

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1. Significant accounting policies

(a) Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”). KPMG’s independent review report to the board of directors is included in page 5. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

The interim financial report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“The Stock Exchange”) (“the Listing Rules”), including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the HKSA except that comparative figures for the cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Listing Rules.

The financial information relating to the financial year ended 31st December, 2000 included in the interim financial report does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31st December, 2000 on which the auditors have expressed an unqualified opinion on those accounts in their report dated 9th April, 2001, are available from the Stock Exchange’s website.

The same accounting policies adopted in the 2000 annual accounts have been applied to the interim financial report except as disclosed under notes 1(b), 1(c), 1(d) and 1(e) below.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2000 annual accounts.

(b) Goodwill arising on acquisition

In prior years, goodwill or negative goodwill arising on the acquisition of subsidiaries and associates, was charged or credited to reserves in the year in which it arises. With effect from 1st January, 2001, in order to comply with SSAP 30 “Business combinations”, issued by HKSA, goodwill arising on consolidation is being carried forward and amortised on a straight-line basis over its estimated useful life of a period of not more than 20 years. Goodwill arising on consolidation prior to 1st January, 2001, which was previously eliminated directly against reserves, has been restated as a result of the change of accounting policy.

As a result of this new accounting policy, the Group’s net assets at 30th June, 2001 have been increased by \$47,755,000 (at 31st December, 2000: \$49,834,000), of which \$45,682,000 (at 31st December, 2000: \$47,618,000) is attributable to interest in associates, and the Group’s profit attributable to shareholders for the period decreased by \$2,068,000 (2000: \$2,068,000). The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

1. Significant accounting policies (Continued)

(c) Dividends

In prior years, dividends proposed or declared after the balance sheet date in respect of an accounting period were recognised as liabilities at the balance sheet date. With effect from 1st January, 2001, in order to comply with SSAP 9 (revised) "Events after the balance sheet date", issued by HKSA, the Company recognises a liability for dividends in the accounting period in which they are declared or proposed and approved by shareholders.

As a result of this new accounting policy, the Group's net assets at 30th June, 2001 have been increased by \$11,813,000 (at 31st December, 2000: \$26,579,000). There is no impact on the Group's profit attributable to shareholders for the periods presented. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

(d) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

In prior years, no provision was made for the eventual costs that relate to the restoration of the alterations made to the premises leased from third parties. With effect from 1st January, 2001, in order to comply with SSAP 28 "Provisions, contingent liabilities and contingent assets" issued by HKSA, the best estimates of the eventual restoration costs are provided for and charged to profit and loss account on a straight-line basis over the lease terms. The effect of adopting the SSAP has been adjusted to the opening balance of retained earnings for the period. No restatement of other comparative information has been made.

(e) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired:

- property, plant and equipment (other than investment properties carried at revalued amounts);
- investments in subsidiaries and associates; and
- goodwill.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

1. Significant accounting policies (Continued)

(e) Impairment of assets (Continued)

If any such indication exists, recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where there are assets that do not generate cash flows largely independent of those from other assets, recoverable amounts are determined for the smallest group of assets that generates cash inflows independently (ie a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment loss is limited to the carrying amount of the asset that would have been determined had no impairment loss has been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised, except where the assets are carried at revalued amounts, in which case the reversal of impairment loss is treated as a revaluation movement.

2. Turnover and segmental information

The principal activities of the Group for the period are operation of department stores and property investments.

Group turnover for the period comprises the invoiced value of goods sold to customers less returns and income from property investments.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

2. Turnover and segmental information (Continued)

The analysis of the principal activities and geographical locations of the operations of the Group for the period are as follows:

| | Group turnover | | Contributions to profit from operations | |
|--|------------------|----------------|---|-----------------|
| | Six months ended | | Six months ended | |
| | 30th June, | | 30th June, | |
| | 2001 | 2000 | 2001 | 2000 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| | | | | restated |
| Principal activities | | | | |
| Department stores | | | | |
| (notes (a), (b) and (c)(i)) | 782,847 | 666,767 | (65,801) | (94,971) |
| Property investments | | | | |
| (note (c)) | <u>157,676</u> | <u>165,033</u> | <u>133,059</u> | <u>152,689</u> |
| | <u>940,523</u> | <u>831,800</u> | 67,258 | 57,718 |
| Other Group expenses net of other income | | | <u>(10,460)</u> | <u>(14,113)</u> |
| | | | <u>56,798</u> | <u>43,605</u> |

