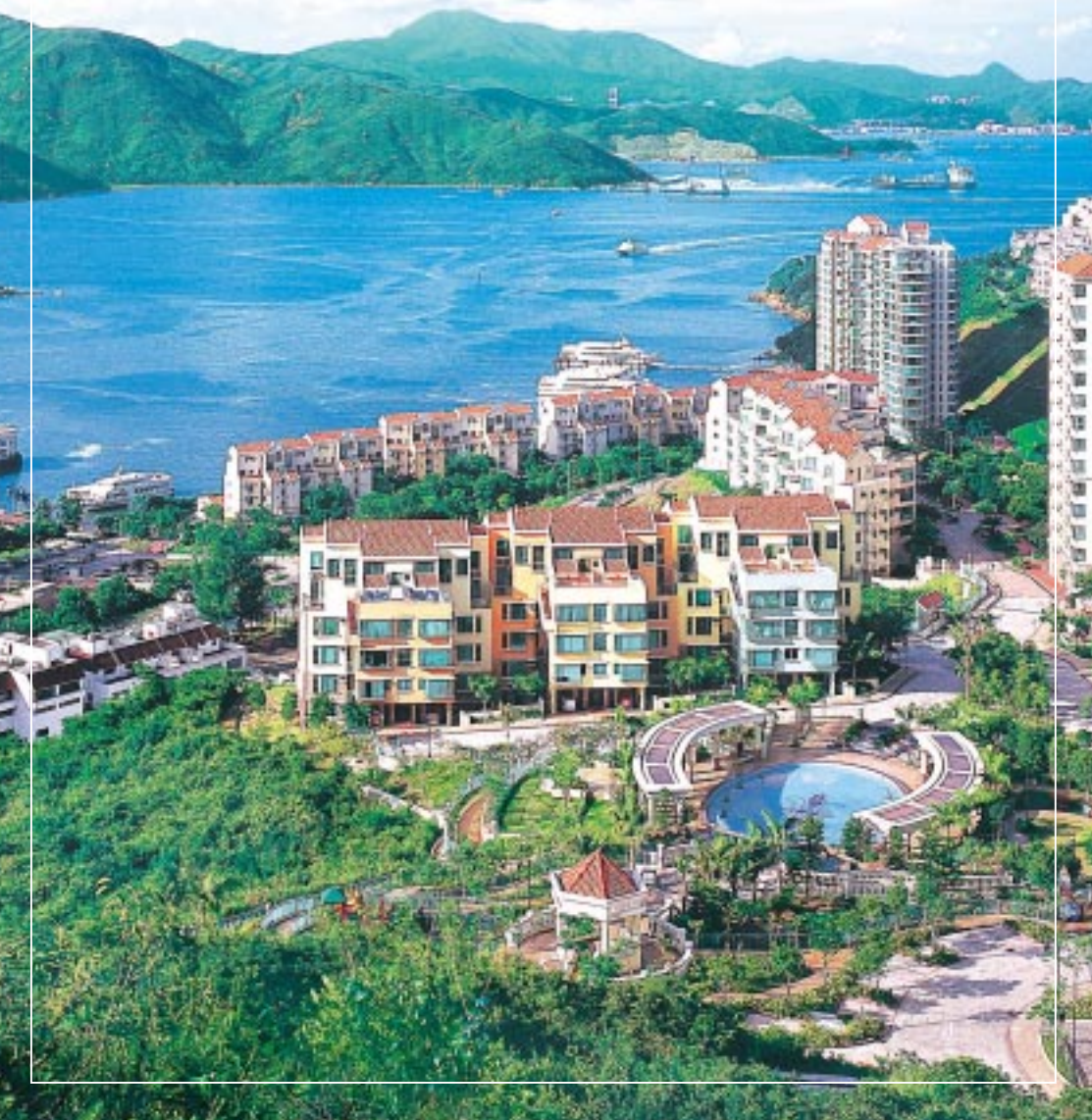




2001/2002 Interim Report



CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS	2
OTHER INFORMATION	8
CONDENSED CONSOLIDATED INCOME STATEMENT	13
CONDENSED CONSOLIDATED BALANCE SHEET	14
CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES	16
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	17
NOTES TO THE CONDENSED FINANCIAL STATEMENTS	18
INDEPENDENT REVIEW REPORT	32

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

The Group's unaudited consolidated net profit attributable to shareholders for the six months ended 30 September 2001 amounted to HK\$28.0 million compared to the profits of HK\$302.5 million over the corresponding period last year. The earnings per share amounted to HK2.4 cents compared to HK26.1 cents over the corresponding period last year.

DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2001.

OPERATIONS REVIEW

Discovery Bay

The first of the four-phased development in Yi Pak, comprising 298 residential units, will be completed by the first half of 2002 and will be launched for sale in the first quarter of 2002.

In October 2001, Hong Kong Resort Company Limited disposed of three retired 300-passenger monohull waterjet ferries to an independent third party for a total consideration of US\$2.5 million. The newly acquired shipyard site in Tsing Yi will be in service in early 2003.

