

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June

(HK\$'000)	(Unaudited) 2001
Net cash inflow from operating activities	781,036
Net cash outflow from returns on investments and servicing of finance	(185,527)
Net tax refund	143
Net cash outflow from investing activities	(18,734)
Net cash inflow before financing	576,918
Net cash outflow from financing	(1,059,668)
Decrease in cash and cash equivalents	(482,750)
Cash and cash equivalents at 1st January	872,593
Cash and cash equivalents at 30th June	389,843

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 1 Basis of preparation and accounting policies

The condensed financial statements have been prepared under the historical cost convention and in accordance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("SSAP 25"), except that comparative figures are not presented for the cash flow statement, being the first cash flow statement to be included in the interim financial statements relating to accounting periods ended on or after 1st July, 2000. Such departure from SSAP 25 is permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December, 2000 with the exception of the changes in the accounting policies for goodwill and proposed dividends as follows:

(a) Goodwill

Goodwill arising on consolidation represents the excess of cost of acquisition of subsidiaries, associates and jointly controlled entities over the Group's share of the fair value ascribed to the separable net assets at the date of acquisition. In previous years, goodwill was charged to the reserve in the year in which it arose. With the introduction of SSAP 30 "Business combinations", the Group has adopted the transitional provisions prescribed therein. All goodwill and negative goodwill arising from earlier acquisitions before 1st January, 2001 will continue to be held in the reserve and no reinstatement has been made. Impairment losses of HK\$4,733,000 related to periods prior to 1st January, 2000 have been dealt with retrospectively. Therefore, there is no impact in the Group's net assets as at 30th June, 2001 and its profit attributable to shareholders for both periods presented.

New goodwill incurred after 1st January, 2001 is capitalised in the balance sheet and is amortised to the profit and loss account on a straight-line basis over its estimated useful economic life. Subsequent impairment loss arising on such goodwill will be recognised in the profit and loss account.

(b) **Proposed dividends**

In accordance with the revised SSAP 9 "Events after the balance sheet date", 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 comparative figures presented have been restated to conform to the changed policy. A separate component of equity, 'Proposed dividends' has been added on the face of the balance sheet to specify the provision for the 2000 proposed final dividend of HK\$46,618,000 which was previously recorded as a liability as at 31st December, 2000. A corresponding decrease of HK\$46,618,000 in current liabilities has been reflected in the comparative figures presented in 31st December, 2000 balance sheet.

Note 2 Segment information

An analysis of the Group's turnover and operating profit by business and geographical segment is outlined below:

For the six months ended 30th June

(HK\$'000)	Turnover		Operating profit/(loss)	
	2001	2000	2001	2000
By business segment:				
Shipping	683,767	705,132	76,297	69,779
Property	1,912,854	577,684	183,339	137,309
Hospitality	30,407	33,103	342	2,372
Investment & others	19,761	20,416	(4,333)	(5,153)
	2,646,789	1,336,335	255,645	204,307
By geographical segment:				
Hong Kong	2,281,221	969,480	191,929	142,160
Macau	336,483	338,458	61,916	60,024
Others	29,085	28,397	1,800	2,123
	2,646,789	1,336,335	255,645	204,307

Note 3 Operating profit before finance costs

For the six months ended 30th June

(HK\$'000)	2001	2000
After crediting:		
Interest income	31,648	59,013
Less: Amount capitalised in properties for/under development	(6,648)	(33,490)
	25,000	25,523
Rental income less outgoings	9,769	10,927
Dividends from unlisted investments	146	146
After charging:		
Cost of inventories	142,163	147,993
Staff costs	245,939	240,312
Amortisation and depreciation	90,105	89,370

Note 4 Finance costs

For the six months ended 30th June

(HK\$'000)	2001	2000
Total finance costs incurred	283,297	336,409
Less: Amount capitalised in properties for/under development	(217,739)	(315,187)
Total finance costs expensed during the period	65,558	21,222

Note 5 Taxation

For the six months ended 30th June

(HK\$'000)	2001	2000
Company and subsidiaries		
Hong Kong profits tax	15,552	7,308
Overseas tax	99	(35)
Deferred tax	17,440	20,981
Associates		
Hong Kong profits tax	165	1,953
Overseas tax	346	1,739
	33,602	31,946

Hong Kong profits tax is provided for at the rate of 16% (2000: 16%) on the estimated assessable profits for the period. Overseas taxation is calculated at the rates applicable in their respective jurisdictions.

Note 6 Interim dividends

For the six months ended 30th June

(HK\$'000)	2001	2000
Interim dividend of 2 cents on 1,553,947,128 shares (2000: 2 cents on 1,553,947,128 shares)	31,079	31,079

Note 7 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders and on the weighted average of 1,553,947,128 shares (2000: 1,539,475,181 shares) in issue during the period. Diluted earnings per share is not shown as the potential ordinary shares have no dilutive effect.

Note 8 Fixed assets and inventories

During the period, additions to fixed assets and inventories mainly consist of investment properties of HK\$50,625,000 and stocks of completed properties for sale of HK\$1,923,710,000.

