

- Unaudited Group profit of HK\$460.8 million, an increase of 0.1% over last year.
- With a well-diversified business portfolio, the Group demonstrated the resilient nature of its operations.
- Wharf's core office portfolio over 90% occupied, with retail at over 98% and serviced apartments over 85%. Tower 6 of Gateway II under active leasing.
- Sorrento (Phase I), the MTRC Kowloon Station Package Two development on Union Square, launched with favourable response.
- Pre-sale for two other developments – Bellagio and Palm Cove – targeted for first half of 2002.
- i-CABLE's strong earnings momentum continuing on the back of strong turnover growth.
- Modern Terminals' throughput growth outperformed industry average.
- Group well-positioned to benefit from China's entry into the WTO.

## GROUP RESULTS

The unaudited Group profit attributable to Shareholders for the six months ended 30 September 2001 amounted to HK\$460.8 million, compared to HK\$460.5 million achieved in the same period last year. Earnings per share were 22.7 cents (2000 – 22.7 cents).

## INTERIM DIVIDEND

The Board has declared an interim dividend in respect of the half-year period ended 30 September 2001 of 2.5 cents (2000 – 2.5 cents) per share, payable on Thursday, 31 January 2002 to Shareholders on record as at 11 January 2002.

## BUSINESS REVIEW

With a well-diversified portfolio of businesses in the areas of property development, property investment, quality retail, CME (communications, media and entertainment) and logistics, most of which have a substantial recurrent earnings base, the Wheelock Group has explicitly demonstrated the resilient character of its operations under the prevailing volatile market conditions.

Rising sales transactions for primary residential units recorded recently in Hong Kong are indicative signs of interest rate cuts taking effect after

a total of more than 4% drop in the average mortgage rate this year. Together with the Government's shift towards a much more pro-market stance, Hong Kong's residential property market now appears to be stabilized.

On the macro front, most western countries have come closer together to work on possible solutions or precautionary actions in arresting any further world-wide recessionary slump, as a result of the "911" tragedy in the United States. Moreover, this particular incident has also prompted central banks around the world to relax their monetary policy further. Given that the long-term fundamentals of Hong Kong have not changed, being strategically located at the doorstep of China which is widely anticipated to be the market with the highest growth potential in the coming decade, economic activities here will pick up at some stage following the conclusion of the WTO deal.

## *PROPERTY*

During the period under review, the Group continued its sales of various property projects, including mainly The Primrose, The Astrid, Forest Hill and My Loft.

Bellagio, the Sham Tseng site, is a joint venture development equally owned by the Company, New Asia Realty and Wharf. The lease modification for the enlarged CDA site has recently been finalized with the Government. Construction works for all four phases have been progressing according to schedule. Pre-sale for initial phases covering 1,704 units is targeted to take place during the first half of 2002. Completion of these phases of the development is scheduled for 2003.

Sorrento, the MTRC Kowloon Station Package Two development, is equally owned by a five-member consortium comprising the Company, New Asia Realty, Realty Development

Corporation, and two Wharf group's companies. The initial batch out of the total 1,272 units under Phase I has just been launched with extremely favourable response. Construction works have been progressing according to schedule. Completion of Phase I is expected by the end of 2002.

The residential development on Castle Peak Road known as Palm Cove will have a total of 228,000 square feet in GFA providing 260 units. Superstructure works are in progress and pre-sale is targeted to take place in the first half of 2002.

The King's Park development is owned by a five-member consortium comprising Realty Development Corporation, New World Development, Sino Land, Chinese Estates and Manhattan Garments. This residential site located in Homantin will be developed into eight towers consisting of 700 units with a total GFA of

904,200 square feet. Demolition works have completed and the tendering for foundation works is now in progress.

In Singapore, the physical hand-over of units to purchasers marked the successful completion of the Ardmore Park project undertaken by Marco Polo Developments Limited, a subsidiary of the Company. Following the grant of the Temporary Occupation Permit in May 2001, the Certificate of Statutory Completion was also obtained on 18 October 2001. To-date stage billings representing 98 per cent of the total sale price of all units sold have been billed and 85 per cent of those have been collected.

The average occupancy of Ardmore View is currently 96 per cent with duration of leases ranging from 12 to 24 months. Provisional planning permission for the redevelopment of this property to 110,200 square feet GFA was obtained in February 2000.

