

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st December, 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment 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 30th June, 2001, except as described below.

In the current period, the Group adopted, for the first time, the following new and revised Statements of Standard Accounting Practice (“SSAP”s) issued by the Hong Kong Society of Accountants and which became effective during the period. Certain comparative figures have been restated to conform with the current period’s presentation.

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. The effect of this adjustment is summarised in note 3.

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment reporting”. Segment disclosures for the six months ended 31st December, 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current period, the Group 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 and impairment losses in respect of goodwill between the date of acquisition of the relevant associate and the date of adoption of SSAP 30 has been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant subsidiary and the date of adoption of SSAP 30 has been recognised retrospectively. Following restatement, goodwill is presented as an asset in the balance sheet and negative goodwill is presented as a deduction from assets in the balance sheet. Goodwill is amortised over its estimated useful life on a straight line basis over periods ranging between 5 to 20 years. Negative goodwill will be released to income on a straight line basis over periods ranging between 5 to 20 years. The effect of these adjustments is summarised in note 3.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

3. PRIOR PERIOD ADJUSTMENTS

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

	Retained profits <i>HK\$</i>	Capital reserve <i>HK\$</i>
Balance at 1st July, 2000		
As originally stated	3,718,057,718	361,615,068
Derecognition of liability for final dividend for the year ended 30th June, 2000	67,418,495	—
Reclassification of goodwill reserve previously written off against retained profits to interests in associates	185,889,768	—
Retrospective recognition of accumulated amortisation of goodwill previously held in reserves net of minority interests	(94,842,566)	—
Restatement of negative goodwill held in reserves with retrospective recognition to income	83,106,173	(361,615,068)
Additional loss on deemed disposal of a subsidiary as a result of restatement of goodwill by the subsidiary	(8,198,125)	—
As restated	<u>3,951,431,463</u>	<u>—</u>

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

	6 months ended 31st December, 2001 <i>HK\$</i>	Year ended 30th June, 2001 <i>HK\$</i>	6 months ended 31st December, 2000 <i>HK\$</i>
Amortisation of goodwill	(4,647,244)	(9,294,488)	(4,647,244)
Minority interests share of amortisation of goodwill	2,292,137	4,601,701	2,209,681
Recognition of negative goodwill	8,755,100	11,817,506	5,103,724
Additional loss on deemed disposal of a subsidiary as a result of restatement of goodwill by the subsidiary	—	(9,473,791)	—
	<u>6,399,993</u>	<u>(2,349,072)</u>	<u>2,666,161</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

4. SEGMENT INFORMATION

Business segments

Six months ended 31st December, 2001

	Property investment HK\$	Property trading HK\$	Securities trading and investment HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$
REVENUE								
Turnover								
Property rental	386,581,902	12,815,895	12,806,706	890,117	14,615,922	—	—	427,710,542
Property sales	500,337,000	975,607	—	—	—	—	—	501,312,607
Hotel operation	—	—	—	—	102,079,493	—	—	102,079,493
Management services	24,035,057	—	—	—	—	165,319,749	—	189,354,806
Share investment and dealing	—	—	34,397,836	—	—	—	—	34,397,836
Financing	—	—	—	3,060,439	—	—	—	3,060,439
	910,953,959	13,791,502	47,204,542	3,950,556	116,695,415	165,319,749	—	1,257,915,723
Other revenue	7,592,808	24,095	2,944,092	1,617,686	—	7,042,515	—	19,221,196
Inter-segment sales	—	—	—	—	—	9,156,615	(9,156,615)	—
Total revenue	918,546,767	13,815,597	50,148,634	5,568,242	116,695,415	181,518,879	(9,156,615)	1,277,136,919
SEGMENT RESULT	655,390,988	10,270,551	(292,479,132)	5,568,242	57,100,229	77,923,468	—	513,774,346
Unallocated corporate expenses								(181,500,960)
Profit from operations								332,273,386

