

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 2002 except for the changes in accounting policies as described below.

(a) SSAP 1 (Revised) “Presentation of financial statements”

The consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

(b) SSAP 11 (Revised) “Foreign currency translation”

The profit and loss accounts of foreign enterprises are translated into Hong Kong dollars at the weighted average exchange rates during the period. This is a change in accounting policy from prior years where these were translated at the exchange rates ruling at the balance sheet date. The effect of such change is not material to the accounts.

(c) SSAP 15 (Revised) “Cash flow statements”

A revised classification of activities from which cash flows are derived has been made.

With effect from 1 April 2002, with the introduction of the revised SSAP 15 “Cash flow statements”, the Group defines cash and cash equivalents as cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which were within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. The accounting policy has been adopted retrospectively. In adjusting prior year’s figures, cash and cash equivalents as at 1 April 2002 was restated and increased by HK\$214.6 million (1 April 2001: HK\$259.4 million). In addition, certain presentational changes have been made on adoption of SSAP 15.

2. Segment Information

(a) Business segments

	Segment Revenue		Segment Results	
	30/9/2002 HK\$ Million	30/9/2001 HK\$ Million	30/9/2002 HK\$ Million	30/9/2001 HK\$ Million
Property development	2,116.8	2,096.2	244.9	718.8
Property investment	174.9	168.1	128.9	115.4
Retail and distribution	952.7	929.3	(10.7)	(52.6)
Investment and others	139.4	173.8	(122.9)	66.2
	3,383.8	3,367.4	240.2	847.8
Inter-segment revenue (Note (i))	(51.7)	(50.5)	-	-
	3,332.1	3,316.9	240.2	847.8
Unallocated expenses			(13.4)	(14.9)
Operating profit before property provision			226.8	832.9
Provision for impairment in value of properties				
– property development			(550.3)	(162.5)
– property investment			(205.8)	(111.3)
Operating (loss)/profit			(529.3)	559.1
Borrowing costs			(148.9)	(319.0)
Share of results of associates (Note (ii))			841.3	659.4
Profit before taxation			163.1	899.5

Notes:

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

	Segment Revenue	
	30/9/2002 HK\$ Million	30/9/2001 HK\$ Million
Property investment	27.9	25.7
Investment and others	23.8	24.8
	51.7	50.5

(ii) Share of results of associates

	Segment Results	
	30/9/2002 HK\$ Million	30/9/2001 HK\$ Million (Restated)
Property investment	802.9	739.4
Communications, media and entertainment	101.3	48.4
Pay television	76.9	92.4
Internet and multimedia	15.4	(25.5)
Telecommunications	1.5	(22.0)
Others	7.5	3.5
Logistics	392.4	404.2
Terminals	354.0	383.7
Other logistics business	38.4	20.5
Property development	(101.7)	4.5
Investment and others	58.9	43.5
Unallocated expenses and other items	(221.2)	(264.8)
Borrowing costs	(191.3)	(315.8)
	841.3	659.4

(b) Geographical segments

	Segment Revenue		Segment Results	
	30/9/2002 HK\$ Million	30/9/2001 HK\$ Million	30/9/2002 HK\$ Million	30/9/2001 HK\$ Million
Hong Kong	2,556.1	1,254.5	(24.8)	97.2
Singapore	739.6	2,010.0	253.0	727.2
Others	36.4	52.4	(1.4)	8.5
	3,332.1	3,316.9	226.8	832.9
Provision for impairment in value of properties			(756.1)	(273.8)
Operating (loss)/profit			(529.3)	559.1

3. Turnover and Operating (Loss)/Profit

(a) Turnover

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

	30/9/2002 HK\$ Million	30/9/2001 HK\$ Million
Property development	2,116.8	2,096.2
Property investment	147.0	142.4
Retail and distribution	952.7	929.3
Investment and others	115.6	149.0
	3,332.1	3,316.9

(b) Operating (loss)/profit

	30/9/2002 HK\$ Million	30/9/2001 HK\$ Million
Operating (loss)/profit is arrived at after charging:		
Cost of properties sold	1,806.7	1,402.6
Cost of inventories sold	551.4	551.9
Depreciation	34.7	34.9
and after crediting:		
Dividend income from listed investments	32.6	56.7