Notes:

- (a) Operating loss incurred by department stores for the period ended 30th June, 2000 included pre-operating expenses amounted to \$19,633,000 in respect of the opening of a new department store trading under the name of wing on *Plus* on Nathan Road in July 2000.
- (b) Operating loss incurred by department stores includes impairment loss amounted to \$11,897,000 (2000: Nil) in respect of the fixed assets of the department store operation in Tianjin.
- (c) Operating profit contributed from property investments includes:
 - (i) Net rental income receivable of \$35,126,000 (2000: \$36,948,000) from the department store operation.
 - (ii) Impairment loss amounted to \$5,800,000 (2000: Nil) in respect of land use rights in the People's Republic of China.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

2. Turnover and segmental information (Continued)

| | Group turnover | | Contributions to profit from operations | |
|---|-------------------------|----------------|--|-----------------|
| | Six months ended | | Six months ended | |
| | 30th June, | | 30th June, | |
| | 2001 | 2000 | 2001 | 2000 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| | | | | restated |
| Geographical locations of operations | | | | |
| Hong Kong | 820,400 | 696,493 | 29,688 | (17,050) |
| The People's Republic of China | 40,185 | 41,502 | (28,486) | (9,655) |
| Australia | 65,942 | 78,643 | 60,003 | 77,474 |
| United States of America | 12,824 | 12,350 | 5,151 | 4,772 |
| Others | 1,172 | 2,812 | 902 | 2,177 |
| | <u>940,523</u> | <u>831,800</u> | 67,258 | 57,718 |
| Other Group expenses net of other income | | | <u>(10,460)</u> | <u>(14,113)</u> |
| | | | <u>56,798</u> | <u>43,605</u> |

3. Income

| | Six months ended | |
|---|-------------------------|-----------------|
| | 30th June, | |
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Other revenue | | |
| Dividend and interest income from securities | 3,260 | 7,766 |
| Restaurant operation income | – | 4,676 |
| Hotel revenue | 4,888 | 8,009 |
| Other interest income | 6,129 | 7,600 |
| Others | 2,062 | 2,259 |
| | <u>16,339</u> | <u>30,310</u> |
| Other net losses | | |
| Net gain/(loss) on disposal of fixed assets | 465 | (1,114) |
| Net exchange loss | (10,630) | (9,727) |
| Net realised gain on trading securities | 1,735 | 3,837 |
| Net unrealised loss on trading securities | (4,284) | (11,775) |
| Write-back of impairment loss on non-trading securities | 2,324 | 3,436 |
| | <u>(10,390)</u> | <u>(15,343)</u> |

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

4. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

| | Six months ended | |
|--|-------------------------|-------------------|
| | 2001 | 30th June, |
| | \$'000 | 2000 |
| | | \$'000 |
| (a) Finance cost: | | |
| Interest on bank advances and other borrowings repayable within five years | 34,025 | 46,237 |
| Finance charges on obligations under finance leases | – | 69 |
| | 34,025 | 46,306 |
| (b) Other items: | | |
| Cost of inventories | 554,425 | 474,079 |
| Operating lease charges | | |
| – rentals on land and buildings | 55,530 | 55,397 |
| Depreciation and impairment loss on fixed assets | 53,724 | 30,365 |
| Amortisation of goodwill | (33) | (34) |
| Rentals receivable from investment properties net of direct outgoings of \$32,504,000 (2000: \$28,793,000) | (124,647) | (135,527) |
| | (124,647) | (135,527) |

5. Taxation

| | Six months ended | |
|--|-------------------------|-------------------|
| | 2001 | 30th June, |
| | \$'000 | 2000 |
| | | \$'000 |
| Provision for Hong Kong Profits Tax for the period | 8,015 | 7,992 |
| Overseas taxation | 2,630 | 1,892 |
| Deferred taxation | 3,692 | 6,790 |
| | 14,337 | 16,674 |
| Share of associates' taxation | 20,664 | 14,698 |
| | 35,001 | 31,372 |

The provision for Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

6. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of \$38,493,000 (2000 restated: \$1,174,000) divided by 295,326,000 shares (2000: 295,326,000 shares) in issue during the period.

There were no outstanding potential ordinary shares throughout the periods presented.

7. Dividends

(a) Dividends attributable to the interim period:

| | Six months ended | |
|--|-------------------------|-------------|
| | 30th June, | |
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Interim dividend declared after the interim period end of 4 cents per share (2000: Nil per share) | <u>11,813</u> | <u>–</u> |

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date.

