
NOTES TO THE CONDENSED INTERIM ACCOUNTS

1 Accounting policies

These unaudited condensed consolidated interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting", as applicable to condensed interim accounts, issued by the Hong Kong Society of Accountants, and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited. These interim accounts should be read in conjunction with the 2000 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2000, except the Group has adopted the new and revised SSAPs which became effective on 1 January 2001. The adoption of these new SSAPs had no material effect on the Group's results.

In accordance with the revised SSAP 9 "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. The effect of this change has increased shareholders' funds at 31 December 1999 and 2000 by HK\$4,458 million and HK\$5,201 million respectively and the dividend was then recorded as a dividend paid in the next reporting period.

In accordance with the new SSAP 30 "Business combinations", goodwill on acquisitions occurring on or after 1 January 2001 is being reported in the balance sheet as a separate asset or, as applicable, included within investments in associated companies and joint ventures, and is amortised using the straight line method over its estimated useful life. This is a change in accounting policy as in previous years goodwill on acquisitions was written off directly to reserves in the year of acquisition. In accordance with a transitional provision under SSAP 30, no retrospective adjustment to the goodwill written off directly to reserves is required.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2 Segment information

The turnover comprises the gross value of goods and services invoiced to customers, income from investments and other joint ventures, proceeds from the sales of development properties, rental income from investment properties, interest income and finance charges earned.

An analysis of the turnover and EBIT for the periods by business and geographical segments is as follows:

BUSINESS SEGMENTS

Six months ended 30 June 2001									
HK\$ millions	Ports and related services	Telecom-munications and e-commerce	Property and hotels	Retail and manu-facturing	Infra-structure	Energy	Finance and investments	Elimination	Total
Turnover									
Company and subsidiary companies									
External	5,580	3,526	1,853	13,392	2,270	-	2,687	-	29,308
Inter-segment	-	22	237	43	-	-	-	(302)	-
	5,580	3,548	2,090	13,435	2,270	-	2,687	(302)	29,308
Share of associated companies and jointly controlled entities	1,298	1,668	815	1,154	2,755	6,289	115	-	14,094
	6,878	5,216	2,905	14,589	5,025	6,289	2,802	(302)	43,402
EBIT									
Company and subsidiary companies	2,196	575	888	264	256	-	3,263		7,442
Share of associated companies and jointly controlled entities	397	43	92	9	1,726	1,342	150		3,759
	2,593	618	980	273	1,982	1,342	3,413		11,201

Six months ended 30 June 2000									
HK\$ millions	Ports and related services	Telecom-munications and e-commerce	Property and hotels	Retail and manu-facturing	Infra-structure	Energy	Finance and investments	Elimination	Total
Turnover									
Company and subsidiary companies									
External	5,454	3,986	1,780	12,080	1,840	-	2,951	-	28,091
Inter-segment	-	9	253	31	-	-	-	(293)	-
	5,454	3,995	2,033	12,111	1,840	-	2,951	(293)	28,091
Share of associated companies and jointly controlled entities	1,292	784	2,958	1,126	1,912	5,125	112	-	13,309
	6,746	4,779	4,991	13,237	3,752	5,125	3,063	(293)	41,400
EBIT									
Company and subsidiary companies	2,135	588	896	306	782	153	3,266		8,126
Share of associated companies and jointly controlled entities	420	26	71	35	1,076	592	126		2,346
	2,555	614	967	341	1,858	745	3,392		10,472

2 Segment information (continued)

GEOGRAPHICAL SEGMENTS

Six months ended 30 June 2001						
HK\$ millions	Hong Kong	Mainland China	Asia and Australia	Europe	Americas and others	Total
Turnover						
Company and subsidiary companies	16,894	2,571	4,181	2,621	3,041	29,308
Share of associated companies and jointly controlled entities	3,305	2,326	1,705	395	6,363	14,094
	20,199	4,897	5,886	3,016	9,404	43,402
EBIT						
Company and subsidiary companies	2,830	443	362	940	2,867	7,442
Share of associated companies and jointly controlled entities	1,250	415	696	29	1,369	3,759
	4,080	858	1,058	969	4,236	11,201

Six months ended 30 June 2000						
HK\$ millions	Hong Kong	Mainland China	Asia and Australia	Europe	Americas and others	Total
Turnover						
Company and subsidiary companies	17,314	2,203	3,806	3,072	1,696	28,091
Share of associated companies and jointly controlled entities	5,372	1,321	896	508	5,212	13,309
	22,686	3,524	4,702	3,580	6,908	41,400
EBIT						
Company and subsidiary companies	3,315	713	450	1,549	2,099	8,126
Share of associated companies and jointly controlled entities	1,302	244	128	64	608	2,346
	4,617	957	578	1,613	2,707	10,472

