12.2000: HK\$716,330,000) of which approximately HK\$12,900,000 (as at 31.12.2000: HK\$629,388,000) were contracted for;
- (c) commitments under foreign exchange contracts to sell approximately HK\$139,957,000 (as at 31.12.2000: HK\$879,132,000) at a fixed exchange rate; and
- (d) the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

| | 30th June 2001 HK\$'000 | (Restated) 31st December 2000 HK\$'000 |
|---------------------------------------|--|---|
| Within one year | 1,883 | 1,836 |
| In the second to fifth year inclusive | 1,491 | 1,750 |
| | <u>3,374</u> | <u>3,586</u> |

The Company

At 30th June 2001, the Company had issued corporate guarantees to certain banks in respect of credit facilities drawn by its subsidiaries amounting to approximately HK\$9,143,271,000 (as at 31.12.2000: HK\$6,932,838,000).

Other than set out above, the Group and the Company did not have any significant commitments and contingent liabilities at 30th June 2001.