Other Property Development, Management and Construction Business

The sale of the first phase of Coastal Skyline, Tung Chung Station Development Package II project, comprising 2,022 residential units, will be launched in 2002. The Group is responsible for managing the project and has increased its interest in it to 31% since September 2001.

During the period under review, the Group's construction and construction-related businesses have been performing steadily well. As at 30 September 2001, the value of outstanding construction contracts and construction-related business orders was HK\$813 million and HK\$170 million respectively.

As at 30 September 2001, the Group's wholly-owned properties, namely La Fontaine (Shopping mall), West Gate Tower (Industrial) and the North Point Road Building (Commercial) were 100%, 92% and 90% leased respectively. Whereas DB Plaza and Discovery Park Shopping Center, both being 50% owned by the Group, were 95% and 98% leased accordingly.

Hotel

Due to the adverse effects on the global hospitality industry caused by the event in the United States on September 11, both the Sukhothai and the Beaufort Sentosa hotels have experienced decline in occupancy. Plans have been submitted to add spa facilities to the Sukhothai and the Beaufort Sentosa to enhance the hotels' services.

Regional Investments

The building plans of the redevelopment project of Nassim Road in Singapore have been submitted to the Singaporean Government and are under review by relevant authorities.

In Bangkok, the upgrading of Siri Sathorn into a luxury 5-star service apartment is in progress.

In Tokyo, the Group's 10% interested development in Block B, Shiodome, is progressing as scheduled and topping up is expected in January 2002.

The Tianjin Landmark complex, is planned to include retail mall, offices, service apartments and hotel. Phase I construction is in progress. The grand opening of the retail mall is scheduled for January 2002.

In Shanghai, a total of 118 residential units of Block 2 Central Residences and the 125 car parking spaces were handed over to the Group in October 2001. These luxurious apartments are being decorated and furnished and should be ready for occupancy as service apartments by the second quarter of 2002.

Property Services Operation in China and Hong Kong

Asia Asset Property Services Limited ("Asia Asset"), the Group's property services arm in China, has expanded its scope of services and its geographical spread. In addition to the three offices in Shanghai, Guangzhou and Shenzhen, Asia Asset also operates in some hinterland areas including Chongqing, Changsa, Nansha and Shangyu in Zhejiang Province. From the fourth quarter of 2001 onwards, Asia Asset extends its operation and business in Hong Kong.

Manufacturing

The Group's bathroom furnishings manufacturing subsidiary, Imperial Bathroom Products Limited ("Imperial"), has recorded growth in local market in China and the overseas markets, such as the United Kingdom and Australia during the period under review. With the introduction of newly-designed and innovative products, Imperial is optimistic to secure more market shares locally and abroad despite the global economic downturn.

In November 2001, the Imperial's quality assurance system was upgraded to ISO 9001 certificate. Currently, Imperial is building a new tunnel kiln and expanding its warehouse to meet the growing demands. A casting shop is planned to serve as the training center for workers.

Medical Services

GenRx Holdings Limited ("GenRx"), a wholly-owned subsidiary of the Company, is pursuing healthcare business in Hong Kong and China, which presents a worthwhile and promising opportunity for the Group.

In July 2000, GenRx together with a group of American medical specialists set up AmMed International Corporation Ltd. ("AmMed"). Headed by several leading cancer specialists and equipped with advanced diagnostic and treatment equipment, the first AmMed center located at the lower floors of the Hong Kong Adventist Hospital was completed and opened in November 2001. New cancer centers in Shanghai and Beijing are being planned.

GenRx also started investing in dental care business. They are the Arrail Dental Group, which manages a large dental clinic in Beijing and Shenzhen, and the Health & Care Dental Clinics, which is a network with over 19 dental clinics in Hong Kong. The investments are envisioned to be the beginning of an effort to build the largest private dental service network in China and Hong Kong.

Human Resources

As at 30 September 2001, the total number of employees of the Group was approximately 2,500 in Hong Kong and overseas.

Against the backdrop of a global economic slowdown which continues to put pressure on the operation, the Group, like most other companies, is undergoing a number of cost and structure reviews to realign the workforce and its organisation to improve its operational capabilities in order to stay competitive in the market.

Outlook

The tragic terrorist attack in the United States in September was a shock to the world and yet some of our economists are hopeful that the accelerated slowdown on the world economy will bottom out soon.

In addition, with the improvement on the basic factors such as housing policy, interest rates, and China's entry to World Trade Organisation, there are signs that the property market in Hong Kong will improve in the near future.

FINANCIAL REVIEW

Summary of Results

The Group's performance for the six months ended 30 September 2001 was largely affected by the timing of property sales launch of its two developments at Yi Pak and Tung Chung. Despite the economic uncertainty, the Group has been able to maintain a stable performance for majority of its business segments.

Group Liquidity and Financial Resources

Despite the untoward performance for the first half of 2001/2002, the Group is still in a strong financial position. Shareholders' funds were HK\$6,396.6 million as at 30 September 2001 as compared to HK\$6,395.8 million as at 31 March 2001, reflecting a strong capital base.