Six months ended 31st December, 2000

	Property investment HK\$	Property trading HK\$	Securities trading and investment HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$
REVENUE								
Turnover								
Property rental	401,295,426	12,166,842	14,598,678	833,100	1,000,908	—	—	429,894,954
Property sales	5,900,000	79,696,200	—	—	—	—	—	85,596,200
Hotel operation	—	—	—	—	6,669,253	—	—	6,669,253
Management services	22,394,886	—	—	—	—	152,550,200	—	174,945,086
Share investment and dealing	—	—	32,933,305	—	—	—	—	32,933,305
Financing	—	—	—	7,826,907	—	—	—	7,826,907
	429,590,312	91,863,042	47,531,983	8,660,007	7,670,161	152,550,200	—	737,865,705
Other revenue	7,512,120	2,381,223	4,643,071	122,371	268,780	27,273,272	—	42,200,837
Inter-segment sales	—	—	—	—	—	5,497,498	(5,497,498)	—
Total revenue	437,102,432	94,244,265	52,175,054	8,782,378	7,938,941	185,320,970	(5,497,498)	780,066,542
SEGMENT RESULT	368,417,895	(2,716,562)	176,638,856	8,775,833	5,352,216	102,569,076	—	659,037,314
Unallocated corporate expenses								(163,795,021)
Profit from operations								495,242,293

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

4. SEGMENT INFORMATION (continued)

Geographical segments

Six months ended 31st December, 2001

	Hong Kong HK\$	Singapore HK\$	Consolidated HK\$
REVENUE			
External sales	1,140,748,667	136,388,252	1,277,136,919
SEGMENT RESULT	448,641,783	65,132,563	513,774,346
Unallocated corporate expenses			(181,500,960)
Profit from operations			332,273,386

Six months ended 31st December, 2000

	Hong Kong HK\$	Singapore HK\$	Consolidated HK\$
REVENUE			
External sales	751,122,147	28,944,395	780,066,542
SEGMENT RESULT	646,304,774	12,732,540	659,037,314
Unallocated corporate expenses			(163,795,021)
Profit from operations			495,242,293

5. PROFIT FROM OPERATIONS

Six months ended	
31st December, 2001	31st December, 2000
HK\$	HK\$

Profit from operations has been arrived at after charging:

Depreciation	6,965,895	3,800,468
Amortisation of goodwill	4,647,244	4,647,244

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

6. FINANCE INCOME

	Six months ended	
	31st December, 2001	31st December, 2000
	HK\$	HK\$
Interest income on		
– advances to associates	44,377,528	96,812,923
– advances to investee companies	3,537,410	3,980,474
– bank deposits	12,049,904	38,366,663
	<u>59,964,842</u>	<u>139,160,060</u>

7. FINANCE COSTS

	Six months ended	
	31st December, 2001	31st December, 2000
	HK\$	HK\$
Interests on borrowings, net of amounts capitalised to properties under development	310,939,803	367,439,632
Provision for premium on redemption of convertible bonds	27,630,227	48,104,689
Amortisation of issue costs of convertible bonds	3,048,030	7,695,709
Loan facility arrangement fees and finance charges	15,764,338	10,289,944
	<u>357,382,398</u>	<u>433,529,974</u>

8. TAXATION

	Six months ended	
	31st December, 2001	31st December, 2000
	HK\$	HK\$
The Company and subsidiaries		
– Hong Kong Profits Tax	28,013,995	29,382,914
– Taxation in other jurisdictions	326,841	475,079
	<u>28,340,836</u>	<u>29,857,993</u>
Share of taxation attributable to associates		
– Hong Kong Profits Tax	9,493,758	4,745,071
	<u>37,834,594</u>	<u>34,603,064</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits of the individual companies comprising the Group for both periods. Profits tax in other jurisdictions is provided for in accordance with the respective local requirements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

9. DIVIDENDS

	Six months ended	
	31st December, 2001	31st December, 2000
	HK\$	HK\$
Final dividend for the year ended 30th June, 2001 of HK1 cent (year ended 30th June, 2000 of HK5 cents), with a scrip dividend option per share	<u>13,657,432</u>	<u>67,418,495</u>

The Directors have resolved not to declare an interim dividend (six months ended 31st December, 2000: HK2 cents per share).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$1,836,889 (six months ended 31st December, 2000: HK\$154,617,298 as restated) and on the weighted average number of 1,365,907,702 (six months ended 31st December, 2000: 1,349,264,664) ordinary shares in issue throughout the period.