4. Other Net (Loss)/Income

	30/9/2002 HK\$ Million	30/9/2001 HK\$ Million
Net loss on disposal of non-trading securities	(94.9)	(16.6)
Provision for non-trading securities	(96.2)	–
Deferred profits realised	22.1	47.8
Others	10.3	23.1
	(158.7)	54.3

5. Provision for Impairment in Value of Properties

In view of the depressed property market and following an internal review, the Group has made a total provision of HK\$756.1 million for the impairment in value of certain Group's properties and the Group's land bank reserved for development in Hong Kong. Included in the provision are mainly HK\$434.5 million made by Realty Development Corporation group, HK\$250.0 million made for Bellagio project plus some provisions for the Group's investment properties. The provision for the corresponding period last year was made for certain Singapore properties held by Marco Polo Developments group.

6. Borrowings Costs

	30/9/2002 HK\$ Million	30/9/2001 HK\$ Million
Interest payable on		
Bank loans and overdrafts	178.4	382.4
Other loans repayable within 5 years	31.3	88.5
Other borrowing costs	22.8	35.8
	232.5	506.7
Less: Amount capitalised	(83.6)	(187.7)
	148.9	319.0

The Group's average borrowing interest rate for the six-month period was 2.4% (2001: 4.6%) per annum.

7. 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% (2001: 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:

	30/9/2002 HK\$ Million	30/9/2001 HK\$ Million
Company and subsidiaries		
Hong Kong profits tax for the period	7.7	5.5
Overseas taxation for the period	113.9	775.9
Overprovisions in prior years	(94.3)	–
Deferred taxation	(40.0)	(598.8)
	(12.7)	182.6
Associates		
Hong Kong profits tax for the period	91.6	71.9
Overseas taxation for the period	10.4	6.4
Underprovisions in prior years	23.5	–
Deferred taxation	(3.5)	(4.5)
	122.0	73.8
	109.3	256.4

Overprovisions represent the write-back of tax provisions made in prior years in respect of the Ardmore Park project in Singapore resulting from the reduction of Singapore income tax rate from 24.5% to 22% for the year of assessment 2003.

8. Dividends

(a) Dividends attributable to the period

	30/9/2002 HK\$ Million	30/9/2001 HK\$ Million
Interim dividend proposed after the balance sheet date of 2.5 cents (2001: 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

	30/9/2002 HK\$ Million	30/9/2001 HK\$ Million
Final dividend in respect of the previous financial year, approved and paid during the period, of 5.0 cents (2001: 5.0 cents) per share	101.6	101.5

9. Earnings Per Share

The calculation of basic earnings per share is based on earnings for the period of HK\$158.3 million (2001: HK\$460.8 million) and on the weighted average of 2,031.8 million (2001: 2,031.1 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.

10. 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 with banks in the amount of HK\$885.8 million (31/3/2002: HK\$1,153.1 million) in respect of pre-sale of properties and trade debtors of HK\$126.0 million (31/3/2002: HK\$90.3 million). The ageing analysis of the Group's trade debtors as at 30 September 2002 is as follows:

	30/9/2002 HK\$ Million	31/3/2002 HK\$ Million
Current	116.3	73.0
31 – 60 days	3.9	6.3
61 – 90 days	2.9	5.3
Over 90 days	2.9	5.7
	126.0	90.3

11. Trade and Other Payables

Included in trade and other payables are trade creditors with an ageing analysis as at 30 September 2002 as follows:

	30/9/2002 HK\$ Million	31/3/2002 HK\$ Million
Amounts payable in the next:		
0 – 30 days	485.6	501.1
31 – 60 days	220.2	146.8
61 – 90 days	117.4	24.7
Over 90 days	361.3	255.4
	1,184.5	928.0

12. Share Capital

	30/9/2002 No. of shares Million	31/3/2002 No. of shares Million	30/9/2002 HK\$ Million	31/3/2002 HK\$ Million
Authorised				
Ordinary shares of HK\$0.50 each	2,800.0	2,800.0	1,400.0	1,400.0
Issued and fully paid				
Balance at 1 April	2,031.7	2,030.9	1,015.8	1,015.4
Exercise of share options granted under the Executive Share Incentive Scheme	0.1	0.8	0.1	0.4
Balance at 30 September/31 March	2,031.8	2,031.7	1,015.9	1,015.8

During the period under review, options were exercised to subscribe for 92,000 shares of HK\$0.50 each at considerations of HK\$5.50 per share.