As at 30 September 2001, the Group held bank balances and cash in the amount of HK\$994.6 million (31 March 2001: HK\$1,987.8 million) while bank borrowings totalled HK\$1,844.8 million (31 March 2001: HK\$2,027.6 million). Undrawn banking facilities as at 30 September 2001 amounted to HK\$2,000.0 million.

As at 30 September 2001, the Group was geared with a debt-to-equity ratio of 28% (31 March 2001: 32%), calculated by reference of the Group's total bank borrowings divided by the shareholders' funds.

Together with other financial resources and the abundant unutilised banking facilities, the Group has confidence in meeting the funding needs of its core business activities in Discovery Bay, Lantau Island and other development projects.

Treasury Policy

The Group's overall treasury and funding policies have remained the same as those described in the Annual Report for the year ended 31 March 2001. As at 30 September 2001, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Pledge of Assets

As at 30 September 2001, the Group had pledged certain properties with carrying value of HK\$285.5 million (31 March 2001: HK\$280.4 million) and investments in securities with carrying value of HK\$140.0 million (31 March 2001: HK\$140.0 million) to secure general banking facilities granted to the Group.

The Group's investment in an associate, Tung Chung Station Development Company Limited ("TCSDDL") is pledged, and the loan to TCSDDL together with all interest accrued thereon (before provision) amounting to approximately HK\$2,876.9 million (31 March 2001: HK\$2,194.0 million) was subordinated to banks to secure the banking facilities granted to TCSDDL.

In addition, the Group has pledged its shares in an investee company, Alderney Investment Pte Ltd., to a bank for a loan facility granted to the investee company.

Contingent Liabilities

Details of the contingent liabilities are set out in note 20 to the condensed financial statements.

OTHER INFORMATION

Directors' Interests in Securities

As at 30 September 2001, the interests of the directors, if any, in the equity or debt securities of the Company and its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Director	Number of ordinary shares in the Company			
	Personal interests	Family interests	Corporate interests	Other interests
CHA Chi Ming	—	130,000 (a)	72,405,057 (b)	508,965,143 (c)
CHA Mou Sing Payson	2,352,860	—	2,624,600 (b)	—
CHUNG Sam Tin Abraham	270,072	—	—	—
HO Pak Ching Loretta	54,424	—	—	—
SHEN Tai Hing	42,000	—	—	—
WONG Sue Toa Stewart	526,832	—	400,080 (b)	—
WU Shao Ching Veronica	830,625	—	—	—

Independent non-executive director

Ronald Joseph ARCULLI	241,472	—	—	—
-----------------------	---------	---	---	---

- (a) The shares are held personally by Ms Liu Bie Ju, the wife of Mr Cha Chi Ming.
- (b) The shares are held by a corporation in which the relevant director is deemed to be interested under the SDI Ordinance.
- (c) The shares are held by irrevocable discretionary trusts of which Mr Cha Chi Ming or his associates are among the beneficiaries.

In addition to the above, certain directors hold non-beneficial interests in the share capital of some of the subsidiaries of the Company as nominee shareholders, mainly for the purpose of complying with the statutory requirement for a minimum number of shareholders for those subsidiaries.

Save as disclosed above, as at 30 September 2001, none of the directors of the Company or their associates had any interest in the equity or debt securities of the Company or of any of its associated corporations which had to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance or to the Model Code or which were required pursuant to Section 29 of the SDI Ordinance to be entered in the register referred therein.

Directors' Right to Acquire Shares or Debentures

The Company currently has an executive share option scheme (adopted in 1997) which permits the directors of the Company to grant options to executive directors and senior executives of the Company or its subsidiaries to subscribe for shares in the Company. No options have yet been granted under this scheme.

Details of the outstanding options (which remain valid until their expiry dates in May 2002) granted by the Company under the share option scheme (adopted in 1989) to the executive directors to subscribe for shares in the Company, as recorded in the register required to be kept under Section 29 of the SDI Ordinance, as at 30 September 2001, were as follows:

Name of director	Date of grant	Exercise period*	Exercise price per share HK\$	Number of option shares in the Company
CHA Mou Sing Payson	19.5.1997	19.5.1998 - 18.5.2002	7.38	5,500,000
CHA Mou Zing Victor	21.5.1997	21.5.1998 - 20.5.2002	7.59	550,000
HO Pak Ching Loretta	21.5.1997	21.5.1998 - 20.5.2002	7.59	550,000
SHEN Tai Hing	21.5.1997	21.5.1998 - 20.5.2002	7.59	220,000
WONG Sue Toa Stewart	21.5.1997	21.5.1998 - 20.5.2002	7.59	288,200

* Exercisable either on a linear scale of 25% per year or on an ascending scale of 10 - 40% per year over the four years' period.

There has been no issue to, or exercise by, the directors of share options under the Company's share option schemes during the period.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. The above options were granted at nil consideration under the share option scheme adopted in 1989.