No diluted earnings per share is calculated as there is no dilutive effect on the assumed conversion of dilutive potential ordinary shares of a subsidiary for both periods.

The adjustment to the comparative basic earnings per share, arising from the changes in accounting policies shown in note 3 above, is as follows:

	Basic HK cents
Reconciliation of basic earnings per share for the six months ended 31st December, 2000	
Reported figure before adjustment	11.26
Adjustments arising from the adoption of SSAP 30	<u>0.20</u>
Restated figure	<u>11.46</u>

11. INVESTMENT PROPERTIES

During the period, properties under development were transferred to investment properties amounting to HK\$499,028,625.

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the additions to property, plant and equipment amounted to HK\$25,365,406.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

13. INTERESTS IN ASSOCIATES

	31st December, 2001	30th June, 2001
	<i>HK\$</i>	<i>HK\$</i>
Share of net assets	3,889,739,257	3,733,997,941
Goodwill	32,202,144	139,417,328
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	3,921,941,401	3,873,415,269
Advances to associates	7,715,449,849	7,429,494,792
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	11,637,391,250	11,302,910,061
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14. LOANS RECEIVABLE

The Group offers loans to buyers of properties sold by the Group and the repayment of the loans is specified in the respective loan agreements.

15. ACCOUNTS AND OTHER RECEIVABLES

Included in accounts and other receivables are trade receivables of HK\$111,856,695 (30th June, 2001: HK\$119,246,306) comprising mainly of rental receivables which are billed in advance and settlement are expected upon receipts of billings.

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

	31st December, 2001	30th June, 2001
	<i>HK\$</i>	<i>HK\$</i>
0 – 30 days	45,312,825	57,897,378
31 – 60 days	10,064,480	3,850,514
61 – 90 days	4,637,314	5,230,371
Over 90 days	51,842,076	52,268,043
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	111,856,695	119,246,306
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Trade receivables over 90 days amounting to HK\$51,842,076 (30th June, 2001: HK\$52,268,043) are sufficiently covered by rental deposits received from the respective tenants and no provision is required for these receivables under the Group's provision policy.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

16. ACCOUNTS AND OTHER PAYABLES

Included in accounts and other payables are trade payables of HK\$68,292,249 (30th June, 2001: HK\$61,343,791).

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

	31st December, 2001 HK\$	30th June, 2001 HK\$
0 – 30 days	51,611,618	46,320,359
31 – 60 days	7,171,836	4,037,286
61 – 90 days	3,371,268	801,970
Over 90 days	6,137,527	10,184,176
	<u>68,292,249</u>	<u>61,343,791</u>

17. SHARE CAPITAL

	Number of ordinary shares of HK\$0.20 each	Nominal value HK\$
Authorised:		
At 1st July, 2001 and 31st December, 2001	<u>2,500,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
At 1st July, 2001	1,365,743,151	273,148,630
Issued in lieu of cash dividend	<u>2,162,676</u>	<u>432,535</u>
At 31st December, 2001	<u>1,367,905,827</u>	<u>273,581,165</u>

On 18th December, 2001, the Company issued and allotted a total of 2,162,676 shares of HK\$0.20 each in the Company at an issue price of HK\$6.14 each to the shareholders who elected to receive shares in the Company in lieu of cash for the final dividend in respect of financial year ended 30th June, 2001 pursuant to the scrip dividend circular despatched to shareholders on 15th November, 2001. These shares rank pari passu in all respects with the existing shares in issue.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

