

Notes to Interim Accounts

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2001 except the methods of accounting for goodwill/negative goodwill, proposed dividend and segment reporting, the impacts of which are described below.

(a) Goodwill/negative goodwill

In prior years, goodwill/negative goodwill arising on consolidation, representing the excess/shortfall of the cost of investments in subsidiaries and associates over the appropriate share of the fair value of the net tangible assets at the date of acquisition, is taken to reserves in the year in which it arises. On disposal of a subsidiary or an associate, the attributable amount of goodwill/negative goodwill is included in calculating the profit or loss on disposal.

With effect from 1 April 2001, with the introduction of SSAP 30 "Business Combinations", the Group adopted an accounting policy to recognise goodwill as an asset and is amortised on a straight-line basis over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that is identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account. On disposal of a subsidiary or an associate, any attributable amount of purchased goodwill not previously amortised through the profit and loss account is included in the calculation of the profit and loss on disposal.

The Group has taken advantage of the transitional provisions in SSAP 30 which do not require the restatement of positive/negative goodwill taken to reserves prior to 1 April 2001 and the above change in accounting policy has no financial impact on the Group for the current and prior periods.

Notes to Interim Accounts

(b) Proposed dividend

In prior years, dividend proposed after balance sheet date was accrued as liabilities at the balance sheet date. With effect from 1 April 2001, the dividend proposed after balance sheet date is shown as a separate component of shareholders' funds in accordance with the revised SSAP 9 "Events After the Balance Sheet Date" issued by the Hong Kong Society of Accountants. The new accounting policy has been adopted retrospectively. In adjusting prior years' figures, shareholders' funds as at 1 April 2001 were restated and increased by HK\$103.5 million representing the proposed final dividend for the year ended 31 March 2001.

As a result of the adoption of SSAP 9 and restating the prior years' reserves, the Group's shareholders' funds at 30 September 2001 have increased by HK\$41.4 million (31/3/2001— HK\$103.5 million).

(c) Segment reporting

A segment is distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Inter-segment pricing is based on similar terms as those available to other external parties.

In note 2 to these condensed interim accounts, the Group has disclosed segment revenue and results as defined under SSAP 26 "Segment Reporting". In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Notes to Interim Accounts

2. SEGMENT INFORMATION

Turnover and operating profit

	Segment Revenue		Segment Results	
	30/9/2001	30/9/2000	30/9/2001	30/9/2000
	HK\$Million	HK\$Million	HK\$Million	HK\$Million
Business segment				
Sales of property	2,096.2	389.0	653.5	144.1
Property rental	132.4	133.1	91.2	96.4
Investments and others	198.2	200.0	161.6	268.9
	<u>2,426.8</u>	<u>722.1</u>	<u>906.3</u>	<u>509.4</u>
Unallocated expenses			(12.8)	(17.4)
Operating profit			<u>893.5</u>	<u>492.0</u>
Geographical segments				
Hong Kong	428.8	298.8	173.4	281.1
Singapore	1,998.0	423.3	720.1	210.9
	<u>2,426.8</u>	<u>722.1</u>	<u>893.5</u>	<u>492.0</u>

3. OTHER NET (LOSSES)/INCOME

	30/9/2001	30/9/2000
	HK\$Million	HK\$Million
Net (loss)/profit on disposal of non-trading securities	(13.7)	129.6
Provision for diminution in value of investments	-	(44.7)
Others	(12.3)	(0.2)
	<u>(26.0)</u>	<u>84.7</u>

4. OPERATING PROFIT

	30/9/2001	30/9/2000
	HK\$Million	HK\$Million
Operating profit is arrived at after charging :		
Cost of properties sold	1,402.6	226.8
Depreciation	0.5	0.5
	<u>1,403.1</u>	<u>227.3</u>
and after crediting :		
Dividend income for listed securities	<u>105.6</u>	<u>110.8</u>

Notes to Interim Accounts

5. BORROWING COSTS

	30/9/2001	30/9/2000
	HK\$Million	HK\$Million
Interest payable on:		
Bank loans and overdrafts	89.4	139.0
Other loans repayable within 5 years	-	6.6
Other borrowing costs	10.2	6.9
	99.6	152.5
Less: Amount capitalised	(0.9)	(11.4)
	98.7	141.1

6. TAXATION

The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16 % (2000 — 16 %). Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

	30/9/2001	30/9/2000
	HK\$Million	HK\$Million
Company and subsidiaries		
Hong Kong profits tax for the period	3.4	2.4
Overseas taxation for the period	775.4	4.7
Deferred taxation	(598.8)	36.2
	180.0	43.3
Associates		
Hong Kong profits tax for the period	0.1	0.3
Overseas taxation for the period	5.8	2.8
	5.9	3.1
	185.9	46.4

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings for the period of HK\$204.7 million (2000 — HK\$203.3 million) and 2,069.6 million ordinary shares in issue throughout the financial period ended 30 September 2001 and the previous corresponding period.