Substantial Shareholders

As at 30 September 2001, the register maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company has not been notified of any interests representing 10% or more of the Company's issued share capital.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Review of Interim Results

The interim report of the Group for the six months ended 30 September 2001 has not been audited, but has been reviewed by the Audit Committee of the Board and the Group's auditors, Messrs Deloitte Touche Tohmatsu.

Code of Best Practice

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2001, in compliance with the Code of Best Practice set out by the Stock Exchange in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

Disclosures under Practice Note 19 of the Listing Rules

As at 30 September 2001, the Group advanced to TCSDCL an aggregate amount of HK\$2,172.5 million (before a provision of HK\$1,367.8 million, representing the Group's attributable share of impairment losses in Tung Chung Project of the Group) and a several guarantee of HK\$1,240.0 million was provided by the Group in respect of TCSDCL's new banking facilities of HK\$4,000.0 million. The amount of banking facilities utilised by TCSDCL as at 30 September 2001 amounted to HK\$2,720.0 million.

TCSDCL is a 31% owned associate of the Group, which is engaged in the development of Tung Chung Station Package II Project in Lantau Island, Hong Kong. The advances were provided by the Group in the form of subordinated shareholders' loans in proportion to the Company's shareholding interest in TCSDCL, for the purpose of funding the working capital requirements of TCSDCL. The advances are unsecured, bear interest at the rate of HIBOR plus 2.0% to 2.5% per annum and have no fixed term of repayment. The advances together with the accrued interest thereon are subordinated to the banks providing the banking facilities to TCSDCL as mentioned above.

In addition, the Group also advanced to several affiliated companies at an aggregate amount of HK\$98.2 million as at 30 September 2001.

As at 30 September 2001, the aggregate amount of advances provided to, and guarantee given for these affiliated companies by the Group, amounted to HK\$3,511.3 million and representing 55.2% of the consolidated net tangible assets of HK\$6,364.0 million as shown in the Group's consolidated financial statements as at 31 March 2001.

A Proforma combined balance sheet of these affiliated companies and the Group's attributable interest in these affiliated companies as at 30 September 2001 were presented below:

	Proforma Combined Balance Sheet <i>HK\$'M</i>	Group's Attributable Interest <i>HK\$'M</i>
Non-current assets	<u>9,644.0</u>	<u>2,917.4</u>
Current assets	26.2	8.3
Current liabilities	<u>(208.2)</u>	<u>(73.3)</u>
Net current liabilities	<u>(182.0)</u>	<u>(65.0)</u>
Non-current liabilities	<u>(12,119.3)</u>	<u>(3,659.5)</u>
Shareholders' deficits	<u>(2,657.3)</u>	<u>(807.1)</u>

By order of the Board
CHA Mou Zing Victor
Managing Director

Hong Kong, 30 November 2001

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2001

	NOTES	1.4.2001 to 30.9.2001 HK\$'M (unaudited)	1.4.2000 to 30.9.2000 HK\$'M (unaudited) (restated)
Turnover		493.3	1,297.1
Cost of sales	5	(79.4)	(438.2)
Direct operating costs		(254.4)	(345.1)
		159.5	513.8
Net gain arising in relation to investment properties	6	—	124.9
Net loss arising in relation to overseas hotel projects	7	—	(98.3)
Other revenue		64.9	68.5
Distribution costs		—	(13.3)
Administrative expenses		(128.2)	(136.6)
Profit from operations	8	96.2	459.0
Finance costs	9	(42.2)	(97.3)
Share of results of associates		(0.9)	2.0
Share of results of joint ventures		(4.9)	—
Amortisation of goodwill		(6.9)	(11.8)
Profit before tax		41.3	351.9
Taxation	10	(9.5)	(8.6)
Profit before minority interests		31.8	343.3
Minority interests		(3.8)	(40.8)
Net profit for the period		28.0	302.5
Interim dividend	11	—	69.4
Earnings per share	12	2.4 cents	26.1 cents
— Basic			
— Diluted		N/A	N/A
Interim dividend per share	11	—	6.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2001

	NOTES	30.9.2001 HK\$'M (unaudited)	31.3.2001 HK\$'M (audited) (restated)
Non-Current Assets			
Investment properties		1,960.0	1,855.5
Property, plant and equipment	13	1,950.8	1,900.6
Properties held for/under development		3,461.4	3,185.9
Interests in associates		859.6	429.1
Interests in joint ventures		72.0	35.2
Investment in securities	14	62.2	72.2
Other assets		257.4	246.8
Goodwill	15	9.1	14.3
		8,632.5	7,739.6
Current Assets			
Inventories		84.4	83.7
Amounts receivable on contract work		22.6	8.1
Properties held for sales		116.4	131.0
Trade receivables	16	91.0	97.9
Deposits, prepayments and other receivables		62.8	57.6
Presales proceeds held by stakeholders		—	4.6
Amounts due from associates		11.3	15.2
Amounts due from joint ventures		1.1	1.4
Tax recoverable		5.0	5.6
Investment in securities	14	1,589.8	1,513.2
Bank balances and cash		994.6	1,987.8
		2,979.0	3,906.1