18. SHARE PREMIUM AND RESERVES

	Share premium HK\$	Capital reserve HK\$	Capital redemption reserve HK\$	Investment property revaluation reserve HK\$	Other security revaluation reserve HK\$	Exchange fluctuation reserve HK\$	Retained profits HK\$	Total HK\$
At 1st July, 2000								
As originally stated	2,353,599,065	361,615,068	224,000	3,907,376,724	(117,768,231)	(4,041,772)	3,718,057,718	10,219,062,572
Prior period adjustments (note 3)	—	(361,615,068)	—	—	—	—	233,373,745	(128,241,323)
As restated	2,353,599,065	—	224,000	3,907,376,724	(117,768,231)	(4,041,772)	3,951,431,463	10,090,821,249
Premium on issue of shares upon scrip dividend	85,258,930	—	—	—	—	—	—	85,258,930
Share issue expenses	(54,629)	—	—	—	—	—	—	(54,629)
Surplus (deficit) on revaluation	—	—	—	364,072,044	(222,489,657)	—	—	141,582,387
Revaluation reserves released on disposal	—	—	—	(12,195,631)	—	—	—	(12,195,631)
Reserves released upon changes in shareholding of a listed subsidiary	—	—	—	(202,119,327)	9,845,427	—	—	(192,273,900)
Share of deficit on revaluation of property interest of associates less minority interest	—	—	—	(94,220,679)	—	—	—	(94,220,679)
Share of revaluation reserve released on disposal of property interest of associates less minority interests	—	—	—	(462,073,782)	—	—	—	(462,073,782)
Share of revaluation reserve released on disposal of an associate less minority interests	—	—	—	(39,056,824)	—	—	—	(39,056,824)
Deficit on revaluation attributable to minority interests of a listed subsidiary	—	—	—	35,665,732	—	—	—	35,665,732
(Surplus) deficit on revaluation attributable to minority interests	—	—	—	(197,910,173)	107,321,374	—	—	(90,588,799)
Impairment loss charged to income statement less minority interests	—	—	—	—	3,462,071	—	—	3,462,071
Exchange rate adjustments	—	—	—	—	—	16,603,441	—	16,603,441
Revaluation reserve released upon disposal attributable to minority interests	—	—	—	6,038,057	—	—	—	6,038,057
Net profit for the year	—	—	—	—	—	—	40,833,184	40,833,184
Dividends paid	—	—	—	—	—	—	(94,639,181)	(94,639,181)
At 30th June, 2001	2,438,803,366	—	224,000	3,305,576,141	(219,629,016)	12,561,669	3,897,625,466	9,435,161,626
Premium on issue of shares upon scrip dividend	12,846,295	—	—	—	—	—	—	12,846,295
Share issue expenses	(12,893)	—	—	—	—	—	—	(12,893)
Deficit on revaluation	—	—	—	—	(33,552,776)	—	—	(33,552,776)
Revaluation reserves released on disposal	—	—	—	(578,348,089)	76,055,950	—	—	(502,292,139)
Share of revaluation reserve released on disposal of associates less minority interests	—	—	—	(15,678,756)	—	—	—	(15,678,756)
Deficit on revaluation attributable to minority interests of a listed subsidiary	—	—	—	—	12,289,813	—	—	12,289,813
Exchange rate adjustments	—	—	—	—	—	5,628,783	—	5,628,783
Revaluation reserve released upon disposal attributable to minority interests	—	—	—	283,255,809	(37,249,694)	—	—	246,006,115
Impairment loss charged to income statement less minority interests	—	—	—	—	47,506,577	—	—	47,506,577
Net profit for the period	—	—	—	—	—	—	1,836,889	1,836,889
Dividends paid	—	—	—	—	—	—	(13,657,432)	(13,657,432)
At 31st December, 2001	2,451,636,768	—	224,000	2,994,805,105	(154,579,146)	18,190,452	3,885,804,923	9,196,082,102

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2001

19. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following commitments and contingent liabilities not provided for in the financial statements:

	31st December, 2001 HK\$	30th June, 2001 HK\$
(a) Commitments for property development expenditure:		
Authorised but not contracted for	397,238,555	418,688,891
Contracted but not provided for	503,260,646	762,904,815
	900,499,201	1,181,593,706
(b) Guarantees in respect of banking facilities and other liabilities of associates:		
Utilised	2,538,979,403	4,475,680,000
Not utilised	896,950,000	514,950,000
	3,435,929,403	4,990,630,000
(c) At 31st December, 2001 and 30th June, 2001, the Company's listed subsidiary, Sino Land Company Limited ("Sino Land") and its wholly-owned subsidiary are parties to a legal claim and counterclaim in respect of the termination of a sale and purchase agreement dated 19th December, 1996 between Sino Land and its subsidiary and Hang Lung Development Company Limited and its subsidiary. In the opinion of the Directors, since these claim and counterclaim are being contested, likelihood of the conclusion of the case within a short period of time is remote at the present stage of the legal proceedings. Accordingly, no provision for contingency has been made.		