(b) Dividends attributable to the previous financial year, approved and payable/paid during the interim period/year:

| | 30th June, | 31st December, |
|---|-------------------|-----------------------|
| | 2001 | 2000 |
| | \$'000 | \$'000 |
| Final dividends in respect of the previous financial year proposed and approved by shareholders during the interim period of 9 cents per share (2000: 4 cents per share) | 26,579 | 11,813 |
| Less: Dividends paid during the period/year | <u>–</u> | <u>11,813</u> |
| Dividends payable at period/year end date | <u>26,579</u> | <u>–</u> |

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

8. Interest in associates

| | 30th June, 2001 | 31st December, 2000 |
|---|----------------------------|--------------------------------|
| | \$'000 | \$'000 restated |
| Unlisted shares | | |
| Share of net assets other than goodwill | 390,426 | 356,616 |
| Share of unamortised goodwill: | | |
| – as previously reported | | – |
| – prior period adjustment with respect to change in accounting policy (note 1(b)) | | 51,484 |
| Share of unamortised goodwill (2000: as restated) | 49,372 | 51,484 |
| Goodwill on acquisition* | | |
| – as previously reported | | – |
| – prior period adjustment with respect to change in accounting policy (note 1(b)) | | (3,866) |
| Goodwill on acquisition (2000: as restated) | (3,690) | (3,866) |
| Amounts due from associates less provision | 13,524 | 13,152 |
| | <u>449,632</u> | <u>417,386</u> |

* Goodwill on acquisition is being recognised in the profit and loss account over a period of 20 years.

Additional information in respect of the Group's material associate, WL Investments Limited, extracted from its unaudited accounts, is given as follows:

| | Six months ended | |
|--|-------------------------|----------------------------|
| | 2001 | 30th June, 2000 |
| | \$'000 | \$'000 |
| Operating results | | |
| Turnover | 4,520,093 | 4,282,524 |
| Profit before taxation | 109,008 | 78,065 |
| Profit after taxation | <u>65,042</u> | <u>46,793</u> |
| Group's share of profit after taxation attributable to the material associate | <u>30,570</u> | <u>21,993</u> |

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

8. Interest in associates (Continued)

| | 30th June, 2001 | 31st December, 2000 |
|--|----------------------------|--------------------------------|
| | \$'000 | \$'000 restated |
| Non-current assets: | | |
| As previously reported | | 977,690 |
| Prior period adjustment arising from change in accounting policy for goodwill (note 1(b)) | | <u>109,541</u> |
| Non-current assets (2000: as restated) | 1,176,161 | 1,087,231 |
| Current assets* | <u>1,309,638</u> | <u>1,318,131</u> |
| Total assets | <u>2,485,799</u> | <u>2,405,362</u> |
| Current liabilities | 958,941 | 1,007,410 |
| Non-current liabilities | <u>563,874</u> | <u>504,933</u> |
| Total liabilities | <u>1,522,815</u> | <u>1,512,343</u> |
| Net assets | <u>962,984</u> | <u>893,019</u> |
| Group's share of net assets attributable to the material associate | <u>452,603</u> | <u>419,719</u> |

* Current assets comprise mainly inventories of motor vehicles.

At the balance sheet date, the Group has an equity interest of 50% in WL Investments Limited ("WL") Group. Due to the existence of a phantom stock plan for the benefit of the WL Group's key employees, the Group's effective share of the results and net assets of the WL Group is 47%.

9. Securities

| | 30th June, 2001 | 31st December, 2000 |
|---|----------------------------|--------------------------------|
| | \$'000 | \$'000 |
| Non-trading securities | | |
| Equity securities | | |
| Listed outside Hong Kong, at market value | 20,536 | 18,212 |
| Unlisted | <u>117,057</u> | <u>107,146</u> |
| | <u>137,593</u> | <u>125,358</u> |

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

9. Securities (Continued)

| | 30th June, 2001 | 31st December, 2000 |
|---|----------------------------|--------------------------------|
| | \$'000 | \$'000 |
| Trading securities | | |
| Debt securities | | |
| Listed outside Hong Kong, at market value | 105,300 | 108,941 |
| Equity securities | | |
| Listed | | |
| – in Hong Kong, at market value | 47,089 | 51,168 |
| – outside Hong Kong, at market value | 24,005 | 22,739 |
| | 71,094 | 73,907 |
| | 176,394 | 182,848 |