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30 September 2001

	NOTES	30.9.2001 HK\$'M (unaudited)	31.3.2001 HK\$'M (audited) (restated)
Current Liabilities			
Trade payables and accrued charges	17	411.4	434.6
Deposits received and other liabilities		201.2	204.1
Amounts payable on contract work		13.0	17.1
Amounts due to associates		33.8	49.3
Tax payable		73.5	71.2
Dividend payable		34.7	—
Bank loans due within one year		275.6	94.7
Other liabilities due within one year		0.4	0.4
		1,043.6	871.4
Net Current Assets		1,935.4	3,034.7
		10,567.9	10,774.3
Capital and Reserves			
Share capital	18	289.3	289.3
Reserves	19	6,107.3	6,106.5
		6,396.6	6,395.8
Minority Interests		356.5	351.4
Non-Current Liabilities			
Bank loans due after one year		1,569.2	1,932.9
Other liabilities due after one year		2,211.3	2,059.9
Deferred taxation		34.3	34.3
		3,814.8	4,027.1
		10,567.9	10,774.3

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30 September 2001

	1.4.2001 to 30.9.2001 HK\$'M (unaudited)	1.4.2000 to 30.9.2000 HK\$'M (unaudited) (restated)
Revaluation decrease of non-trading securities	(3.8)	(599.3)
Exchange differences arising from translation of overseas operations	16.2	(73.5)
Net gains (losses) not recognised in the income statement	12.4	(672.8)
Net profit for the period	28.0	302.5
Total recognised gains (losses)	40.4	(370.3)
Prior period adjustments arising from the effects of changes in accounting policies (see note 3)		
– increase in accumulated profits as at 1 April 2000 as a result of derecognition of liability for final dividend for the year ended 31 March 2000		69.4
– increase in reserves as at 1 April 2000 as a result of restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation		36.1
		105.5

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2001

	1.4.2001 to 30.9.2001 HK\$'M (unaudited)	1.4.2000 to 30.9.2000 HK\$'M (unaudited)
Net cash inflow from operating activities	0.7	1,664.5
Net cash inflow (outflow) from returns on investments and servicing of finance	51.3	(51.4)
Net taxation paid	(6.5)	(27.5)
Net cash outflow from investing activities	<u>(1,008.7)</u>	<u>(176.7)</u>
Net cash (outflow) inflow before financing	(963.2)	1,408.9
Net cash outflow from financing	<u>(31.3)</u>	<u>(1,345.2)</u>
(Decrease) increase in cash and cash equivalents	(994.5)	63.7
Cash and cash equivalents at the beginning of the period	1,917.8	1,585.9
Effect of foreign exchange rate changes	<u>1.3</u>	<u>(13.9)</u>
Cash and cash equivalents at the end of the period	<u><u>924.6</u></u>	<u><u>1,635.7</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2001

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, hotel properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new/revised accounting policies.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events After The Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see note 3).

Provisions

In accordance with SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has resulted in the derecognition of provisions for repair and improvement of hotel properties.

It is the Group's practice to maintain the hotel properties in a continual state of sound repairs and to make improvements from time to time and accordingly, the directors consider that provision for depreciation is not necessary as the hotel properties maintain residual values at least equal to their carrying values. In prior years, such expenditure on repairs and maintenance was dealt with through the maintenance provision account. Following the adoption of SSAP 28, the related repairs and maintenance expenditure is charged to the income statement when incurred. This change in accounting policy has insignificant effect to the results of the current and prior periods and accordingly no prior period adjustment has been required.

Segment reporting

SSAP 26 "Segment Reporting" has introduced new principles for reporting financial information by segment. Segment disclosures for the six months ended 30 September 2000 have been modified in order to conform with the requirement of the standard.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, the amount of such goodwill (negative goodwill) has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation in respect of goodwill between the date of acquisition of the relevant associate, subsidiary or joint venture and the date of adoption of SSAP 30 have been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant subsidiary, associate or joint venture and the date of adoption of SSAP 30 has been recognised retrospectively. The effect of these adjustments is summarised in note 3. Following restatement, goodwill is presented as an asset in the balance sheet and negative goodwill is presented as a deduction from assets. Goodwill is amortised over its estimated useful life of not more than 20 years. Negative goodwill will be released to income based on an analysis of the circumstances from which the balance resulted.

3. Prior Period Adjustments

The financial effect of the adoption of the new/revised accounting policies described in note 2 is summarised below:

	Balance as at 1 April 2001		Balance as at 1 April 2000	
	Accumulated profits HK\$'M	Distributable reserve HK\$'M	Accumulated profits HK\$'M	Distributable reserve HK\$'M
As originally stated	4,936.6	203.6	4,601.7	210.3
Derecognition of liability for final dividend for the year ended 31 March 2001/2000	34.7	—	69.4	—
Restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation	(228.0)	259.8	(204.3)	240.4
Restatement of negative goodwill held in reserves with retrospective release to income	12.7	(12.7)	—	—
	(180.6)	247.1	(134.9)	240.4
As restated	4,756.0	450.7	4,466.8	450.7

