

4. Segment Information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and by geographical location is as follows:

	Turnover		Contribution	
	Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited and restated)	Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
By activity:				
Property investment and management	104.0	111.7	49.8	44.6
Property development	113.3	27.3	(3.3)	(4.8)
Construction and construction-related businesses	75.5	224.8	(0.8)	(2.0)
Development consultancy and project management	-	-	(2.3)	(8.1)
Hotel ownership and management	510.8	493.9	62.3	61.1
Other operations and investments	41.5	79.7	46.2	431.2
	<u>845.1</u>	<u>937.4</u>	<u>151.9</u>	<u>522.0</u>
By geographical location:				
Hong Kong	774.6	856.6	159.2	467.4
U.S.A.	-	-	-	58.0
Canada	55.4	63.1	-	3.9
Others	15.1	17.7	(7.3)	(7.3)
	<u>845.1</u>	<u>937.4</u>	<u>151.9</u>	<u>522.0</u>

An analysis of profit/(loss) on sale of investments or properties of the Group is as follows:

	Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited)
	HK\$'million	HK\$'million
Gain on disposal of listed investments, net	27.4	5.6
Profit/(Loss) on sale of properties	(0.3)	3.5
	<u>27.1</u>	<u>9.1</u>



5. Other Revenue

Other revenue includes the following major items:

	Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited)
	HK\$'million	HK\$'million
Interest income	33.2	39.5
Profit on disposal of ordinary shares in a listed subsidiary company arising from exchange of exchangeable bonds	64.7	-
	<u>97.9</u>	<u>39.5</u>

6. Other Operating Income/(Expenses), Net

Other operating income/(expenses), net, include the following major items:

	Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited)
	HK\$'million	HK\$'million
Depreciation	(30.7)	(29.8)
Loss on disposal of ordinary shares in a listed subsidiary company	(8.5)	-
Loss on disposal of long term listed investments	(27.7)	-
Write back of provision for indemnity given*	-	340.4
	<u>(66.9)</u>	<u>310.6</u>

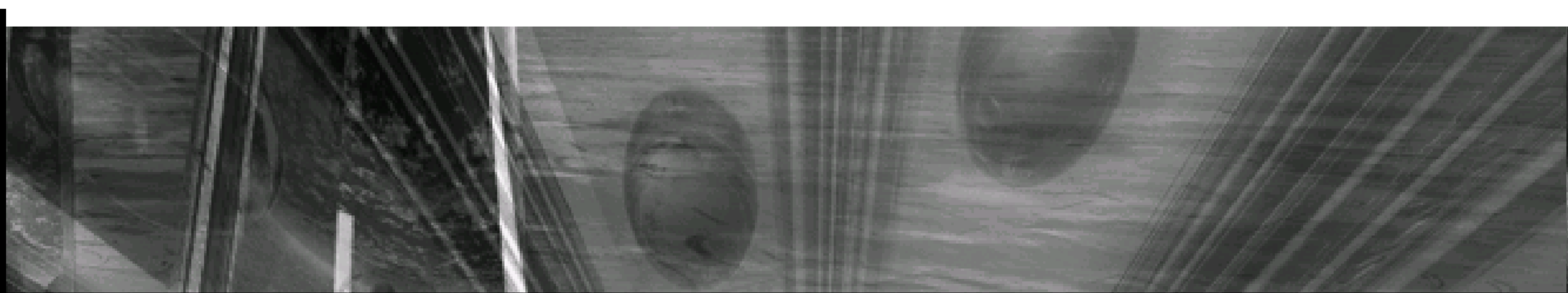
* The amount in the previous period was classified as other revenue. To accord with the presentation in the current period which, in the opinion of the Directors, better reflects the nature of the transaction, it has been reclassified to other operating income.

7. Finance Costs

	Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited)
	HK\$'million	HK\$'million
Interest in respect of:		
Bank loans and overdrafts	221.7	298.4
Other loans and exchangeable bonds, wholly repayable within five years	148.0	71.5
	<u>369.7</u>	<u>369.9</u>
Premium provided on exchangeable bonds and convertible bonds	104.4	105.2
	<u>474.1</u>	<u>475.1</u>
Interest capitalised in respect of property development projects and construction contracts	(2.1)	(21.4)
	<u>472.0</u>	<u>453.7</u>
Amortisation of deferred expenditure	9.7	12.9
Write off of deferred expenditure	10.0	-
Other loan costs	0.8	-
	<u>492.5</u>	<u>466.6</u>

8. Tax

	Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited)
	HK\$'million	HK\$'million
The Group:		
Provision for tax in respect of profits for the period:		
Hong Kong	2.0	4.0
Overseas	0.2	0.2
	<u>2.2</u>	<u>4.2</u>
Prior year overprovisions:		
Hong Kong	(0.4)	(0.5)
Capital gains tax — overseas	-	7.3
	<u>1.8</u>	<u>11.0</u>



The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16% (2000 - 16%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

Tax on the profits of subsidiary companies operating overseas is calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing laws, practices and interpretations thereof.