10. Goodwill

| | Positive goodwill | Negative goodwill | Total |
|--|------------------------------|------------------------------|--------------|
| | \$'000 | \$'000 | \$'000 |
| Cost: | | | |
| – as restated | | | |
| At 1st January, and at 30th June, 2001 | 178,553 | (2,558) | 175,995 |
| Amortisation: | | | |
| – as restated | | | |
| At 1st January, 2001 | 176,337 | (2,558) | 173,779 |
| Charge for the period | 143 | – | 143 |
| At 30th June, 2001 | 176,480 | (2,558) | 173,922 |
| Carrying amount: | | | |
| At 30th June, 2001 | 2,073 | – | 2,073 |
| At 31st December, 2000 | 2,216 | – | 2,216 |

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

11. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade and other debtors (net of provisions for doubtful debts) with the following ageing analysis:

| | 30th June, 2001 | 31st December, 2000 |
|--|----------------------------|--------------------------------|
| | \$'000 | \$'000 |
| Current | 27,619 | 28,629 |
| 1 to 3 months overdue | 1,462 | 1,370 |
| More than 3 months overdue | 585 | 801 |
| | <hr/> | <hr/> |
| Total trade and other debtors (note (a)) | 29,666 | 30,800 |
| Deposits and prepayments (note (b)) | 88,340 | 101,545 |
| | <hr/> | <hr/> |
| | <u>118,006</u> | <u>132,345</u> |

Notes:

- (a) Debts are normally due within 30 days from the date of billing.
- (b) All deposits and prepayments, apart from certain rental deposits of \$29,927,000 (2000: \$33,118,000), are expected to be recovered within one year.

12. Cash and cash equivalents

| | 30th June, 2001 | 31st December, 2000 |
|--------------------------|----------------------------|--------------------------------|
| | \$'000 | \$'000 |
| Deposits with banks | 212,664 | 257,879 |
| Cash at bank and in hand | 60,535 | 79,734 |
| | <hr/> | <hr/> |
| | <u>273,199</u> | <u>337,613</u> |

13. Creditors and accrued charges

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

| | 30th June, 2001 | 31st December, 2000 |
|--|----------------------------|--------------------------------|
| | \$'000 | \$'000 |
| Amounts not yet due | 163,321 | 212,829 |
| On demand or overdue for less than 1 month | 21,788 | 67,141 |
| 1 month to 3 months overdue | 2,133 | 5,249 |
| 3 months to 12 months overdue | 8,207 | 6,152 |
| | <hr/> | <hr/> |
| Total trade and other creditors | 195,449 | 291,371 |
| Accrued charges | 73,199 | 73,601 |
| | <hr/> | <hr/> |
| | <u>268,648</u> | <u>364,972</u> |

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

14. Reserves

| | Investment property revaluation reserve \$'000 | Land and building revaluation reserve \$'000 | Investment revaluation reserve \$'000 | Exchange reserve \$'000 | Other capital reserves \$'000 | Contributed surplus \$'000 | Retained profits \$'000 | Total \$'000 |
|--|--|--|--|-------------------------------|--|----------------------------------|-------------------------------|------------------|
| At 1st January, 2001 | | | | | | | | |
| – as previously reported | 1,441,511 | 204,249 | 82,773 | (167,679) | 41,931 | 754,347 | 2,085,296 | 4,442,428 |
| – changes in accounting policies with respect to: | | | | | | | | |
| – goodwill arising on acquisition (note 1(b)) | – | – | – | (210) | 246,987 | – | (196,943) | 49,834 |
| – dividends (note 1(c)) | – | – | – | – | – | – | 26,579 | 26,579 |
| | 1,441,511 | 204,249 | 82,773 | (167,889) | 288,918 | 754,347 | 1,914,932 | 4,518,841 |
| Adjustment on the opening balance of retained profits: | | | | | | | | |
| – provision for restoration costs on premises leased from third parties (note 1(d)) | – | – | – | – | – | – | (3,059) | (3,059) |
| – as restated | 1,441,511 | 204,249 | 82,773 | (167,889) | 288,918 | 754,347 | 1,911,873 | 4,515,782 |
| Dividends payable (note 7) | – | – | – | – | – | – | (26,579) | (26,579) |
| Revaluation deficit transferred to the profit and loss account on disposal of investment property | 3,119 | – | – | – | – | – | – | 3,119 |
| Surplus on revaluation of non-trading securities | – | – | 9,917 | – | – | – | – | 9,917 |
| Share of increase in capital reserves of associates | – | – | – | – | 2,394 | – | – | 2,394 |
| Exchange differences arising on consolidation | – | – | – | (74,812) | – | – | – | (74,812) |
| Profit for the period | – | – | – | – | – | – | 38,493 | 38,493 |
| At 30th June, 2001 | <u>1,444,630</u> | <u>204,249</u> | <u>92,690</u> | <u>(242,701)</u> | <u>291,312</u> | <u>754,347</u> | <u>1,923,787</u> | <u>4,468,314</u> |