13. 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
Company and subsidiaries							
Balance at 1 April 2002	1,913.1	19.5	1.9	(264.0)	134.1	8,111.0	9,915.6
Final dividend approved in respect of the previous year (<i>Note 8b</i>)	-	-	-	-	-	(101.6)	(101.6)
Premium on shares issued	0.5	-	-	-	-	-	0.5
Revaluation deficit	-	-	(1.9)	(202.5)	-	-	(204.4)
Impairment of other properties	-	-	-	-	(40.2)	-	(40.2)
Transferred to the profit and loss account on Disposal of non-trading securities	-	-	-	128.4	-	-	128.4
Impairment of non-trading securities	-	-	-	96.2	-	-	96.2
Exchange differences	-	-	-	-	95.1	-	95.1
Profit for the period retained	-	-	-	-	-	38.9	38.9
Balance at 30 September 2002	1,913.6	19.5	-	(241.9)	189.0	8,048.3	9,928.5
Associates							
Balance at 1 April 2002	-	-	12,602.8	51.9	(94.7)	2,993.7	15,553.7
Revaluation deficit	-	-	-	(114.0)	-	-	(114.0)
Transferred to the profit and loss account on Disposal of non-trading securities	-	-	-	1.4	-	-	1.4
Impairment of non-trading securities	-	-	-	2.4	-	-	2.4
Reclassification	-	-	(1.5)	-	1.5	-	-
Others	-	-	-	-	1.6	-	1.6
Profit for the period retained	-	-	-	-	-	119.4	119.4
Balance at 30 September 2002	-	-	12,601.3	(58.3)	(91.6)	3,113.1	15,564.5
Total reserves at 30 September 2002	1,913.6	19.5	12,601.3	(300.2)	97.4	11,161.4	25,493.0
Total reserves at 31 March 2002	1,913.1	19.5	12,604.7	(212.1)	39.4	11,104.7	25,469.3

14. Contingent Liabilities

At 30 September 2002

- (a) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$570.5 million (31/3/2002: HK\$601.4 million) of which HK\$328.5 million (31/3/2002: HK\$320.2 million) has 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.

15. Commitments

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

	30/9/2002 HK\$ Million	31/3/2002 HK\$ Million
Contracted but not provided for	1,661.3	3,566.1
Authorised but not contracted for	38.5	—

(b) Operating lease commitments

The Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30/9/2002 HK\$ Million	31/3/2002 HK\$ Million
Within 1 year	141.8	188.8
After 1 year but within 5 years	128.6	139.3
After 5 years	3.8	0.3
	274.2	328.4

(c) Forward exchange contracts

	30/9/2002 HK\$ Million	31/3/2002 HK\$ Million
Forward exchange contracts outstanding	1,907.3	2,069.8

16. 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 2002:

- (a) Included in interest in associates are loans advanced by certain associates to a non wholly-owned subsidiary involved in the Sorrento project of HK\$1,908.8 million (31/3/2002: HK\$1,803.9 million). The loan bears interest at rates as determined and mutually agreed by the shareholders of the Sorrento project with reference to prevailing market rates. Interest expenses in respect of loan from associates for the period ended 30 September 2002 amounted to HK\$31.3 million (2001: HK\$66.6 million). The loans are unsecured and have no fixed terms of repayment.
- (b) Included in interest in associates is an advance made by an associate to a non wholly-owned subsidiary involved in the Bellagio project of HK\$2,777.4 million (31/3/2002: HK\$2,653.5 million). The advance bears interest at such rate as may be from time to time agreed by the shareholders of the Bellagio project. At present, the advance is interest free, unsecured and has no fixed terms of repayment.
- (c) As disclosed in note 14(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.

17. Comparative Figures

Certain comparative figures have been adjusted as a result of changes in accounting policies for cash and cash equivalents in the condensed consolidated cash flow statement, and the consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity, in order to comply with SSAPs 15 (Revised) and 1 (Revised) respectively, details of which are set out in note 1 to the accounts. In addition, the presentation of certain comparative figures in the profit and loss account and segment reporting has been reclassified to conform to the current period's presentation.

18. Review of Unaudited Interim Accounts

The unaudited interim accounts for the six months ended 30 September 2002 have been reviewed by the audit committee of the Company.