No provision for tax is required for the associates or the jointly controlled entity as no assessable profits were earned by these associates or the jointly controlled entity during the period.

9. Transfer from Other Reserves

For the period under review, an amount of HK\$2.4 million (2000 - nil) was transferred from reserves to accumulated losses.

10. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$251.1 million (2000 - net profit of HK\$113.6 million) and on the weighted average of 3,326.8 million (2000 - 3,255.6 million) shares of the Company in issue during the period.

No diluted earnings/(loss) per share is presented for the periods ended 30th June, 2000 and 2001, as no diluting events existed during the periods.

11. Dividend

The Directors have resolved not to declare the payment of any interim dividend for the financial year ending 31st December, 2001 (2000 - nil).

12. Long Term Investments

Included in the long term investments is an amount of HK\$298.9 million (31st December, 2000 - HK\$298.9 million) which represents the PHL Group's investments of 23% interest each in two sino-foreign joint venture companies (collectively, the "Investee Companies") in Beijing, The People's Republic of China (the "PRC"). As disclosed in the financial statements for the year ended 31st December, 2000, a land site beneficially and collectively held by the Investee Companies was resumed by the Land Bureau in Beijing on grounds of its prolonged idle condition. The Group and the other parties concerned have been undergoing negotiations with the relevant PRC government authorities with a view to safeguarding the Investee Companies' interest in the land site. While there has been some progress in the negotiations, in the opinion of the directors of PHL, it is still not possible to determine at this stage with reasonable certainty the ultimate outcome of the negotiations and hence, the provision, if any, required to be made against PHL Group's investments in the Investee Companies. Accordingly, no provision has been made in the financial statements in respect of these investments.

13. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$196.9 million (31st December, 2000 - HK\$199.9 million) representing the trade debtors of the Group. The aged analysis of such debtors is as follows:

	30th June, 2001 (Unaudited)	31st December, 2000 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	144.1	147.3
Between 4 to 6 months	5.1	5.3
Between 7 to 12 months	4.6	14.0
Over 1 year	65.5	52.1
	<u>219.3</u>	<u>218.7</u>
Provisions	(22.4)	(18.8)
	<u>196.9</u>	<u>199.9</u>

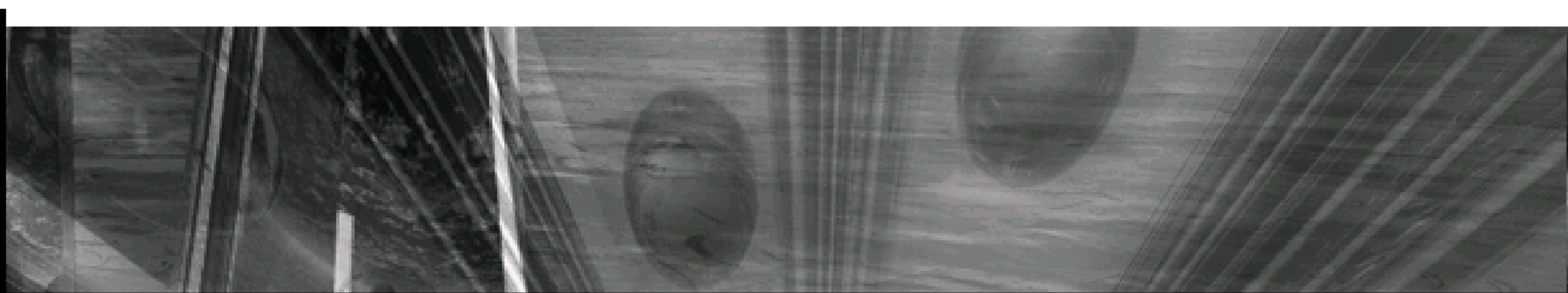
Credit Terms

Trade debtors, which generally have credit terms of 2 to 90 days, are recognised and carried at their original invoiced amounts less provisions for doubtful debts which are made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.

14. Creditors and Accruals

Included in the balance is an amount of HK\$115.0 million (31st December, 2000 - HK\$109.3 million) representing the trade creditors of the Group. The aged analysis of such creditors is as follows:

	30th June, 2001 (Unaudited)	31st December, 2000 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	84.1	79.4
Between 4 to 6 months	5.5	3.1
Between 7 to 12 months	1.6	1.9
Over 1 year	23.8	24.9
	<u>115.0</u>	<u>109.3</u>