This redevelopment will proceed when market conditions improve in Singapore.

The office tower as well as podium levels 3, 4 and 5 of the Wheelock Place in Singapore are currently 93 per cent let to quality multinational tenants.

The former Marco Polo Hotel Singapore site is now being redeveloped into a freehold, luxury high-rise condominium complex with 467,600 square feet in GFA, known as "Grange Residences". Foundation works have now completed and other construction works have been progressing according to schedule. Completion is expected by the second half of 2003.

## ***RETAIL***

In the first half of this financial year, the weak economy and consumer sentiments had put pressure on the Group's retail business. In spite of the positive turnover growth, the need to

offer deeper discounts to stimulate sales has caused Lane Crawford to suffer a decline in operating margin. To restore the position, tighter cost control and merchandizing control programmes have been implemented.

The fourth On Pedder boutique in Hong Kong opened in April 2001 has achieved a satisfactory result. The company will continue to focus on maintaining and extending this brand across the region.

Joyce Boutique's turnover showed a significant drop during the period under review due mainly to the closure of four Armani Shops in January 2001. Sluggish sales and deeper promotional discounts were again the main reasons for a narrowing profit margin. The company's cost rationalization exercise continued.

In terms of expansionary movements, Joyce at Pacific Place was closed for

renovation in August and re-opened a month later with its retail area doubled and a Joyce Beauty outlet appended. One Hugo shop was added in Causeway Bay and two Boss concession counters were also opened in Times Square Lane Crawford and Central Lane Crawford.

## **WHARF**

The Group's principal associate Wharf Holdings recorded an unaudited profit of HK\$1,145 million for the half-year period ended 30 June 2001. Driven by stable recurrent earnings and value creation opportunities originating from its flagship investment property at Kowloon Point, Wharf has successfully built up significant presence in all three core business areas of property, CME and logistics.

Bucking the trend of the lacklustre market conditions, the occupancy rate of Harbour City office excluding Tower 6 of Gateway II had improved steadily to over 90 per cent in the first six

months of this year. By securing high quality tenants such as Japan Airlines, Singapore Telecom and GlaxoSmithKline at the newly launched Tower 6, Harbour City office has explicitly demonstrated its exceptional ability in attracting multinationals in addition to trading houses. Apart from the office portion, other segments also did fairly well. Persistently high average occupancy at 98 per cent has shown that shops in Harbour City are under keen demand. With its outstanding quality and services, Gateway Apartments achieved an occupancy rate of 85 per cent at the end of June. Extensive studies are being carried out for Ocean Terminal's renovation plan as well as the building plan for the approved Ferris wheel.

Being a widely accepted successful case in the Hong Kong retail property sector, Times Square continues its role as the centre of gravity for both business and leisure activities within the district

of Causeway Bay. During the first six months, Times Square office maintained a 92 per cent occupancy while the retail portion remained virtually full at more than 98 per cent.

Nelson Court on Waterloo Road was launched during early 2001. The pre-sale was extremely well received to an extent that majority of the units were sold within hours. Following the successful completion of various development projects including Galaxia, Serenade Cove and Nelson Court which totalled 1.1 million square feet, Wharf made a move in July to buy over Wheelock's 15.6 per cent interest in the Yau Tong Consortium in order to replenish its land reserve.

Despite a slow-down in the global economy as well as intense competition during the first six months, the three Marco Polo Hotels in Hong Kong managed to maintain an overall occupancy of over 84 per cent.

After achieving a net profit of HK\$20 million in year 2000, i-CABLE's strong earnings momentum was carried forward into this year. The company reported HK\$76.5 million in net earnings for the six months ended June 2001 on the back of strong turnover growth, especially from its Internet and Multimedia business, and operating leverage.

Despite the adverse economic conditions and rampant piracy, Pay TV subscribers grew by 11 per cent from a year ago to 537,000. As piracy proved to be the root cause of the rising churn since the beginning of this year, the company has placed this issue under top priority and initiated various anti-piracy measures to tackle the problem head-on.

By doubling its Broadband subscribers to over 100,000 in the first six months of this year, the company's share of the residential Broadband market improved

from 25 per cent to 33 per cent. PCCW-HKT and the company are now widely accepted to be the two clear leaders in this particular business segment.