The effect of these changes in accounting policies on the results for the current and prior periods is as follows:

	1.4.2001 to 30.9.2001 HK\$'M	1.4.2000 to 30.9.2000 HK\$'M	1.4.2000 to 31.3.2001 HK\$'M
Decrease in net profit for the period as a result of:			
Amortisation of goodwill in respect of acquisition of:			
— subsidiaries	(5.2)	(11.8)	(23.7)
— joint ventures	(1.7)	—	—
	(6.9)	(11.8)	(23.7)
Negative goodwill released to income	—	—	12.7
	(6.9)	(11.8)	(11.0)

4. Segment Information

The Group's turnover and contribution to profit from operations analysed by principal activities and by geographical locations are as follows:

Business Segments

	Property development	Property investment	Services provided	Hotels	Construction	Treasury investments	Manufacturing	Eliminations	Total
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Six months ended 30 September 2001									
Turnover									
External	27.6	95.2	172.5	83.2	45.8	19.0	50.0	—	493.3
Inter-segment	—	8.9	8.7	—	259.3	—	—	(276.9)	—
	<u>27.6</u>	<u>104.1</u>	<u>181.2</u>	<u>83.2</u>	<u>305.1</u>	<u>19.0</u>	<u>50.0</u>	<u>(276.9)</u>	<u>493.3</u>
Segment results	<u>(25.5)</u>	<u>64.0</u>	<u>(4.1)</u>	<u>12.9</u>	<u>(10.0)</u>	<u>18.3</u>	<u>(2.7)</u>		52.9
Interest income									43.3
Profit from operations									<u>96.2</u>
Six months ended 30 September 2000									
Turnover									
External	596.7	92.6	181.3	132.7	65.7	189.8	38.3	—	1,297.1
Inter-segment	—	3.9	17.6	—	70.9	—	—	(92.4)	—
	<u>596.7</u>	<u>96.5</u>	<u>198.9</u>	<u>132.7</u>	<u>136.6</u>	<u>189.8</u>	<u>38.3</u>	<u>(92.4)</u>	<u>1,297.1</u>
Segment results	<u>415.6</u>	<u>62.2</u>	<u>(25.9)</u>	<u>(92.7)</u>	<u>4.6</u>	<u>45.0</u>	<u>(3.9)</u>		404.9
Interest income									57.0
Unallocated corporate expenses									(2.9)
Profit from operations									<u>459.0</u>

Geographical Segments

	Turnover		Segment Results	
	1.4.2001 to 30.9.2001 HK\$'M	1.4.2000 to 30.9.2000 HK\$'M	1.4.2001 to 30.9.2001 HK\$'M	1.4.2000 to 30.9.2000 HK\$'M
Hong Kong	360.1	1,126.1	42.7	501.5
Australia	—	37.6	—	(49.6)
South East Asia	83.2	95.1	12.9	(43.1)
Other parts of the People's Republic of China	50.0	38.3	(2.7)	(3.9)
	<u>493.3</u>	<u>1,297.1</u>	52.9	404.9
Interest income			43.3	57.0
Unallocated corporate expenses			—	(2.9)
Profit from operations			<u>96.2</u>	<u>459.0</u>

5. Cost of Sales

During the six months ended 30 September 2000, the Group finalised the construction accounts of Discovery Park Development Project and had settled all the contractual claims with the joint developer of the Project and with the contractors. This resulted in an adjustment in respect of overaccrual of cost of properties sold in the previous periods of HK\$168.7 million which had been offset against the cost of sales in that period.

An additional adjustment of HK\$117.9 million had been made in respect of related investment properties in the same period (see note 6).

6. Net Gain Arising in Relation to Investment Properties

	1.4.2001 to 30.9.2001 HK\$'M	1.4.2000 to 30.9.2000 HK\$'M
Adjustment of deficit on revaluation of investment properties previously recognised in the income statement (see note below)	—	121.1
Gain on disposal of a subsidiary in which its principal asset was an investment property	—	3.8
	<u>—</u>	<u>3.8</u>
	<u><u>—</u></u>	<u><u>124.9</u></u>

Note:

This adjustment represented overaccrual of costs of investment properties (including the commercial podium of Discovery Park Development Project) in prior years. Valuations of those properties as at 31 March 2000 gave rise to a deficit on revaluation, which was charged to the income statement. This amount has been partially reversed in the six months ended 30 September 2000 after the adjustment of the overaccrual of costs upon the finalisation of the construction accounts.

