

I. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" and Appendix 16 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited. The same accounting policies and methods of computation adopted in the annual financial statements for the year ended 30 June 2001 have been applied to the interim financial statements except the Group has adopted the new and revised SSAPs with effect from 1 July 2001 as described below.

(a) Proposed dividend

In accordance with the revised SSAP 9 "Events after the balance sheet date", dividend declared or proposed after balance sheet date are not recognised as a liability at balance sheet date but recognised as a separate component of shareholders' funds. This change in accounting policy has been applied retrospectively so that the proposed final dividend amounting to HK\$423.2 million previously recorded as a current liability as at 30 June 2001 has been restated, resulting an increase in shareholders' funds from HK\$18,723.4 million to HK\$19,146.6 million.

I. Basis of preparation (continued)

(b) Segment reporting

In note 2 to these interim financial statements, 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 segment be presented as the primary reporting format and geographical segment as the secondary reporting format. Comparative information has been given.

(c) Goodwill/negative goodwill

In prior years, goodwill/negative goodwill arising on consolidation of subsidiaries and jointly controlled entities, representing the excess/shortfall of the cost of the acquisition over the appropriate share of the fair value of the separable net assets at the date of acquisition, was taken to reserves in the year in which it arose. On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill/negative goodwill is included in calculating the profit or loss on disposal.

With effect from 1 July 2001, the Group adopted an accounting policy to recognise goodwill as an asset which is amortised on a straight-line basis over its estimated useful life and for negative goodwill to be recognised in the consolidated income statement in accordance with the provisions of SSAP 30 "Business combinations". On disposal of a subsidiary or jointly controlled entity, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement is included in the calculation of the profit or loss on disposal.

The Group has taken advantage of the transitional provisions in SSAP 30 and has made no retrospective adjustment to goodwill/negative goodwill that arose from acquisitions prior to 1 July 2001, which has been previously taken to reserves.

2. Segment information

	Turnover		Profit before taxation	
	2001	2000	2001	2000
	HK\$Million	HK\$Million	HK\$Million	HK\$Million
(a) Business segment				
Property sales	413.6	3,041.6	66.0	367.6
Property leasing	1,071.4	993.1	798.4	751.7
Hotel owning and management	118.4	142.9	20.9	46.5
Other operations	11.6	16.5	(16.5)	30.3
	1,615.0	4,194.1	868.8	1,196.1
Interest income			61.4	152.0
Administrative expenses			(71.1)	(68.5)
Finance costs			(181.0)	(298.4)
			678.1	981.2
Share of results of jointly controlled entities			14.2	32.3
			692.3	1,013.5
(b) Geographical segment				
Group				
— Hong Kong	1,394.9	4,092.7	779.4	1,171.3
— Mainland China	220.1	101.4	89.4	24.8
	1,615.0	4,194.1	868.8	1,196.1
Interest income			61.4	152.0
Administrative expenses			(71.1)	(68.5)
Finance costs			(181.0)	(298.4)
			678.1	981.2
Share of results of jointly controlled entities			14.2	32.3
			692.3	1,013.5

For the current period, turnover comprised of revenue from the Group's principal businesses. Interest income included as part of turnover in previous years is now presented as other revenue and comparative figures have been restated to conform with current period's classification.

3. Other revenue

	2001 HK\$Million	2000 HK\$Million
Interest income	61.4	152.0
Dividend income from listed investments	18.9	3.4
Profit on disposal of listed investments	1.4	15.6
	81.7	171.0

4. Profit before taxation

	2001 HK\$Million	2000 HK\$Million
Profit before taxation is arrived at after charging:		
Finance costs		
Interest on borrowings	283.2	368.2
Other ancillary borrowing costs	14.7	19.3
Total borrowing costs	297.9	387.5
Less: Borrowing costs capitalised	(116.9)	(89.1)
	181.0	298.4
Cost of inventories	134.5	2,091.7
Depreciation	28.7	25.6
Unrealised loss on listed investments	36.2	—

5. Taxation

Provision for Hong Kong profits tax has been made at 16% on the estimated assessable profits for the period.