Note 9 Trade debtors and creditors – ageing analysis

The Group maintains a defined credit policy on its trade debtors. The ageing analysis of trade debtors was as follows:

(HK\$'000)	30th June 2001	31st December 2000
0 – 30 days	68,108	70,850
31 – 60 days	31,726	15,313
61 – 90 days	2,822	7,581
over 90 days	72,384	46,023
	175,040	139,767

The ageing analysis of trade creditors was as follows:

(HK\$'000)	30th June 2001	31st December 2000
0 – 30 days	155,064	238,549
31 – 60 days	1,623	8,485
61 – 90 days	6	46
over 90 days	4,540	1,123
	161,233	248,203

Note 10 Share capital

(HK\$'000)	Number of shares	30th June 2001	31st December 2000
Authorised			
Ordinary shares of \$0.25 each	2,000,000,000	500,000	500,000
Issued and fully paid			
Ordinary shares of \$0.25 each	1,553,947,128	388,486	388,486

Note 11 Reserves and proposed dividends

(HK\$'000)	Capital					Total	Proposed dividends
	Capital reserve account	Share premium account	Capital redemption reserve account	Exchange reserve account	Profit and loss account		
At 1st January, 2001							
– as originally stated	125,569	3,510,565	5,019	4,294	1,221,591	4,867,038	-
– prior period adjustment (note 1)	4,733	-	-	-	(4,733)	-	46,618
– as restated	130,302	3,510,565	5,019	4,294	1,216,858	4,867,038	46,618
Profit for the period	-	-	-	-	120,611	120,611	-
2000 final dividend	-	-	-	-	-	-	(46,618)
2001 interim dividend	-	-	-	-	(31,079)	(31,079)	31,079
At 30th June, 2001	130,302	3,510,565	5,019	4,294	1,306,390	4,956,570	31,079

Note 12 Pledge of assets

At 30th June, 2001, certain assets of the Group with aggregate carrying value of HK\$10,129,696,000 (at 31st December, 2000: HK\$11,019,301,000) were pledged to secure bank loan facilities.

Note 13 Commitments

(a) Capital commitments

(HK\$'000)	30th June 2001	31st December 2000
Contracted but not provided for		
Capital expenditure	2,023	2,271
Investment in associates	41,248	64,052
	43,271	66,323
Authorised but not contracted for		
Capital expenditure	5,088	3,159
Investment in associates	64,000	44,584
	69,088	47,743

In addition to the above, the Group's share of capital commitments of the joint ventures themselves are as follows:

(HK\$'000)	30th June 2001	31st December 2000
Contracted but not provided for	29,686	30,761
Authorised but not contracted for	7,664	3,500
	37,350	34,261

- (b) At 30th June, 2001, the Group had commitments under various contracts, entered into in the normal course of business, to complete property development projects to a total value of approximately HK\$1,467,784,000 (at 31st December, 2000: HK\$519,073,000) out of which approximately HK\$1,200,488,000 (at 31st December, 2000: HK\$65,827,000) was related to the jointly controlled assets.

Note 14 Contingencies

There have been no material changes in contingent liabilities of the Group since 31st December, 2000.

Note 15 Related party transactions

For the six months ended 30th June

(HK\$'000)	2001	2000
Significant transactions with Sociedade de Turismo e Diversões de Macau, S.A.R.L. (STDM)		
Subsidies received from STDM	12,890	11,611
Ship tickets sold to STDM	174,229	169,025
Discount and commission paid to STDM for sale of ship tickets	29,026	27,957
Management and incentive fees received from STDM for hotel management	10,011	7,985
Fuel purchased from STDM in Macau for shipping operations	40,347	35,554
Income collected by STDM for sale of ship tickets and related services in Macau	148,982	172,567
Amount reimbursed to STDM for expenses incurred in respect of TurboJet operations in Macau	75,106	71,737
Charter hire income received from STDM	46,155	–
Significant transactions with China Travel Services (Hong Kong) Ltd. (CTSHK)		
Commission paid to CTSHK for sale of ship tickets	12,447	12,613
Income collected by CTSHK for sale of ship tickets and related services	101,394	114,796
Amount reimbursed to CTSHK for expenses incurred in respect of shipping operations	8,292	8,748
Amount reimbursed by Shun Tak Shipping Co., Ltd. and its associates (STS) for expenses and resources shared by STS	18,156	18,774
Rental and related service fees for lease of land and buildings received from an associate	2,475	2,440
Rental and related service fees for lease of land and buildings paid to Shun Tak Centre Ltd.	3,055	1,637
Interest income received from associates	14,412	14,664
Interest expenses paid to minority shareholders of a subsidiary	83,772	103,150
Interest expenses paid to a joint venture partner	8,335	8,760
Sales commission paid to a minority shareholder of a subsidiary	19,214	–
Insurance premium paid to an associate	11,006	8,528
Construction cost paid to an associate	47,678	–

The above transactions were conducted in accordance with the terms as disclosed in the last annual report.