

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 2001 except the methods of accounting for goodwill/negative goodwill, planned maintenance, proposed dividend and segment reporting, the impacts of which are described below.

(a) Goodwill/negative goodwill

In prior years, goodwill/negative goodwill arising on consolidation, representing the excess/shortfall of the cost of investments in subsidiaries and associates over the appropriate share of the fair value of the net tangible assets at the date of acquisition, is taken to reserves in the year in which it arises. On disposal of a subsidiary or an associate, the attributable amount of goodwill/negative goodwill is included in calculating the profit or loss on disposal.

With effect from 1 April 2001, with the introduction of SSAP 30 "Business Combinations", the Group adopted an accounting policy to recognise goodwill as an asset and is amortised on a straight-line basis over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that is identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account. On disposal of a subsidiary or an associate, any attributable amount of purchased goodwill not previously amortised through the profit and loss account is included in the calculation of the profit and loss on disposal.

The Group has taken advantage of the transitional provisions in SSAP 30 which do not require the restatement of positive/negative goodwill taken to reserves prior to 1 April 2001 and the above change in accounting policy has no financial impact on the Group for the current and prior periods. However, any impairment arising on such goodwill is required to be accounted for in accordance with the newly issued SSAP 31 "Impairment of Assets" retrospectively. As a result of this change, in adjusting prior years' figures, revenue reserve as at 1 April 2001 were restated and decreased by HK\$99.1 million (the other capital reserves were increased by the corresponding amount) representing the Group's share of the goodwill written off by associates to the prior year's consolidated profit and loss account.

(b) Planned maintenance

In prior years, the Group's associates operated a planned maintenance scheme for its hotels which projected future maintenance requirements over a period of years. Within this scheme actual costs and/or projected costs of ensuing four year periods as estimated by the Group's associates were equalised by annual provisions in the profit and loss account. With effect from 1 April 2001, maintenance costs are expensed in the profit and loss account in the year in which they are incurred in accordance with SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets". The accounting policy has been adopted retrospectively. In adjusting prior years' figures, revenue reserves as at 1 April 2001 were restated and increased by HK\$58.9 million representing the Group's share of the reversal of the previous provision for planned maintenance. The above change in accounting policy has no material financial impact on the Group's results for the current period and the previous corresponding period.

(c) Proposed dividend

In prior years, dividend proposed after balance sheet date was accrued as liabilities at the balance sheet date. With effect from 1 April 2001, the dividend proposed after balance sheet date is shown as a separate component of shareholders' funds in accordance with the revised SSAP 9 "Events After the Balance Sheet Date" issued by the Hong Kong Society of Accountants. The new accounting policy has been adopted retrospectively. In adjusting prior years' figures, shareholders' funds as at 1 April 2001, were restated and increased by HK\$101.5 million representing the proposed final dividend for the year ended 31 March 2001.

As a result of the adoption of SSAP 9 and restating the prior years' reserves, the Group's shareholders' funds at 30 September 2001 have increased by HK\$50.8 million (31/3/2001 – HK\$101.5 million).

(d) Segment reporting

A segment is distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Inter-segment pricing is based on similar terms as those available to other external parties.

In note 2 to these condensed interim accounts 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 segments be presented as the primary reporting format and geographical as the secondary reporting format.

WHEELOCK AND COMPANY LIMITED

Interim Report 2001/02

2) Segment information

(a) Turnover and operating profit

	Segment revenue		Segment results	
	30/9/2001 HK\$ Million	30/9/2000 HK\$ Million	30/9/2001 HK\$ Million	30/9/2000 HK\$ Million
Business segment				
Sale of property	2,096.2	389.0	718.8	162.4
Property rental	168.1	167.5	115.4	120.3
Retailing and trading	929.3	752.2	(52.6)	32.8
Investments and others	173.8	188.7	66.2	273.2
	3,367.4	1,497.4	847.8	588.7
Inter-segment revenue (Note)	(50.5)	(64.5)	–	–
	3,316.9	1,432.9	847.8	588.7
Unallocated expenses			(14.9)	(19.4)
Provision for impairment in value of properties			(273.8)	(48.7)
Operating profit			559.1	520.6
Geographical segment				
Hong Kong	1,254.5	983.2	97.2	235.2
Singapore	2,010.0	428.6	453.4	273.0
Others	52.4	21.1	8.5	12.4
	3,316.9	1,432.9	559.1	520.6
Note: Inter-segment revenue eliminated on consolidation includes:				
Property rental	25.7	25.6		
Investments and others	24.8	38.9		
	50.5	64.5		

(b) Share of results of associates

	Segment results	
	30/9/2001 HK\$ Million	30/9/2000 HK\$ Million
Business segment		
Property rental	662.9	660.6
Sale of property	4.5	37.6
Communications, Media and Entertainment	39.4	(47.7)
Pay television	79.9	20.5
Telecommunication	(22.0)	(45.6)
Internet, multimedia and others	(18.5)	(22.6)
Logistics	255.7	242.2
Terminals	235.5	218.1
Others	20.2	24.1
Hotels	29.6	36.1
Borrowing costs	(315.8)	(423.0)
Other items	(16.9)	121.6
	659.4	627.4