During the first six months of this year, Wharf New T&T continued its rapid and successful transformation into a high-value fixed-line business. While installed fixed-lines increased from 140,000 to over 180,000 in six months, revenues generated by this segment almost doubled to HK\$260 million, representing 56 per cent of the total revenue.

By securing contracts to build a new IP-based wide area network for the Central Clearing and Settlement System ("CCASS") under the HKSCC and a high performance community network for the Securities and Futures Commission, Wharf New T&T's high recognition given by the business community in Hong Kong, especially

the finance sector, was explicitly illustrated. In order to further enhance the company's profile, it has recently been renamed as Wharf New T&T from its former name of New T&T.

Modern Terminals handled altogether 1.53 million TEUs during the first half of this year. This figure represents a growth of 13 per cent over the same period last year and compares favourably with the industry average.

Despite some initial delays, the Container Terminal 9 development is now progressing satisfactorily. Additional investments are being made in capacity enhancement to accommodate an additional 400,000 TEUs in existing terminals to cope with the rising

throughput volumes before CT9 comes on stream in the second half of 2003.

Modern Terminals' involvement in the construction of container terminal business in Southern China continues to gain momentum. The investment in Kaifeng Container Terminals is now contributing positively. While continuing to manage the Shekou Container Terminal 1 operation, the construction of Shekou Container Terminal 2 has begun.

## OUTLOOK

A combination of the downward trend of global interest rates, together with the local banking deregulation process, Hong Kong interest rates are at an all time low. Most property end-users

would find it much more affordable to buy than to rent, and investors would attempt to look for better alternative investments than bank deposits at extreme low yield. With its sizeable landbank, mainly represented by its 74 per cent effective interest in Bellagio, 61 per cent effective interest in Sorrento and 11 per cent effective interest in the King's Park Homantin project, the Group is well-placed to take advantage of the gradual recovery of the economy once more positive factors have returned to restore the confidence of consumers and investors.

It is anticipated that the current weak office and retail rental markets in Singapore will take some time to turn

around. Occupancy in Orchard Road has however been firmly supported by the relatively tight supply situation in that area. This would benefit the Group's investment property, Wheelock Place, with its strategic location along Orchard Road.

The Group is well-positioned to benefit from China's entry into the WTO. While rising business and trading activities between the Greater China region and the rest of the world will definitely have positive impacts on office demand and throughput cargo flow in Hong Kong, the China domestic market will offer great opportunities for all the three core businesses under the group in terms of long term future growth.

## Consolidated Profit and Loss Account

for the six months ended 30 September 2001

	Note	Unaudited 30/9/2001 HK\$ Million	Unaudited 30/9/2000 HK\$ Million
Turnover	2	<b>3,316.9</b>	1,432.9
Other net income	3	<b>54.3</b>	221.0
		<b>3,371.2</b>	1,653.9
Direct costs and operating expenses		<b>(2,162.5)</b>	(745.4)
Selling and marketing expenses		<b>(227.5)</b>	(231.3)
Administrative expenses		<b>(148.3)</b>	(107.9)
Provision for impairment in value of properties		<b>(273.8)</b>	(48.7)
Operating profit	2&4	<b>559.1</b>	520.6
Borrowing costs	5	<b>(319.0)</b>	(467.7)
Share of profits less losses of associates	2	<b>659.4</b>	627.4
Profit before taxation		<b>899.5</b>	680.3
Taxation	6	<b>(256.4)</b>	(103.4)
Profit after taxation		<b>643.1</b>	576.9
Minority interests		<b>(182.3)</b>	(116.4)
<b>Group profit attributable to shareholders</b>		<b>460.8</b>	460.5
Proposed interim dividend		<b>50.8</b>	50.8
<b>Earnings per share</b>	7	<b>22.7 cents</b>	22.7 cents
<b>Proposed interim dividend per share</b>		<b>2.5 cents</b>	2.5 cents

## Condensed Consolidated Statement of Recognised Gains and Losses

for the six months ended 30 September 2001

	<b>Unaudited 30/9/2001 HK\$ Million</b>	Unaudited 30/9/2000 HK\$ Million
Group profit attributable to shareholders	<b>460.8</b>	460.5
Net losses not recognised in profit and loss account	<b>(612.2)</b>	(427.2)
Reserves transferred to profit and loss account on disposal of non-trading securities by:		
Company and subsidiaries	–	(132.3)
Associates	<b>47.4</b>	(126.1)
Goodwill transferred to profit and loss account on disposal of an associate by associates	<b>144.2</b>	–
Total recognised gains/(losses)	<b>40.2</b>	(225.1)
Reserves arising on consolidation	–	51.7
	<b>40.2</b>	(173.4)