	2001 HK\$Million	2000 HK\$Million
Group		
— Hong Kong	61.8	118.8
Jointly controlled entities		
— Hong Kong	2.6	5.2
	64.4	124.0

6. Earnings per share

The calculation of earnings per share is based on the net profit attributable to shareholders of HK\$300.4 million (2000: HK\$493.4 million) and the weighted average number of 1,322.7 million (2000: 1,322.9 million) shares in issue during the period.

No diluted earnings per share is presented for both periods as the Company's share options did not give rise to any dilution.

7. Trade and other receivables

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

	31/12/2001 HK\$Million	30/6/2001 HK\$Million
Within 1 month	59.7	77.1
1 - 3 months	67.5	22.7
Over 3 months	9.6	10.6
	136.8	110.4

The Group maintains a defined credit policy. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

8. Trade and other payables

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

	31/12/2001 HK\$Million	30/6/2001 HK\$Million
Within 1 month	373.7	412.7
Over 3 months	557.3	646.6
	931.0	1,059.3

9. Share capital

	Number of shares of HK\$1 each	HK\$Million
Issued and fully paid		
At 1 July 2001	1,322,278,242	1,322.3
Shares issued under share option scheme	1,278,000	1.3
At 31 December 2001	1,323,556,242	1,323.6

Share Option Scheme

At 31 December 2001, the directors and employees had the following interests in options to subscribe for shares of the Company ("Share Option") granted at nominal consideration under the Share Option Scheme of the Company. Each Share Option gives the holder the right to subscribe for one share.

	Number of Share Options outstanding on 1 July 2001 (Note 1)	Number of Share Options exercised during the period	Number of Share Options outstanding on 31 December 2001	Date granted	Period during which options exercisable (Note 2)	Exercise price HK\$	Weighted average share price before exercise of options HK\$	Share price before date of grant of options HK\$
Directors								
Nelson W.L. Yuen	2,500,000	—	2,500,000	24 February 2000	24 February 2001 to 23 February 2010	6.12	—	—
Wilfred S.L. Ho	1,250,000	—	1,250,000	24 February 2000	24 February 2001 to 23 February 2010	6.12	—	—
Terry S.Y. Ng	—	—	1,250,000	1 November 2001	1 November 2002 to 31 October 2011	5.87	—	6.55
Alfred H.K. Li	1,250,000	1,250,000 (Note 3)	—	24 February 2000	24 February 2001 to 23 February 2010	6.12	7.06	—
Employees								
	7,136,000	28,000	7,108,000	24 February 2000	24 February 2001 to 23 February 2010	6.12	7.35	—
	1,150,000	—	1,150,000	1 December 2000	30 November 2001 to 29 November 2010	5.49	—	—
	—	—	350,000	10 July 2001	10 July 2002 to 9 July 2011	6.87	—	7.50
	—	—	120,000	7 December 2001	7 December 2002 to 6 December 2011	6.83	—	7.10

9. Share capital (continued)

The Share Options granted are not recognised in the financial statements until they are exercised. The weighted average value per Share Option granted during the period estimated at the date of grant using the Black-Scholes pricing model ("the Model") was HK\$2. The weighted average assumptions used are as follows:

Risk-free interest rate	5%
Expected life (in years)	6
Volatility	0.4
Expected dividend per share	HK\$0.44

The Model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. As the Company's Share Options have characteristics significantly different from those of traded options, the Model may not necessarily provide a reliable measure of the fair value of the Share Options.

Notes

1. During the period, there were no Share Options that were cancelled or lapsed.
2. Subject to change by the Board at its discretion to an earlier but not a later date.
3. Mr. Alfred H.K. Li exercised his option after he ceased to be director on 31 October 2001 to subscribe for 1,000,000 shares.

10. Capital commitments

At 31 December 2001, capital commitments contracted but not provided for, amounted to HK\$734.8 million (30/6/2001: HK\$819.0 million).

In addition, the Group's share of capital commitments of the jointly controlled entities is as follows:

	31/12/2001 HK\$Million	30/6/2001 HK\$Million
Contracted for	109.2	172.7
Authorised but not contracted for	100.9	110.0
	210.1	282.7

11. Related party transactions

The Group has a 20% interest in a jointly controlled entity which participated in the development of Package One of the MTRC Tung Chung Station Development Project. At 31 December 2001, the Group advanced to this jointly controlled entity a total of HK\$1,347.1 million (30/6/2001: HK\$1,393.9 million). All advances are unsecured, interest-free and have no fixed settlement dates.