3 Interest and other finance costs

	Six months ended 30 June	
	2001 HK\$ millions	2000 HK\$ millions
Company and subsidiary companies	3,802	3,439
Less: interest capitalised	382	516
	3,420	2,923
Share of associated companies	489	441
Share of jointly controlled entities	235	168
	4,144	3,532

4 Profit on disposal of investments less provisions

Profit on disposal of investments less provisions for the six months ended 30 June 2001 represents a profit of HK\$30,000 million arising from the merger of VoiceStream Wireless Corporation ("VoiceStream") and Deutsche Telekom AG less a provision of HK\$28,100 million for the potential effect of share price and exchange rate fluctuations on overseas investments. The comparative amounts for the six months ended 30 June 2000 comprise a profit of HK\$50,000 million on disposal of Mannesmann AG common shares in exchange for Vodafone Group Plc ("Vodafone") ordinary shares, a profit of HK\$1,600 million on the subsequent disposal of 925 million Vodafone shares, a profit of HK\$2,200 million on the sale of a 19% interest in Hong Kong mobile operation and a profit of HK\$1,720 million on the sale of a 50% interest in fixed line telecommunications business less a provision of HK\$30,000 million for the potential effect of share price and exchange rate fluctuations on overseas investments.

5 Taxation

	Six months ended 30 June	
	2001 HK\$ millions	2000 HK\$ millions
Current taxation expense		
Hong Kong		
Subsidiary companies	248	280
Associated companies	124	93
Jointly controlled entities	24	48
Overseas		
Subsidiary companies	177	118
Associated companies	27	224
Jointly controlled entities	33	23
	633	786
Deferred taxation expense		
Hong Kong		
Subsidiary companies	(4)	(35)
Associated companies	1	1
Jointly controlled entities	-	(6)
Overseas		
Subsidiary companies	(20)	2
Associated companies	500	-
	477	(38)
	1,110	748

Hong Kong profits tax has been provided for at the rate of 16% (30 June 2000 - 16%) on the estimated assessable profits less available tax losses. Overseas taxation has been provided for at the applicable rate on the estimated assessable profits less available tax losses.

6 Profit attributable to shareholders

Included in profit attributable to shareholders is an amount of HK\$34,060 million (30 June 2000 - HK\$25,280 million) transferred from investment revaluation reserves upon disposal of the relevant investments.

7 Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$7,193 million (30 June 2000 - HK\$31,126 million) and on 4,263,370,780 shares in issue during 2001 (30 June 2000 - 4,263,370,780 shares).

8 Other non-current assets

	30 June 2001 HK\$ millions	31 December 2000 HK\$ millions
Cost of licences for 3G telecommunications spectrum		
At beginning of the period	80,039	-
Additions	927	80,039
Exchange translation differences	(5,656)	-
At end of the period	75,310	80,039

9 Managed funds and other investments

	30 June 2001 HK\$ millions	31 December 2000 HK\$ millions
Managed funds, overseas		
Listed held-to-maturity debt securities	21,532	14,868
Cash and cash equivalents	1,629	1,825
Other listed equity securities	-	11
	23,161	16,704
Held-to-maturity debt securities		
Listed debt securities	6,912	2,711
Long term deposits	4,172	4,174
Convertible debt securities	4,993	5,442
Other securities		
Listed equity securities, Hong Kong	6,079	4,813
Listed equity securities, overseas	61,025	99,044
Unlisted equity securities and advances	1,677	2,203
	108,019	135,091

10 Current assets

	30 June 2001 HK\$ millions	31 December 2000 HK\$ millions
Stocks	3,986	4,132
Trade receivables	3,655	3,569
Other receivables and prepayments	11,043	6,932
	18,684	14,633
Cash and cash equivalents	54,658	47,375
	73,342	62,008

The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days.

At end of the period, the ageing analysis of the trade receivables is as follows:

Current	2,214	2,318
31-60 days	549	614
61-90 days	355	181
Over 90 days	537	456
	3,655	3,569

11 Current liabilities

	30 June 2001 HK\$ millions	31 December 2000 HK\$ millions
Bank loans	8,904	14,991
Other loans	123	48
Notes and bonds		
US\$ exchangeable bonds, 7% due 2001	2,145	2,145
HK\$ notes, 7.88% due 2002	1,500	-
Trade payables	4,636	4,717
Other payables and accruals	20,733	22,252
Taxation	662	806
	38,703	44,959

At end of the period, the ageing analysis of the trade payables is as follows:

Current	2,685	2,748
31-60 days	990	914
61-90 days	547	620
Over 90 days	414	435
	4,636	4,717

12 Long term liabilities

	30 June 2001 HK\$ millions	31 December 2000 HK\$ millions
The loans are repayable as follows:		
Bank loans		
After 1 year, but within 2 years	11,326	22,911
After 2 years, but within 5 years	22,291	29,928
After 5 years	14,039	1,729
Other loans		
After 1 year, but within 2 years	74	16
After 2 years, but within 5 years	959	42
Exchangeable notes		
After 2 years, but within 5 years	44,116	23,393
Other notes and bonds		
After 1 year, but within 2 years	500	2,000
After 2 years, but within 5 years	8,613	4,037
After 5 years	30,755	22,948
	132,673	107,004

The exchangeable notes represent US\$3,000 million and US\$2,657 million notes exchangeable into ordinary shares of Vodafone anytime before maturity at the option of the holders on the basis of US\$1,000 principal amount for 196.61 shares at US\$5.086 per share and for 214.51 shares at US\$4.6618 per share respectively.

