

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”). KPMG’s independent review report to the board of directors is included on page 20.

The interim financial report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the HKSA.

The financial information relating to the financial year ended 31 March 2001 included in the interim financial report does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 March 2001 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 29 June 2001.

The same accounting policies adopted in the 2001 annual accounts have been applied to the interim financial report except as disclosed under notes 1(b), 1(c), 1(d) and 1(e) below.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2001 annual accounts.

(b) Goodwill arising on acquisition

In prior years, goodwill arising on the acquisition of subsidiaries, being the excess of the cost of investments in these companies over the fair value of the Group’s share of the separable net assets of subsidiaries acquired, is charged to capital reserve. The excess of the fair value of the Group’s share of the separable net assets of subsidiaries acquired over the cost is credited to capital reserve.

With effect from 1 January 2001, with the introduction of SSAP 30 “Business Combinations” issued by the HKSA, goodwill arising from business combinations is capitalized and amortized over its estimated useful life. The Group has taken advantage of the transitional provisions in SSAP 30 and goodwill which has been previously charged or credited to capital reserve has not been retroactively restated under the new accounting policy.

(c) Dividend

In prior years, dividends proposed after the balance sheet date in respect of an accounting period were recognised as liabilities at the balance sheet date. With effect from 1 January 2001, in order to comply with SSAP 9 (revised) “Events After the Balance Sheet Date” issued by the HKSA, the Company recognised a liability for dividends in the accounting period in which they are declared or proposed and approved by shareholders.

As a result of this new accounting policy, the Group’s net assets at 30 September 2001 have been increased by HK\$75,040,000 (at 31 March 2001: HK\$109,674,000). There is no impact on the Group’s profit attributable to shareholders for the periods presented. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

(d) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not possible that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(e) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired:

- property, plant and equipment (other than investment properties carried at revalued amounts);
- investments in subsidiaries and associates; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where there are assets that do not generate cash flows largely independent of those from other assets, recoverable amounts are determined for the smallest group of assets that generates cash inflows independently (ie a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment loss is limited to the carrying amount of the asset that would have been determined had no impairment loss has been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised, except where the assets are carried at revalued amounts, in which case the reversal of impairment loss is treated as a revaluation movement.

2. SEGMENTAL INFORMATION

An analysis of the Group's turnover and operating profit is as follows:

For the six months ended 30 September:

	Group turnover		Contribution to profit from operations	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i> (restated)
Property rental	189,110	180,239	134,573	131,694
Property sales	13,395	17,293	2,886	1,829
Hotel ownership and management	140,538	137,989	53,562	50,726
Food and beverage operation	64,120	67,701	308	1,105
Travel operation	173,242	190,849	(1,382)	(2,585)
Other activities	1,864	2,173	2,351	5,093
	<u>582,269</u>	<u>596,244</u>	<u>192,298</u>	<u>187,862</u>
Other group expenses net of other income			<u>(49,701)</u>	<u>(34,364)</u>
			<u>142,597</u>	<u>153,498</u>

No geographical analysis is shown as less than 10% of the Group's turnover and operating profit are derived from activities outside Hong Kong.

3. OTHER REVENUE

For the six months ended 30 September:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	1,815	1,758
Forfeited deposits	509	90
Sundry income	5,663	5,375
	<u>7,987</u>	<u>7,223</u>

4. OTHER NET INCOME/(LOSS)

For the six months ended 30 September:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of fixed assets	(10,238)	(227)
Gain on disposal of properties under development	35,238	–
Gain on disposal on an associate	4	–
Gain on disposal of a subsidiary company	–	3,002
	<u>25,004</u>	<u>2,775</u>

5. TAXATION

For the six months ended 30 September:

	2001 HK\$'000	2000 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax for the period	17,313	10,717
Overprovision in respect of prior years	(31)	(539)
	17,282	10,178
Overseas taxation	4,827	2,263
Deferred taxation	(3,000)	725
	19,109	13,166
Share of associates' taxation		
– Hong Kong Profits Tax	115	127
– Overseas taxation	309	239
	19,533	13,532

The provision for Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the six months ended 30 September 2001. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to ordinary shareholders of HK\$80,499,000 (2000: HK\$75,538,000) and 577,231,252 shares (2000: 577,231,252 shares) in issue during the period.

7. DIVIDENDS

- (a) Dividends attributable to the interim period:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interim dividend declared after the interim period end of 13 cents per share (2000: 13 cents per share)	75,040	75,040

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date.

- (b) Dividends attributable to the previous financial year, approved and payable/paid during the interim period/year:

	At 30 September 2001 <i>HK\$'000</i>	At 31 March 2001 <i>HK\$'000</i>
Final dividends in respect of the previous financial year proposed and approved by shareholders during the interim period of 19 cents per share (at 31 March 2001: 16 cents per share)	109,674	92,357
Less: Dividends paid during the period/year	(109,674)	(92,357)
Dividends payable at period/year end date	–	–

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	At 30 September 2001 HK\$'000	At 31 March 2001 HK\$'000
0 to 3 months	31,381	36,655
More than 3 months	2,469	6,393
Trade receivables	33,850	43,048
Other receivables	121,745	149,725
	155,595	192,773

The Group has a defined credit policy. The general credit terms allowed range from 0 to 60 days.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis:

	At 30 September 2001 HK\$'000	At 31 March 2001 HK\$'000
Due within 3 months or on demand	28,057	33,777
Due after 3 months but within 6 months	756	533
Trade payables	28,813	34,310
Other payables	144,977	124,220
	173,790	158,530

All of the trade and other payables are expected to be settled within one year.

10. RESERVES

	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Investment properties revaluation reserve <i>HK\$'000</i>	Non-trading securities revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001							
– as previously reported	1,832,348	(3,510)	304,827	4,335,419	(52,820)	163,426	6,579,690
– prior year adjustment (note 1(c))	–	–	–	–	–	109,674	109,674
As restated	1,832,348	(3,510)	304,827	4,335,419	(52,820)	273,100	6,689,364
Exchange differences							
on translation of accounts of overseas subsidiaries	–	1,200	–	–	–	–	1,200
Revaluation surplus transferred to the profit and loss account on disposal of investment properties	–	–	–	(356)	–	–	(356)
Non-trading securities revaluation deficit	–	–	–	–	(6,455)	–	(6,455)
Profit for the period	–	–	–	–	–	80,499	80,499
Dividend paid	–	–	–	–	–	(109,674)	(109,674)
	<u>1,832,348</u>	<u>(2,310)</u>	<u>304,827</u>	<u>4,335,063</u>	<u>(59,275)</u>	<u>243,925</u>	<u>6,654,578</u>

11. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of changes in accounting policy for proposed dividend in order to comply with SSAP 9 (revised), details of which are set out in Note 1(c).