## Consolidated Balance Sheet

at 30 September 2001

	Note	Unaudited 30/9/2001 HK\$ Million	(Restated) Audited 31/3/2001 HK\$ Million
<b>Non-current assets</b>			
Fixed assets		5,182.3	5,351.5
Associates		25,076.3	24,733.4
Long-term investments		3,542.6	3,335.5
Deferred debtors		56.8	57.4
		<b>33,858.0</b>	33,477.8
<b>Current assets</b>			
Properties under development		16,928.9	22,322.9
Properties held for sale		449.9	615.8
Inventories		386.9	350.0
Debtors and prepayments	8	341.6	410.9
Bank balances and deposits		2,977.8	1,299.1
		<b>21,085.1</b>	24,998.7
<b>Current liabilities</b>			
Short-term loans and overdrafts		5,956.9	4,564.7
Creditors and accruals	9	1,342.5	1,229.2
Deposits from sale of properties		-	4,503.8
Taxation		813.2	32.9
		<b>8,112.6</b>	10,330.6
<b>Net current assets</b>			
		<b>12,972.5</b>	14,668.1
<b>Total assets less current liabilities</b>			
		<b>46,830.5</b>	48,145.9
<b>Financed by:</b>			
<b>Shareholders' funds</b>			
Share capital	10	1,015.7	1,015.4
Reserves		27,295.5	27,303.8
Proposed dividend		50.8	101.5
		<b>28,362.0</b>	28,420.7
<b>Minority interests</b>			
		<b>6,048.9</b>	6,116.6
<b>Non-current liabilities</b>			
Long-term bank loans		11,774.8	12,398.9
Deferred taxation		209.8	790.8
Deferred profits		435.0	418.9
		<b>12,419.6</b>	13,608.6
		<b>46,830.5</b>	48,145.9

## **Condensed Consolidated Cash Flow Statement**

for the six months ended 30 September 2001

	<b>Unaudited 30/9/2001 HK\$ Million</b>	Unaudited 30/9/2000 HK\$ Million
Net cash inflow/(outflow) from operating activities	<b>1,278.4</b>	(233.2)
Net cash inflow/(outflow) from returns on investments and servicing of finance	<b>83.9</b>	(63.3)
Net tax (paid)/refunded	<b>(1.9)</b>	54.6
Net cash outflow from investing activities	<b>(449.7)</b>	(215.0)
Net cash inflow/(outflow) from financing	<b>799.7</b>	(7.5)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,710.4</b>	(464.4)
Cash and cash equivalents at 1 April	<b>1,039.7</b>	250.3
Effect of foreign exchange rate changes	<b>19.2</b>	(19.3)
<b>Cash and cash equivalents at 30 September</b>	<b>2,769.3</b>	(233.4)
<b>Analysis of the balances of cash and cash equivalents at 30 September</b>		
Bank balances and deposits maturing within three months	<b>2,977.8</b>	837.5
Bank loans and overdrafts due within three months	<b>(208.5)</b>	(1,070.9)
	<b>2,769.3</b>	(233.4)

## 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.

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

### (b) Share of results of associates

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

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## 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

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## 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:

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

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

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## 9) Creditors and accruals

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

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

## 10) Share capital

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

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## 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.

## Commentary on Interim Accounts

### (I) Review of 2001/02 Interim Results

Group profit attributable to Shareholders for the six months ended 30 September 2001 amounted HK\$460.8 million, compared to HK\$460.5 million for the last corresponding period. Earnings per share were 22.7 cents.

The Group's turnover for the period under review was HK\$3,316.9 million, an increase of HK\$1,884.0 million or 131.5% as compared to HK\$1,432.9 million in last corresponding period, which was principally due to higher property sales revenue recognised by Marco Polo Developments group ("MPDL") in respect of its sales of Ardmore Park units in Singapore. Revenue from the retailing segment also increased by 23.5% to HK\$929.3 million as a result of the inclusion of the turnover of Joyce Boutique Holdings Limited ("Joyce"), which was acquired by the Group in mid-August 2000.

