

# NOTES TO INTERIM ACCOUNTS

## 1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2003 except for the change in accounting policy as described below.

### SSAP 12 (Revised) “Income taxes”

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

With effect from 1 April 2003, with the introduction of the revised SSAP 12 “Income taxes” issued by the Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax. A balance sheet method was used to recognise deferred tax in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The accounting policy has been adopted retrospectively. In adjusting prior years’ figures, investment property revaluation reserves and revenue reserves as at 1 April 2003 were restated and decreased by HK\$139.1 million and HK\$365.0 million (1 April 2002: HK\$115.5 million and HK\$335.7 million), respectively whilst investment revaluation reserves at 1 April 2003 were increased by HK\$0.5 million (1 April 2002: Nil). The adjustments mainly represented the Group’s share of the deferred tax liability recognised by its associates in respect of temporary difference relating to fixed assets net of deferred tax assets in respect of tax losses recognised to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. In addition, the Group’s profit attributable to shareholders for the six months ended 30 September 2003 has decreased by HK\$47.8 million (2002: HK\$13.2 million).

## 2. SEGMENT INFORMATION

### (a) Business segments

	Segment Revenue		Segment Results	
	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million	30/9/2003 HK\$ Million	(Restated) 30/9/2002 HK\$ Million
Property investment	164.0	174.9	119.0	128.9
Property development	1,907.9	2,116.8	153.0	244.9
Retail and distribution	–	952.7	–	(10.7)
Investment and others	127.8	139.4	79.7	(122.9)
	<b>2,199.7</b>	3,383.8	<b>351.7</b>	240.2
Inter-segment revenue (Note i)	<b>(40.6)</b>	(51.7)	–	–
	<b>2,159.1</b>	3,332.1	<b>351.7</b>	240.2
Unallocated expenses			<b>(5.9)</b>	(13.4)
Operating profit			<b>345.8</b>	226.8
Borrowing costs			<b>(84.3)</b>	(148.9)
Provision for properties				
Property investment			–	(205.8)
Property development			<b>(6.1)</b>	(550.3)
Share of results of associates (Note ii)			<b>837.8</b>	841.3
Profit before taxation			<b>1,093.2</b>	163.1
Taxation			<b>(224.8)</b>	(125.2)
Minority interests			<b>(101.7)</b>	107.2
Group profit attributable to shareholders			<b>766.7</b>	145.1

Notes:

(i) Inter-segment revenue eliminated on consolidation includes:

Property investment	–	27.9
Investment and others	<b>40.6</b>	23.8
	<b>40.6</b>	51.7

## (ii) Share of results of associates

	<b>Segment Results</b>	
	<b>30/9/2003 HK\$ Million</b>	30/9/2002 HK\$ Million
Property investment	<b>723.0</b>	802.9
Property development	<b>(5.6)</b>	–
Communications, media and entertainment	<b>99.4</b>	101.3
Pay television	<b>104.9</b>	76.9
Internet and multimedia	<b>(24.0)</b>	15.4
Telecommunications	<b>9.5</b>	1.5
Others	<b>9.0</b>	7.5
Logistics	<b>426.3</b>	392.4
Terminals	<b>409.3</b>	354.0
Other logistics business	<b>17.0</b>	38.4
Investment and others	<b>27.1</b>	58.9
Provision for properties	<b>(8.0)</b>	(101.7)
Unallocated expenses and other items	<b>(272.1)</b>	(221.2)
Borrowing costs	<b>(152.3)</b>	(191.3)
	<b>837.8</b>	841.3

## (b) Geographical segments

	<b>Segment Revenue</b>		<b>Segment Results (Operating Profit)</b>	
	<b>30/9/2003 HK\$ Million</b>	30/9/2002 HK\$ Million	<b>30/9/2003 HK\$ Million</b>	30/9/2002 HK\$ Million
Hong Kong	<b>2,066.2</b>	2,556.1	<b>257.6</b>	(24.8)
Singapore	<b>92.9</b>	739.6	<b>88.2</b>	253.0
Others	<b>–</b>	36.4	<b>–</b>	(1.4)
	<b>2,159.1</b>	3,332.1	<b>345.8</b>	226.8

### 3. TURNOVER AND OPERATING PROFIT

#### (a) Turnover

The principal activities of the Group are property investment, property development and investment holding. Analysis of the Group's turnover is as follows:

	<b>30/9/2003</b> HK\$ Million	30/9/2002 HK\$ Million
Property investment	<b>164.0</b>	147.0
Property development	<b>1,907.9</b>	2,116.8
Retail and distribution	–	952.7
Investment and others	<b>87.2</b>	115.6
	<b>2,159.1</b>	3,332.1