15. Reserves

	Share premium account (Unaudited) HK\$'million	Capital redemption reserve (Unaudited) HK\$'million	Capital reserve (Unaudited) HK\$'million	Revaluation reserves (Unaudited) HK\$'million	Exchange equalisation reserve (Unaudited) HK\$'million	Accumulated losses (Unaudited) HK\$'million	Total (Unaudited) HK\$'million
At 1st January, 2001:							
As previously stated (Audited)	888.4	4.4	3,226.9	64.7	(3.2)	(2,958.7)	1,222.5
Prior year adjustment (note)	-	-	156.5	-	-	(156.5)	-
As restated	888.4	4.4	3,383.4	64.7	(3.2)	(3,115.2)	1,222.5
Movement in fair value of long term investments	-	-	-	(2.5)	-	-	(2.5)
Release on disposal of ordinary shares in the listed subsidiary companies	-	-	(57.5)	(1.0)	0.1	-	(58.4)
Release on disposal of long term investments	-	-	-	14.2	-	-	14.2
Transfers	-	-	-	(2.4)	-	2.4	-
Net loss for the period	-	-	-	-	-	(251.1)	(251.1)
At 30th June, 2001	888.4	4.4	3,325.9	73.0	(3.1)	(3,363.9)	924.7

Note: The prior year adjustment represents losses arising from impaired goodwill, the accounting treatment of which is further explained in note 1(f).

16. Related Party Transactions

The Group had the following material related party transactions during the period:

		Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited)
	Notes	HK\$'million	HK\$'million
Advertising, promotion and information technology service fees (including cost reimbursements) paid to an associate	(a)	9.0	12.1
Interest on loans to associates	(b)	5.7	5.7
Guarantees given in respect of a banking facility of a jointly controlled entity	(b)	2,310.0	2,310.0
Guarantee given in respect of a banking facility of an associate, which had been fully provided for	(b)	109.0	246.6

Notes:

- (a) The advertising and promotion fees comprised a retainer determined by reference to the estimated volume of advertising and promotional activities of the Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed. During the period, information technology services were also provided, the fees for which were charged on project basis.
- (b) The nature and terms of these related party transactions are similar to those disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2000.

17. Pledge of Assets

At 30th June, 2001, certain of the Group's time deposits, listed investments, fixed assets including properties and equipment, properties under development, inventories and receivables with a total book value of HK\$14,035.7 million (31st December, 2000 - HK\$14,235.0 million) and certain ordinary shares in two listed subsidiary companies and the shares held in a jointly controlled entity were pledged to secure general banking facilities granted to the Group and the jointly controlled entity and to secure exchange rights under the exchangeable bonds issued by the PHL Group.

**18. Contingent Liabilities**

At 30th June, 2001, the Group had the following contingent liabilities:

	30th June, 2001 (Unaudited)	31st December, 2000 (Audited)
	HK\$'million	HK\$'million
(a) Corporate guarantees provided in respect of the attributable share of an outstanding bank loan of a jointly controlled entity	<u>1,757.7</u>	<u>1,757.7</u>
(b) On 18th November, 1999, Regal International (BVI) Holdings Limited ("Regal BVI"), a wholly-owned subsidiary company of RHIHL Group, entered into a securities purchase agreement ("SP Agreement") with an independent party (the "Purchaser") with respect to the disposal by Regal BVI to the Purchaser of its interests in hotel ownership and hotel management in the United States of America.		

The SP Agreement contains representations, warranties and indemnification given by Regal BVI which are normal and usual for transactions of similar nature. At the date of this report, save for amounts ascertained and provided in the financial statements, the directors of RHIHL are unable either to assess the likelihood of the crystallisation of any contingent liability or to estimate the amounts thereof with reasonable accuracy.

19. Commitments

At 30th June, 2001, the Group had the following outstanding capital commitments:

	30th June, 2001 (Unaudited)	31st December, 2000 (Audited)
	HK\$'million	HK\$'million
Capital commitments in respect of acquisition of interests in a hotel property in The People's Republic of China:		
Authorised and contracted for	3.4	6.5
Capital commitments in respect of the renovation or improvement of hotel properties:		
Authorised and contracted for	19.8	26.0
Authorised, but not contracted for	6.1	81.0
	<u>25.9</u>	<u>107.0</u>
Capital commitments in respect of a property development project:		
Authorised and contracted for	2.9	2.9
Authorised, but not contracted for	36.0	36.0
	<u>38.9</u>	<u>38.9</u>
	<u>68.2</u>	<u>152.4</u>

At 30th June, 2001, the Group had outstanding commitments under non-cancellable operating leases in respect of other equipment which fall due:

	30th June, 2001 (Unaudited)
	HK\$'million
Within one year	4.0
In the second to fifth year, inclusive	2.8
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	6.8
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At 31st December, 2000, the Group had annual commitments payable in the following year under non-cancellable operating leases in respect of other equipment expiring:

	31st December, 2000 (Audited)
	HK\$'million
Within one year	2.4
In the second to fifth year, inclusive	2.1
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	4.5
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20. Post Balance Sheet Event

Subsequent to the balance sheet date, on 31st August, 2001, the Group entered into a conditional sale and purchase agreement with an independent third party to dispose of certain subsidiary companies engaged in securities brokerage business. The Directors expect the impact of the disposal on the Group's current year's results to be immaterial.