The Group's operating profit before borrowing costs increased by 7.4% to HK\$559.1 million from HK\$520.6 million as a result of higher contribution being derived from MPDL for the period under review. MPDL's profit was mainly derived from recognition of a proportion of pre-sale profit from Ardmore Park of which 25% was recognised in the period against 4.4% for the previous corresponding period. The Temporary Occupation Permit for the whole development of Ardmore Park was obtained in May 2001 and stage billings accumulating to 85% of the total sales price of total units sold have been received by end of the period under review. The Certificate of Statutory Completion was obtained on 18 October 2001 and further stage billings representing 13% of the total sales price were then billed according to the sale and purchase agreements.

The results for the period were adversely impacted by losses incurred by the retailing and trading segment and provision for properties. For the period under review, the retail market in Hong Kong and Taiwan remained sluggish and low buying sentiment impacted the fashion retail sector very much, which contributed to a total retail operating loss for the Group of HK\$52.6 million mainly incurred by Lane Crawford and Joyce. Included in the operating profit is impairment provision of HK\$273.8 million for certain Singapore properties against that made in the last corresponding period of HK\$48.7 million mainly for an industrial/office development project in Hong Kong.

For the period under review, other net income was HK\$54.3 million, decreased by HK\$166.7 million from HK\$221.0 million, which was due to the absence of profit from disposal of securities whereas there was profit of HK\$182.2 million in the last corresponding period.

Borrowing costs charged to profit and loss account for the period were HK\$319.0 million, reduced substantially from HK\$467.7 million incurred in the last corresponding period as a result of the interest rate cuts.

The share of profits of associates was HK\$659.4 million, mainly contributed by the Wharf group, increased slightly by HK\$32.0 million from HK\$627.4 million for the last corresponding period. Wharf reported a profit attributable to shareholders of HK\$1,145.0 million for its six-month period ended 30 June 2001, compared to HK\$1,128.0 million achieved in the last corresponding period.

Taxation charge for the period under review was HK\$256.4 million against HK\$103.4 million in the last corresponding period. Higher taxation charge was recorded mainly due to the increase in profit recognised by MPDL in Singapore.

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The profits shared by minority interests for the period under review was HK\$182.3 million, an increase of 56.6% from the HK\$116.4 million in the previous corresponding period. The increase was mainly due to an improved profit reported by MPDL.

The consolidated net asset value of the Group at 30 September 2001 was HK\$28,362.0 million or HK\$13.96 per share compared to HK\$13.99 per share at 31 March 2001.

Further information on the segmental details is provided in note 2 to the Accounts.

## (II) Liquidity and Financial Resources

(a) At 30 September 2001, the ratio of the Group's net debt to total assets was 28.4%, compared to 27.4% at 31 March 2001. The Group's net debt amounted to HK\$14,753.9 million, made up of HK\$17,731.7 million in debts and HK\$2,977.8 million in deposits and cash, a decrease of 5.8% as compared with HK\$15,664.5 million at 31 March 2001. The decrease in the Group's net debts resulted from the substantial cash inflows from property sales, particularly, from sales of Ardmore Park units by MPDL.

The debt maturity profile of the Group at 30 September 2001 is analysed as follows:

	<b>30/9/2001</b> <b>HK\$ Million</b>	31/3/2001 HK\$ Million
Repayable within 1 year	<b>5,956.9</b>	4,564.7
Repayable after 1 year, but within 2 years	<b>4,348.8</b>	7,580.9
Repayable after 2 years, but within 5 years	<b>7,426.0</b>	4,818.0
	<b>17,731.7</b>	16,963.6

(b) The following assets of the Group have been pledged for securing bank loan facilities:

	<b>30/9/2001</b> <b>HK\$ Million</b>	31/3/2001 HK\$ Million
Investment properties	<b>3,021.4</b>	3,859.6
Long-term investments	<b>827.7</b>	363.2
Properties under development	<b>6,934.3</b>	6,009.7
	<b>10,783.4</b>	10,232.5

(c) To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars except that the borrowings for financing Singapore assets are denominated in Singapore dollars. The Group has no significant exposure to foreign exchange fluctuations.