#### (b) Operating profit

	<b>30/9/2003</b> HK\$ Million	30/9/2002 HK\$ Million
Operating profit is arrived at:		
after charging:		
Cost of properties sold	<b>1,658.5</b>	1,806.7
Cost of inventories sold	–	551.4
Depreciation	<b>1.6</b>	34.7
and after crediting:		
Dividend income from listed investments	<b>11.5</b>	32.6
Negative goodwill realised	<b>19.8</b>	–

### 4. OTHER NET INCOME / (LOSS)

	<b>30/9/2003</b> HK\$ Million	30/9/2002 HK\$ Million
Net profit / (loss) on disposal of non-trading securities	<b>21.3</b>	(94.9)
Provision for non-trading securities	–	(96.2)
Negative goodwill realised	<b>19.8</b>	–
Deferred profits realised	–	22.1
Others	<b>(9.2)</b>	10.3
	<b>31.9</b>	(158.7)

## 5. BORROWING COSTS

	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million
Interest payable on		
Bank loans and overdrafts	91.0	178.4
Other loans repayable within 5 years	13.9	31.3
Other borrowing costs	9.8	22.8
	<b>114.7</b>	232.5
Less: Amount capitalised	<b>(30.4)</b>	(83.6)
	<b>84.3</b>	148.9

The Group's average borrowing interest rate for the six-month period was 1.7% (2002: 2.4%) per annum.

## 6. TAXATION

The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 17.5% (2002: 16%). Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

	30/9/2003 HK\$ Million	(Restated) 30/9/2002 HK\$ Million
<b>Company and subsidiaries</b>		
<i>Current tax</i>		
Hong Kong profits tax for the period	12.8	7.7
Overseas taxation for the period	16.5	113.9
Overprovision in prior years	–	(94.3)
	<b>29.3</b>	27.3
<i>Deferred taxation</i>		
Origination and reversal of temporary differences	(3.6)	(34.5)
	<b>25.7</b>	(7.2)
<b>Associates</b>		
<i>Current tax</i>		
Hong Kong profits tax for the period	150.3	91.6
Overseas taxation for the period	2.9	10.4
Underprovision in prior years	9.0	23.5
	<b>162.2</b>	125.5
<i>Deferred taxation</i>		
Origination and reversal of temporary differences	(12.5)	6.9
Effect of increase in tax rate on opening balance of deferred tax	49.4	–
	<b>199.1</b>	132.4
	<b>224.8</b>	125.2

The overprovision for the period ended 30 September 2002 represented the write-back of a tax provision resulting from a reduction of Singapore income tax rate from 24.5% to 22.0%.

## 7. DIVIDENDS

### (a) Dividends attributable to the period

	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million
Interim dividend proposed after the balance sheet date of 2.5 cents (2002: 2.5 cents) per share	50.8	50.8

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

### (b) Dividends attributable to the previous financial year, approved and paid during the period

	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million
Final dividend in respect of the previous financial year, approved and paid during the period, of 5.0 cents (2002: 5.0 cents) per share	101.6	101.6

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings for the period of HK\$766.7 million (2002: HK\$145.1 million) and on the weighted average of 2,031.8 million (2002: 2,031.8 million) ordinary shares in issue during the period. No figure for diluted earnings per share is shown as there was no outstanding share option as at 30 September 2003.

## 9. TRADE AND OTHER RECEIVABLES

The Group maintains defined credit policies for the respective businesses and trade debtors are closely monitored in order to control credit risk associated with trade receivables.

Included in trade and other receivables are stakeholders' deposits in the amount of HK\$551.6 million (31/3/2003: HK\$2,077.8 million) in respect of pre-sale of properties and trade debtors of HK\$638.3 million (31/3/2003: HK\$370.1 million). The ageing analysis of the Group's trade debtors as at 30 September 2003 is as follows:

	30/9/2003 HK\$ Million	31/3/2003 HK\$ Million
Current	253.4	92.9
31 – 60 days	250.0	16.1
61 – 90 days	75.4	1.2
Over 90 days	59.5	259.9
	<b>638.3</b>	370.1

## 10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis as at 30 September 2003 as follows:

	30/9/2003 HK\$ Million	31/3/2003 HK\$ Million
Amounts payable in the next:		
0 – 30 days	214.9	243.2
31 – 60 days	105.6	4.1
61 – 90 days	243.0	383.7
Over 90 days	620.9	625.1
	<b>1,184.4</b>	1,256.1