7. Net Loss Arising in Relation to Overseas Hotel Projects

	1.4.2001 to 30.9.2001 HK\$'M	1.4.2000 to 30.9.2000 HK\$'M
Profit on disposal of a hotel property and related operations in Australia	—	22.0
Exchange loss realised upon disposal of a hotel property and related operations in Australia	—	(75.0)
Other exchange loss realised arising from hotel projects in South East Asia	—	(45.3)
	<u>—</u>	<u>(45.3)</u>
	<u><u>—</u></u>	<u><u>(98.3)</u></u>

8. Profit from Operations

	1.4.2001 to 30.9.2001 HK\$'M	1.4.2000 to 30.9.2000 HK\$'M
Profit from operations has been arrived at after charging (crediting):		
Interest income	(43.3)	(57.0)
Unrealised gain on trading securities	(1.3)	(1.2)
Depreciation		
Owned assets	61.7	60.1
Assets under finance leases	0.2	0.3
(Gain) loss on disposal of property, plant and equipment		
– Hotel property in Australia	–	(22.0)
– Others	2.4	2.7
Net exchange (gain) loss (excluding hotel project)	(8.5)	4.5
	1.7	1.5
Depreciation capitalised in costs of contract work		

9. Finance Costs

	1.4.2001 to 30.9.2001 HK\$'M	1.4.2000 to 30.9.2000 HK\$'M
Interest on		
Bank borrowings wholly repayable within five years	(41.3)	(54.2)
Other borrowings wholly repayable within five years	(41.6)	(47.5)
Other borrowings wholly repayable after five years	(0.6)	(0.8)
Subordinated bonds	–	(35.4)
Total borrowings costs	(83.5)	(137.9)
Less: Amounts included in the cost of qualifying assets	43.2	58.0
	(40.3)	(79.9)
Bank charges	(1.9)	(17.4)
	(42.2)	(97.3)

10. Taxation

The charge comprises:

Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period
Overseas taxation calculated at rates prevailing in respective jurisdictions

Share of Hong Kong Profits Tax attributable to associates
— Current period
— Overprovision made in prior periods

1.4.2001 to 30.9.2001 HK\$'M	1.4.2000 to 30.9.2000 HK\$'M
7.4	35.1
2.0	0.6
9.4	35.7
0.1	0.6
—	(27.7)
0.1	(27.1)
9.5	8.6

11. Dividends

On 7 September 2001, final dividend payable of HK3.0 cents per share for 2001 amounting to HK\$34.7 million was approved at the shareholders' meeting and was charged to the accumulated profits during the period.

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2001 (1.4.2000 to 30.9.2000: HK6.0 cents per share).

12. Earnings Per Share

The calculation of basic earnings per share is based on the net profit for the period of HK\$28.0 million (1.4.2000 to 30.9.2000: HK\$302.5 million) and on the 1,157,378,029 shares (1.4.2000 to 30.9.2000: weighted average number of 1,157,375,844 shares) in issue during the period.

No diluted earnings per share has been presented because the exercise prices of the Company's options and warrants were higher than the average market prices for the Company's shares for both periods.

13. Property, Plant and Equipment

	<i>HK\$'M</i>
Net book values as at 1 April 2001	1,900.6
Currency realignment	11.4
Reclassification from investment properties	1.2
Transfer from properties under development	31.3
Additions	74.4
Disposals	(4.5)
Depreciation	<u>(63.6)</u>
Net book values as at 30 September 2001	<u><u>1,950.8</u></u>

14. Investment in Securities

	30.9.2001 HK\$'M	31.3.2001 HK\$'M
Non-trading		
Equity securities:		
Listed	4.8	14.8
Unlisted	57.4	57.4
Total non-trading securities	62.2	72.2
Trading		
Equity securities and managed investment funds:		
Listed	153.8	174.5
Unlisted	797.2	749.2
	951.0	923.7
Debt securities:		
Listed	332.6	326.9
Unlisted	306.2	262.6
	638.8	589.5
Total trading securities	1,589.8	1,513.2
	1,652.0	1,585.4
Analysis for reporting purposes:		
Current	1,589.8	1,513.2
Non-current	62.2	72.2
	1,652.0	1,585.4
Market value of listed securities:		
Listed in Hong Kong	7.6	8.9
Listed overseas	483.6	507.3
	491.2	516.2

Notes:

- (a) Included in the above trading securities are managed treasury investment funds which are managed by professional investment managers and amounting to approximately HK\$943.3 million (31 March 2001: HK\$914.9 million) as at 30 September 2001. The underlying investments of these funds included investments in equity and debt securities.

In addition, an amount of approximately HK\$350.7 million (31 March 2001: HK\$320.6 million) of securities issued by banks and other financial institutions is included in the above trading securities as at 30 September 2001. An amount of approximately HK\$226.7 million (31 March 2001: HK\$188.1 million) included in the above trading securities as at 30 September 2001 represented bond portfolios held by the Group which are managed

by professional investment managers. These portfolios mainly comprise securities issued by central banks, banks and other financial institutions and corporate entities. The remaining balance of the investments in securities is principally related to securities issued by corporate entities.

- (b) The maturity of the debt securities as at 30 September 2001 falls into (i) within three months with an amount of HK\$273.9 million (31 March 2001: HK\$267.2 million); (ii) over three months but less than one year with an amount of HK\$24.1 million (31 March 2001: HK\$16.5 million); (iii) over one year but less than five years with an amount of HK\$113.1 million (31 March 2001: HK\$116.4 million); and (iv) unspecified maturity with an amount of HK\$227.7 million (31 March 2001: HK\$189.4 million).