(d) At 30 September 2001, the Group maintained a portfolio of long-term listed investments with market value of HK\$3,531.3 million (31/3/2001 – HK\$3,324.0 million) which primarily comprises blue chip securities.

(e) During the period under review, high liquidity was sustained in the banking market. The Group arranged a total of approximately HK\$7.0 billion loan facilities, to refinance its loan facilities with substantial reduction in interest costs and on more favourable terms such as longer maturities, more lenient covenants and inclusion of revolving condition. Subsequent to 30 September 2001, Salisbury Company Limited, a non wholly-owned subsidiary, also completed a project finance facility of HK\$3.8 billion for the development of Bellagio at Sham Tseng.

### **(III) Employees**

The Group had approximately 2,300 employees as at 30 September 2001. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. The Group also sponsors external training programmes that are complementary to certain job functions. Total staff costs for the six months ended 30 September 2001 was HK\$231.4 million.

## **Compliance with Code of Best Practice**

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, at any time during the six months ended 30 September 2001.

## **Directors' Interests in Shares**

As at 30 September 2001, Directors of the Company had the following beneficial interests in the share capitals of the Company, of an associated company of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), and of a subsidiary of the Company, namely, New Asia Realty and Trust Company, Limited ("New Asia"):

	<b>No. of Ordinary Shares</b>	<b>Nature of Interest</b>
<b>The Company</b>		
Mr. B. M. Chang	8,629,575	Corporate Interest (See Note below)
Mr. J. T. Hung	10,000	Personal Interest
Mr. G. W. J. Li	1,486,491	Personal Interest
Mr. S. T. H. Ng	300,000	Personal Interest
Mr. T. Y. Ng	70,000	Personal Interest
Mr. H. S. S. Wong	130,000	Personal Interest
<b>Wharf</b>		
Sir S. Y. Chung	348,238	Personal Interest in 189,427 shares and Corporate Interest in 158,811 shares (See Note below)
Mr. G. W. J. Li	686,549	Personal Interest
Mr. S. T. H. Ng	430,057	Personal Interest
Mr. T. Y. Ng	128,016	Personal Interest
<b>New Asia</b>		
Sir S. Y. Chung	94,710	Family Interest
Mr. G. W. J. Li	2,900	Personal Interest

Note: The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporations at respective general meetings of which the relevant Directors were respectively entitled to either exercise (or taken under the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

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As at 30 September 2001, Directors of the Company had the following personal interests in options to subscribe for ordinary shares of the Company granted under the Executive Share Incentive Scheme of the Company:

Name of Directors	Number of ordinary shares	Date granted	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options	Consideration paid for the options granted
Mr. J. T. Hung	100,000	7 Oct. 1993	30/9/1997 to 29/9/2003	HK\$10.60	HK\$1
Mr. H. S. S. Wong	100,000	14 Apr. 1992	13/4/1997 to 12/4/2002	HK\$5.50	HK\$1

Save as disclosed above, as recorded in the register kept by the Company under section 29 of the SDI Ordinance in respect of information required to be notified to the Company and the Stock Exchange pursuant to that Ordinance or the Model Code for Security Transactions by Directors of Listed Companies:

- (i) there were no interests held as at 30 September 2001 by any Directors and Chief Executive of the Company in securities of the Company and its associated corporations (within the meaning of the SDI Ordinance), and
- (ii) during the financial period, there existed no rights to subscribe for equity or debt securities of the Company which were held by any Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises of any such rights by any of them.

## Substantial Shareholders' Interests

As at 30 September 2001, Bermuda Trust (Guernsey) Limited was taken under the SDI Ordinance to be interested in 1,241,458,820 shares of the Company, representing 61.11 per cent of its entire issued share capital as at that date. Apart from this, no interest in 10 per cent or more of the nominal value of any class of share capital of the Company was held (or taken under the SDI Ordinance to be held) by any person as at 30 September 2001 according to the record in the register kept by the Company under section 16(1) of the SDI Ordinance.

## Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the financial period under review.

## Book Closure

The Register of Members of the Company will be closed from Tuesday, 8 January 2002 to Friday, 11 January 2002, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, not later than 4:00 p.m. on Monday, 7 January 2002.

By Order of the Board  
**Wilson W. S. Chan**  
Secretary

Hong Kong, 29 November 2001