

## 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 dividends*

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 ordinary dividend amounting to HK\$838.4 million previously recorded as a current liability as at 30 June 2001 has been restated, resulting an increase in shareholders' funds from HK\$27,019.1 million to HK\$27,857.5 million.

### (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.

## I. **Basis of preparation** (continued)

### (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 leasing	<b>936.8</b>	866.7	<b>717.1</b>	678.8
Property sales	<b>305.8</b>	737.9	<b>83.7</b>	309.7
	<b>1,242.6</b>	1,604.6	<b>800.8</b>	988.5
Interest income			<b>55.6</b>	142.7
Administrative expenses			<b>(39.5)</b>	(42.9)
Finance costs			<b>(116.5)</b>	(155.3)
			<b>700.4</b>	933.0
Share of results of jointly controlled entities			<b>29.2</b>	21.4
			<b>729.6</b>	954.4
(b) Geographical segment				
Group				
— Hong Kong	<b>1,154.8</b>	1,604.6	<b>753.7</b>	988.5
— Mainland China	<b>87.8</b>	—	<b>47.1</b>	—
	<b>1,242.6</b>	1,604.6	<b>800.8</b>	988.5
Jointly controlled entities				
— Hong Kong			<b>15.4</b>	12.4
— Mainland China			<b>13.8</b>	9.0
			<b>830.0</b>	1,009.9
Interest income			<b>55.6</b>	142.7
Administrative expenses			<b>(39.5)</b>	(42.9)
Finance costs			<b>(116.5)</b>	(155.3)
			<b>729.6</b>	954.4

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. Profit before taxation

	2001 HK\$Million	2000 HK\$Million
Profit before taxation is arrived at after charging/(crediting):		
Finance costs		
Interest on borrowings	<b>224.5</b>	231.0
Other ancillary borrowing costs	<b>8.9</b>	13.4
Total borrowing costs	<b>233.4</b>	244.4
Less: Borrowing costs capitalised	<b>(116.9)</b>	(89.1)
	<b>116.5</b>	155.3
Depreciation	<b>14.7</b>	14.2
Interest income	<b>(55.6)</b>	(142.7)

#### 4. Taxation

- (a) Provision for Hong Kong profits tax has been made at 16% on the estimated assessable profits for the period. No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

	2001 <i>HK\$Million</i>	2000 <i>HK\$Million</i>
Group		
— Hong Kong	<b>59.5</b>	98.1
Jointly controlled entities		
— Hong Kong	<b>2.2</b>	1.8
	<b>61.7</b>	99.9

- (b) The Group is currently in discussion with the Inland Revenue Department regarding a dispute over the deductibility of certain interest payments in previous years' tax computations. As at the balance sheet date, the outcome of the said dispute remained undetermined and substantial tax provision has previously been made in the accounts on the grounds of prudence.

#### 5. Preference dividend

The convertible cumulative preference shares of HK\$7,500 each issued in November 1993 bear dividend at 5.5% per annum on a reference amount of US\$1,000 each. The preference dividend is in respect of the six months ended 31 December 2001.

## 6. Earnings per ordinary share

The calculation of earnings per ordinary share is based on the net profit attributable to ordinary shareholders of HK\$633.9 million (2000: HK\$830.4 million) and the weighted average number of 2,890.3 million (2000: 2,891.1 million) ordinary shares in issue during the period.

No diluted earnings per ordinary share is presented for both periods as the Company's convertible cumulative preference shares 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	39.9	34.0
1 - 3 months	9.1	4.8
Over 3 months	2.1	4.2
	51.1	43.0

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	226.1	222.1
Over 3 months	307.9	390.9
	534.0	613.0

## 9. Share capital

	<b>31/12/2001</b> <b>HK\$Million</b>	30/6/2001 HK\$Million
<i>Issued and fully paid</i>		
2,889,333,907 (30/6/2001: 2,891,113,407) ordinary shares of HK\$1 each	<b>2,889.3</b>	2,891.1
112,435 (30/6/2001: 112,435) 5.5% convertible cumulative preference shares of HK\$7,500 each	<b>843.3</b>	843.3
	<b>3,732.6</b>	3,734.4

### *Repurchase of ordinary shares*

During the period, the Company repurchased 1,779,500 of its own ordinary shares on The Stock Exchange of Hong Kong Limited, details of which are shown below:

Month	Number of ordinary shares	Highest price paid HK\$	Lowest price paid HK\$	Aggregate consideration paid HK\$Million
October 2001	1,779,500	7.55	7.10	13.2

The aggregate consideration of HK\$13.2 million paid was charged against retained profits and the nominal value of the ordinary shares repurchased of HK\$1.8 million was transferred to capital redemption reserve. All such ordinary shares were cancelled upon repurchase.

## **10. Capital commitments**

At 31 December 2001, capital commitments contracted but not provided for, amounted to HK\$118.6 million (30/6/2001: HK\$213.7 million).

## **11. Related party transactions**

- (a) The Group contributed funds as capital investment, to a jointly controlled entity for the development of The Grand Gateway, a property project in Shanghai and the amount outstanding at 31 December 2001 was HK\$1,110.5 million (30/6/2001: HK\$1,095.8 million).
- (b) A fellow subsidiary of the Company contributed funds as capital investment, to a subsidiary of the Company for the development of Plaza 66, a property project in Shanghai. The amount outstanding at 31 December 2001 was HK\$317.4 million (30/6/2001: HK\$312.3 million).
- (c) During the period, the Group repaid the back-to-back loan provided by a wholly-owned subsidiary of Hang Lung Group Limited of HK\$180 million. The loan was unsecured, interest-bearing and was repayable on demand.