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

14. Reserves (Continued)

| | Investment property revaluation reserve \$'000 | Land and building revaluation reserve \$'000 | Investment revaluation reserve \$'000 | Exchange reserve \$'000 | Other capital reserves \$'000 | Contributed surplus \$'000 | Retained profits \$'000 | Total \$'000 |
|---|--|--|--|-------------------------------|--|----------------------------------|-------------------------------|------------------|
| At 1st January, 2000 | | | | | | | | |
| – as previously reported | 1,373,592 | 204,249 | 38,805 | (76,308) | 37,271 | 754,347 | 2,061,595 | 4,393,551 |
| – changes in accounting policies with respect to: | | | | | | | | |
| – goodwill arising on acquisition (note 1(b)) | – | – | – | (399) | 243,032 | – | (193,998) | 48,635 |
| – dividends (note 1(c)) | – | – | – | – | – | – | 11,813 | 11,813 |
| – as restated | 1,373,592 | 204,249 | 38,805 | (76,707) | 280,303 | 754,347 | 1,879,410 | 4,453,999 |
| Surplus on revaluation after minority interests | 71,641 | – | – | – | – | – | – | 71,641 |
| Share of revaluation deficit of associates | (3,722) | – | – | – | – | – | – | (3,722) |
| Surplus on revaluation of non-trading securities | – | – | 55,005 | – | – | – | – | 55,005 |
| Transfer to the profit and loss account on disposal of non-trading securities | – | – | (11,037) | – | – | – | – | (11,037) |
| Exchange differences arising on consolidation | – | – | – | (91,182) | – | – | – | (91,182) |
| Share of increase in capital reserves of associates | – | – | – | – | 8,615 | – | – | 8,615 |
| Dividends paid during the year | – | – | – | – | – | – | (11,813) | (11,813) |
| Profit for the year (as restated) | – | – | – | – | – | – | 47,335 | 47,335 |
| At 31st December, 2000 | <u>1,441,511</u> | <u>204,249</u> | <u>82,773</u> | <u>(167,889)</u> | <u>288,918</u> | <u>754,347</u> | <u>1,914,932</u> | <u>4,518,841</u> |

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

15. Capital commitments

Group capital commitments at 30th June, 2001, not provided for in the accounts were as follows:

| | 30th June, 2001 | 31st December, 2000 |
|-------------------------------|----------------------------|--------------------------------|
| | \$'000 | \$'000 |
| Authorised and contracted for | <u>3,099</u> | <u>2,274</u> |

16. Contingent liabilities

The Company has undertaken to guarantee certain loans and other facilities granted to certain subsidiaries to the extent of \$1,073,762,000 (at 31st December, 2000: \$1,198,091,000) of which \$892,466,000 (at 31st December, 2000: \$1,034,266,000) were utilised at 30th June, 2001.

17. Material related party transactions

Material related party transactions are as follows:

- (a) A fellow subsidiary rents retail premises to a subsidiary. Rental and management fees payable to this fellow subsidiary amounted to \$7,190,000 (2000: \$7,190,000) during the period. The amounts due to the fellow subsidiary at 30th June, 2001 amounted to \$9,365,000 (at 31st December, 2000: \$10,406,000).
- (b) A subsidiary rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$1,175,000 (2000: \$1,844,000) during the period. The amounts had been fully settled by the period end date.
- (c) A fellow subsidiary, engaging in securities practice, deals in securities for certain subsidiaries of the Group. Commission of \$46,000 (2000: \$46,000) was payable to the fellow subsidiary during the period. The amounts due from the fellow subsidiary at 30th June, 2001 amounted to \$10,484,000 (at 31st December, 2000: \$2,973,000).

18. Comparative figures

Comparative figures have been restated based on the changes in accounting policies as set out in note 1 in the interim financial report.

19. Approval of interim financial report

The interim financial report was approved by the Board on 17th September, 2001.