13 Share capital

	30 June 2001 Number of shares	31 December 2000 Number of shares	30 June 2001 HK\$ millions	31 December 2000 HK\$ millions
Authorised:				
Ordinary shares of HK\$0.25 each	5,500,000,000	5,500,000,000	1,375	1,375
7-1/2% cumulative redeemable participating preference shares of HK\$1 each	402,717,856	402,717,856	403	403
			1,778	1,778
Issued and fully paid:				
Ordinary shares				
At beginning of the period	4,263,370,780	3,875,791,619	1,066	969
Bonus issue 1 for 10	-	387,579,161	-	97
At end of the period	4,263,370,780	4,263,370,780	1,066	1,066

14 Reserves

	Share premium HK\$ millions	Investment properties revaluation HK\$ millions	Investment revaluation HK\$ millions	Exchange translation HK\$ millions	Retained profit HK\$ millions	30 June 2001 Total HK\$ millions	31 December 2000 Total HK\$ millions
At beginning of the period, as previously stated	28,359	16,302	32,401	(3,296)	173,315	247,081	244,981
Prior year adjustment on dividends	-	-	-	-	5,201	5,201	4,458
At beginning of the period, as restated	28,359	16,302	32,401	(3,296)	178,516	252,282	249,439
Prior year final dividend paid	-	-	-	-	(5,201)	(5,201)	(4,458)
Bonus issue	-	-	-	-	-	-	(97)
Revaluation surplus	-	-	797	-	-	797	9,235
Valuation released to profit and loss account	-	-	(34,060)	-	-	(34,060)	(25,236)
Net goodwill charge in reserves	-	-	-	-	607	607	(5,621)
Exchange translation differences	-	-	-	(2,901)	-	(2,901)	(2,408)
Company and subsidiary companies' profit for the period	-	-	-	-	6,361	6,361	31,018
Share of reserves of associated companies	-	-	3	17	884	904	545
Share of reserves of jointly controlled entities	-	-	-	-	(52)	(52)	(135)
At end of the period, before proposed dividends	28,359	16,302	(859)	(6,180)	181,115	218,737	252,282
Interim dividend proposed	-	-	-	-	(2,174)	(2,174)	-
Final dividend proposed	-	-	-	-	-	-	(5,201)
At end of the period, after proposed dividends	28,359	16,302	(859)	(6,180)	178,941	216,563	247,081

Included in share premium is a capital redemption reserve of HK\$404 million (at 31 December 2000 - HK\$404 million).

15 Major non-cash transactions

During the period, the investment in VoiceStream was exchanged for approximately 207 million Deutsche Telekom AG shares and a cash consideration of HK\$6,908 million, giving rise to a profit of HK\$30,000 million.

A provision of HK\$28,100 million was made during the period for share price and exchange rate fluctuations on overseas investments.

16 Contingent liabilities

	30 June 2001 HK\$ millions	31 December 2000 HK\$ millions
Guarantees have been executed in respect of bank and other borrowings facilities available as follows:		
To associated companies	2,368	2,503
To jointly controlled entities	6,155	7,345

At 30 June 2001 the Group had contingent liabilities in respect of other guarantees amounting to HK\$2,407 million (at 31 December 2000 - HK\$2,662 million).

17 Commitments

There has been no material change in the total amount of capital commitments since 31 December 2000 except for amounts taken up during the period in the normal course of business.

18 Related parties transactions

The Group has entered into joint ventures with various parties, including Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake property development projects. At 30 June 2001, in aggregate the Group had advanced HK\$19,920 million (at 31 December 2000 - HK\$15,597 million) to and had guaranteed bank and other borrowing facilities of HK\$1,353 million (at 31 December 2000 - HK\$3,039 million) for the benefit of these joint ventures. The Group has also entered into a joint venture, to develop a property in Japan, with a company controlled by Mr Li Tzar Kai, Richard, who at the inception of the joint venture, was a director of the Company (resigned on 16 August 2000). At 30 June 2001, the Group had advanced HK\$72 million (at 31 December 2000 - HK\$40 million) to and had guaranteed a bank loan facility of HK\$1,522 million (at 31 December 2000 - HK\$1,653 million) for the benefit of this joint venture. The risks, benefits and financing obligations of these joint ventures are shared in proportion to the respective shareholdings.

19 US dollar equivalents

The US dollar equivalents of the figures shown in the accounts have been translated at the rate of HK\$7.80 to US\$1.