WHEELOCK AND COMPANY LIMITED

Interim Report 2001/02

3) Other net income

	30/9/2001 HK\$ Million	30/9/2000 HK\$ Million
Net (loss)/profit on disposal of non-trading securities	(16.6)	182.2
Deferred profits realised on disposal of properties	47.8	18.3
Others	23.1	20.5
	54.3	221.0

4) Operating profit

	30/9/2001 HK\$ Million	30/9/2000 HK\$ Million
Operating profit is arrived at after charging:		
Cost of properties sold	1,402.6	226.8
Cost of inventories sold	551.9	440.8
Depreciation	34.9	24.2
and after crediting:		
Dividend income from listed investments	56.7	55.7

5) Borrowing costs

	30/9/2001 HK\$ Million	30/9/2000 HK\$ Million
Interest payable on		
Bank loans and overdrafts	382.4	548.4
Other loans repayable within five years	88.5	127.0
Other borrowing costs	35.8	31.6
	506.7	707.0
Less: Amount capitalised	(187.7)	(239.3)
	319.0	467.7

WHEELOCK AND COMPANY LIMITED

Interim Report 2001/02

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 16% (2000 – 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:

	30/9/2001 HK\$ Million	30/9/2000 HK\$ Million
Company and subsidiaries		
Hong Kong profits tax for the period	5.5	6.2
Overseas taxation for the period	775.9	5.6
Deferred taxation	(598.8)	33.8
	182.6	45.6
Associates		
Hong Kong profits tax for the period	71.9	59.2
Overseas taxation for the period	6.4	3.3
Deferred taxation	(4.5)	(4.7)
	73.8	57.8
	256.4	103.4

7) Earnings per share

The calculation of basic earnings per share is based on earnings for the period of HK\$460.8 million (2000 – HK\$460.5 million) and on the weighted average of 2,031.1 million (2000 – 2,030.8 million) ordinary shares in issue during the period. For the period under review and the preceding comparative period, there is no difference between the basic and diluted earnings per share.

8) Debtors and prepayments

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

Included in debtors and prepayments are trade debtors with an ageing analysis as at 30 September 2001 as follows:

	30/9/2001 HK\$ Million	31/3/2001 HK\$ Million
Current	40.9	58.7
31-60 days	6.0	5.8
61-90 days	2.5	5.0
Over 90 days	7.1	8.2
	56.5	77.7

WHEELOCK AND COMPANY LIMITED

Interim Report 2001/02

9) Creditors and accruals

Included in creditors and accruals are trade creditors with an ageing analysis as at 30 September 2001 as follows:

	30/9/2001 HK\$ Million	31/3/2001 HK\$ Million
Amounts payable in the next:		
0-30 days	453.0	387.6
31-60 days	132.4	152.3
61-90 days	15.6	29.5
Over 90 days	227.6	134.1
	828.6	703.5

10) Share capital

	30/9/2001 No. of shares Million	31/3/2001 No. of shares Million	30/9/2001 HK\$ Million	31/3/2001 HK\$ Million
Issued and fully paid				
Balance at 1 April	2,030.9	2,030.8	1,015.4	1,015.4
Exercise of share options granted under the Executive Share Incentive Scheme	0.5	0.1	0.3	–
Balance at 30 September/31 March	2,031.4	2,030.9	1,015.7	1,015.4

As at 30 September 2001, options to subscribe for 0.5 million ordinary shares of the Company at prices ranging from HK\$5.50 to HK\$10.60 per share granted to a number of executives under the Company's Executive Share Incentive Scheme were unexercised. These options are exercisable between 13 April 1995 and 29 September 2003 subject to the terms of the grants.

During the period, options were exercised to subscribe for 0.5 million shares of HK\$0.50 each at considerations of HK\$5.20 and HK\$5.50 per share.

11) Contingent liabilities

- (a) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$612.9 million (31/3/2001 – HK\$595.3 million) of which HK\$322.2 million (31/3/2001 – HK\$322.4 million) has been drawn.
- (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 Sorrento (Kowloon Station Package II).

WHEELOCK AND COMPANY LIMITED

Interim Report 2001/02

12) Commitments

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

	30/9/2001 HK\$ Million	31/3/2001 HK\$ Million
Contracted but not provided for	3,817.2	4,379.5

(b) Capital commitments in respect of investments in China projects

	30/9/2001 HK\$ Million	31/3/2001 HK\$ Million
Contracted but not provided for	501.9	1,504.6

(c) Forward exchange contracts

	30/9/2001 HK\$ Million	31/3/2001 HK\$ Million
Forward exchange contracts outstanding	767.5	798.2

13) 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 2001.

(a) Loans and advances in the amount of HK\$4,423.3 million (31/3/2001 – HK\$4,750.8 million) were made from certain associates for Bellagio and Sorrento.

(b) As disclosed in note 11(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 Sorrento.

14) Comparative figures

Certain comparative figures have been adjusted as a result of changes in accounting policies for goodwill/negative goodwill, planned maintenance, proposed dividend and segment reporting in order to comply with SSAPs 30, 28, 9 and 26 respectively, details of which are set out in note 1.

15) Review of unaudited Interim Accounts

The unaudited interim accounts for the six months ended 30 September 2001 have been reviewed by the audit committee of the Company.