## 11. SHARE CAPITAL

	30/9/2003 No. of shares Million	31/3/2003 No. of shares Million	30/9/2003 HK\$ Million	31/3/2003 HK\$ Million
<b>Authorised</b>				
Ordinary shares of HK\$0.50 each	2,800.0	2,800.0	1,400.0	1,400.0
<b>Issued and fully paid</b>				
Balance at 1 April	2,031.8	2,031.7	1,015.9	1,015.8
Exercise of share options granted under the Executive Share Incentive Scheme	–	0.1	–	0.1
Balance at 30 September / 31 March	<b>2,031.8</b>	2,031.8	<b>1,015.9</b>	1,015.9

## 12. RESERVES

	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Investment property revaluation reserves HK\$ Million	Investment revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
<b>Company and subsidiaries</b>							
Balance at 1 April 2003							
As previously reported	1,913.6	19.5	–	(316.8)	156.6	7,549.8	9,322.7
Prior year adjustments in respect of deferred taxation (Note 1)	–	–	–	0.5	–	(33.0)	(32.5)
As restated	1,913.6	19.5	–	(316.3)	156.6	7,516.8	9,290.2
Final dividend approved in respect of the previous year (Note 7b)	–	–	–	–	–	(101.6)	(101.6)
Revaluation surplus	–	–	–	201.3	–	–	201.3
Transferred to the profit and loss account on disposal of non-trading securities	–	–	–	11.6	–	–	11.6
Exchange differences	–	–	–	–	4.6	–	4.6
Profit for the period retained	–	–	–	–	–	723.1	723.1
Balance at 30 September 2003	1,913.6	19.5	–	(103.4)	161.2	8,138.3	10,129.2
<b>Associates</b>							
Balance at 1 April 2003							
As previously reported	–	–	9,799.5	(105.5)	(205.2)	3,466.5	12,955.3
Prior year adjustments in respect of deferred taxation (Note 1)	–	–	(139.1)	–	–	(332.0)	(471.1)
As restated	–	–	9,660.4	(105.5)	(205.2)	3,134.5	12,484.2
Revaluation surplus	–	–	–	31.0	–	–	31.0
Transferred to the profit and loss account on disposal of non-trading securities	–	–	–	(2.2)	–	–	(2.2)
Others	–	–	–	–	2.5	–	2.5
Profit for the period retained	–	–	–	–	–	43.6	43.6
Balance at 30 September 2003	–	–	9,660.4	(76.7)	(202.7)	3,178.1	12,559.1
<b>Total reserves at 30 September 2003</b>	<b>1,913.6</b>	<b>19.5</b>	<b>9,660.4</b>	<b>(180.1)</b>	<b>(41.5)</b>	<b>11,316.4</b>	<b>22,688.3</b>
Total reserves at 31 March 2003	1,913.6	19.5	9,660.4	(421.8)	(48.6)	10,651.3	21,774.4

### 13. CONTINGENT LIABILITIES

At 30 September 2003

- (a) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$559.7 million (31/3/2003: HK\$560.9 million) of which HK\$398.1 million (31/3/2003: HK\$349.9 million) had been drawn at the balance sheet date.
- (b) The Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the development of the Sorrento project.

### 14. COMMITMENTS

- (a) Commitments in respect of property developments and capital expenditures

	<b>30/9/2003</b> <b>HK\$ Million</b>	31/3/2003 HK\$ Million
Contracted but not provided for	<b>2,349.5</b>	1,757.6
Authorised but not contracted for	–	31.1

- (b) Forward exchange contracts

	<b>30/9/2003</b> <b>HK\$ Million</b>	31/3/2003 HK\$ Million
Forward exchange contracts outstanding	<b>4,583.4</b>	4,868.7

### 15. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the period ended 30 September 2003:

- (a) Included in interest in associates are loans of HK\$1,273.4 million (31/3/2003: HK\$1,617.0 million) contributed from associates in proportion to their equity interests in the Sorrento property development project. The loans from associates are interest bearing at rates as determined with reference to prevailing market rates. Interest expenses in respect of loans from associates for the period ended 30 September 2003 amounted to HK\$13.8 million (2002: HK\$31.3 million). The loans are unsecured and have no fixed terms of repayment.
- (b) Included in interest in associates is an advance of HK\$1,934.2 million (31/3/2003: HK\$2,447.9 million) contributed from an associate in proportion to its equity interest in the Bellagio property development project. The advance bears interest at such rates as may from time to time be agreed by the shareholders of the property holding company. For the current financial period, the advance is unsecured and interest free.

- (c) As disclosed in note 13(b), the Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the development of the Sorrento project.

## **16. COMPARATIVE FIGURES**

Certain comparative figures have been adjusted as a result of the change in accounting policy for income taxes, in order to comply with SSAP 12 (revised), details of which are set out in note 1.

## **17. REVIEW OF UNAUDITED INTERIM ACCOUNTS**

The unaudited interim accounts for the six months ended 30 September 2003 have been reviewed by the audit committee of the Company.