15. Goodwill

	30.9.2001 HK\$'M	31.3.2001 <i>HK\$'M</i>
Goodwill arising on acquisition of subsidiaries	242.3	242.3
Less: Accumulated amortisation	(233.2)	(228.0)
	<u>9.1</u>	<u>14.3</u>

16. Trade Receivables

The credit period allowed by the Group to its customers is dependent on the general practice in the industry concerned. For property sales, various payment terms are available to suit the buyers. Fees for construction services fall due within 30 days after the work is certified. Against the amounts receivable for work certified, a retention money is usually withheld. 50% portion of the retention money receivable is due upon completion and the remaining 50% portion is due upon finalisation of construction accounts. Property rentals are payable in advance. Payments for club and hotel services are due on demand.

The following is an aged analysis of trade receivables at the reporting date:

	30.9.2001 HK\$'M	31.3.2001 <i>HK\$'M</i>
Not yet due	56.7	39.7
Overdue:		
0 – 60 days	22.0	44.5
61 – 90 days	1.8	5.9
Over 90 days	10.5	7.8
	<u>91.0</u>	<u>97.9</u>

17. Trade Payables and Accrued Charges

Included in trade payables and accrued charges are trade payables of HK\$116.2 million (31 March 2001: HK\$121.7 million), an aged analysis of which is as follows:

	30.9.2001 HK\$'M	31.3.2001 HK\$'M
Not yet due	61.6	44.1
Overdue:		
0 – 60 days	42.4	58.6
61 – 90 days	1.7	5.0
Over 90 days	10.5	14.0
	<hr/> 116.2 <hr/>	<hr/> 121.7 <hr/>

18. Share Capital

There were no movements in the issued share capital of the Company during the six months ended 30 September 2001.

During the six months ended 30 September 2000, 3,999 ordinary shares were issued for cash at HK\$8.26 per share to certain warrant holders upon exercise of warrants.

19. Reserves

	Accumulated profits	General reserve	Share premium	Asset revaluation reserve	Investment revaluation reserve	Investment property revaluation reserve	Distributable reserve	Exchange reserve	Capital redemption reserve	Total
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Balance as at 1 April 2001										
– as originally stated	4,936.6	78.3	866.7	193.2	23.5	33.2	203.6	(298.2)	3.1	6,040.0
– prior period adjustments (see note 3)	(180.6)	–	–	–	–	–	247.1	–	–	66.5
– as restated	4,756.0	78.3	866.7	193.2	23.5	33.2	450.7	(298.2)	3.1	6,106.5
Revaluation decrease of non-trading securities	–	–	–	–	(3.8)	–	–	–	–	(3.8)
Realised on disposal of investments in securities	–	–	–	–	(4.9)	–	–	–	–	(4.9)
Exchange differences arising from translation of overseas operations	–	–	–	–	–	–	–	17.4	–	17.4
Minority shareholders' share of changes in reserves	–	–	–	–	–	–	–	(1.2)	–	(1.2)
Net profit for the period	28.0	–	–	–	–	–	–	–	–	28.0
Dividends	(34.7)	–	–	–	–	–	–	–	–	(34.7)
Balance as at 30 September 2001	<u>4,749.3</u>	<u>78.3</u>	<u>866.7</u>	<u>193.2</u>	<u>14.8</u>	<u>33.2</u>	<u>450.7</u>	<u>(282.0)</u>	<u>3.1</u>	<u>6,107.3</u>

20. Contingent Liabilities

Guarantees given, to the extent of the Group's proportionate share, in respect of banking facilities granted to:

- an associate (note)
- investee companies

30.9.2001
HK\$'M

1,240.0
783.0

2,023.0

31.3.2001
HK\$'M

1,800.0
650.7

2,450.7

Note:

The Group, together with other joint venture partners of TCSDCL (collectively the "Guarantors"), has executed a joint and several undertaking in favour of banks providing finance to TCSDCL amounting to HK\$4,000.0 million (31.3.2001: HK\$6,000.0 million) to procure that TCSDCL or the Guarantors, as appropriate, will perform and observe obligations under the development agreement with MTR Corporation Limited and to achieve completion of the Tung Chung Station Development Package II project.

21. Capital Commitments

	30.9.2001 HK\$'M	31.3.2001 <i>HK\$'M</i>
Capital commitments in respect of project development costs:		
Contracted for but not provided	744.9	1,002.5
Authorised but not contracted for	431.6	438.5
	<hr/> 1,176.5 <hr/>	<hr/> 1,441.0 <hr/>
Capital commitments in respect of acquisition of property, plant and equipment:		
Contracted for but not provided	148.3	130.6
Authorised but not contracted for	16.2	11.5
	<hr/> 164.5 <hr/>	<hr/> 142.1 <hr/>
	<hr/> 1,341.0 <hr/>	<hr/> 1,583.1 <hr/>

INDEPENDENT REVIEW REPORT

德勤 • 關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF HKR INTERNATIONAL LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 13 to 31.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2001.

Deloitte Touche Tohmatsu

Hong Kong, 30 November 2001