Notes to Interim Accounts

8. DEBTORS AND PREPAYMENTS

The Group maintains defined credit policies for its businesses and trade debtors are closely monitored in order to control credit risk associated with trade debtors.

Included in debtors and prepayments are trade debtors with an ageing analysis as at 30 September 2001 as follows:

	30/9/2001	31/3/2001
	HK\$Million	HK\$Million
Current	5.1	27.5
31 - 60 days	0.2	0.2
61 - 90 days	0.1	0.2
Over 90 days	0.7	2.6
	6.1	30.5

9. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors with an ageing analysis as at 30 September 2001 as follows:

	30/9/2001	31/3/2001
	HK\$Million	HK\$Million
Amounts payable in the next:		
0 - 30 days	152.1	177.4
31 - 60 days	9.8	18.0
61 - 90 days	8.3	13.0
Over 90 days	75.3	23.2
	245.5	231.6

10. CONTINGENT LIABILITIES

- (a) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$1,953.7 million (31/3/2001— HK\$1,936.1 million) of which HK\$914.5 million (31/3/2001 — HK\$311.7 million) has been drawn.
- (b) The Company, a non wholly-owned subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms under an agreement for the development of Sorrento (Kowloon Station Package II).

Notes to Interim Accounts

11. COMMITMENTS

	30/9/2001	31/3/2001
	HK\$Million	HK\$Million
(a) Acquisition of and future development expenditure relating to properties : Contracted but not provided for	<u>1,058.3</u>	<u>1,062.6</u>
(b) At 30 September 2001, forward exchange contracts amounting to HK\$639.6 million (31/3/2001— HK\$671.9 million) were outstanding.		

12. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transaction during the period ended 30 September 2001.

- (a) Loans and advances in the amount of HK\$4,423.3 million (31/3/2001 — HK\$4,750.9 million) advanced by the Group to certain associates involved in Bellagio and Sorrento projects are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. Waivers were granted by the Stock Exchange in 1994 and 1997 from complying with the relevant connected transaction requirements.
- (b) The Company, a non wholly-owned subsidiary and the ultimate holding company together with its two associates have severally guaranteed bank loans facilities granted to a subsidiary of an associate, Hopfield Holdings Limited, to finance the Sorrento project. The amount of guarantee given attributable to the Group and the Company were HK\$1,360.0 million (31/3/2001 — HK\$1,360.0 million) and HK\$680.0 million (31/3/2001 — HK\$680.0 million) respectively. Such guarantee given by the Company constitutes a connected transaction as defined under the Listing Rules, but a waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.
- (c) The Company, a non wholly-owned subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms by the subsidiary of an associate under an agreement to develop the Sorrento project. Such guarantee given by the Company constitutes a connected transaction as defined under the Listing Rules, but a waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.

Notes to Interim Accounts

- (d) The Group paid to a related party a General Managers' Commission of HK\$7.8 million (30/9/2000 — HK\$9.8 million) for the provision of management services to the Group during the period. The payment of such an amount to the General Managers was in accordance with the agreements dated 31 March 1992, which constituted a connected transaction as defined under the Listing Rules, but was exempted from the requirements of the Listing Rules under paragraph 14.24 (2) thereof relating to connected transactions.
- (e) The Group received dividend income in the amount of HK\$86.0 million during the period ended 30 September 2001 (2000 — HK\$86.0 million) in respect of investments in a related company.

13. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of changes in accounting policies for proposed dividend and segment reporting in order to comply with SSAPs 9 and 26 respectively, details of which are set out in note 1.

14. REVIEW OF UNAUDITED INTERIM ACCOUNTS

The unaudited interim accounts for the six months ended 30 September 2001 have been reviewed by the audit committee of the Company.