

Notes to Condensed Consolidated Financial Statements

1. Accounting policies

These unaudited consolidated condensed interim accounts (“interim accounts”) are prepared in accordance with Statement of Standard Accounting Practice 2.125, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those adopted in the report and accounts for the year ended 31st December 2000, except for the recognition of proposed dividends.

Following the revised HKSSAP 9 “Events after the balance sheet date”, the Group no longer recognise dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively. As a result, the 2000 proposed final dividend amounting to HK\$23,013,574 previously recorded as current liability as at 31st December 2000 has been restated and shown under capital and reserves.

The comparative cash flow statement for the six months ended 30 June 2000 has not been prepared as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Notes to Condensed Consolidated Financial Statements (Continued)

2. Turnover

The principal activities of the Group are investment holding, property investment, property rental, property development and estate management and agency. An analysis of the Group's turnover and contribution to profit before taxation by principal activities and markets is as follows:

	Turnover		Contribution to profit before taxation	
	Six months ended		Six months ended	
	30th June		30th June	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong				
Property rental	61,562	64,934	43,545	46,370
Property sales	6,600	1,500	6,163	1,120
Property related services	4,683	4,766	2,076	2,250
Others	1,205	1,394	1,205	1,394
Less: Administrative and interest expenses			(24,697)	(27,286)
	74,050	72,594	28,292	23,848
North America				
Property rental	31,629	25,792	20,326	14,531
Property sales	—	62,400	—	46,597
Others	868	434	868	434
Less: Administrative and interest expenses			(9,635)	(8,434)
	32,497	88,626	11,559	53,128
Total	106,547	161,220	39,851	76,976

Note: Certain comparative figures have been reclassified to conform with the current period's presentation. The change relates to a more meaningful classification of turnover, cost of sales and administrative expenses.

Notes to Condensed Consolidated Financial Statements (Continued)

3. Operating profit

	Six months ended	
	30th June	
	2001	2000
	HK\$'000	HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Gross rental income from		
– investment properties	83,412	80,863
– other properties	9,779	9,863
Gain on disposal of investment property	6,163	1,120
Dividend from investment securities	648	619
Interest income	1,426	1,209
	—————	—————
Charging		
Outgoings in respect of		
– investment properties	14,422	15,349
– other properties	1,816	1,840
Cost of sale of land and buildings for resale	—	12,519
Depreciation	2,788	2,508
Operating lease rental for land and buildings	876	884
Staff costs	16,353	17,369
	—————	—————

4. Finance costs

	Six months ended	
	30th June	
	2001	2000
	HK\$'000	HK\$'000
Interest expenses		
– bank loans and overdrafts wholly repayable within five years	8,331	12,109
– bank loans not wholly repayable within five years	6,809	4,587
Other incidental borrowing costs	427	614
	—————	—————
	15,567	17,310
	—————	—————

Notes to Condensed Consolidated Financial Statements (Continued)

5. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the period. No overseas taxation has been provided, as there is no estimated taxable profit of the overseas subsidiaries for the period.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax	2,840	2,915
Overseas taxation	—	409
	2,840	3,324
	2,840	3,324

6. Dividends

	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
Interim, proposed, of HK 9 cents (2000: HK 10 cents) per ordinary share	25,890	28,767
Special dividend, proposed, of nil (2000: HK 5 cents) per ordinary share	—	14,383
	25,890	43,150
	25,890	43,150

7. Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of HK\$35,436,412 (2000: HK\$71,821,380) and on the weighted average number of 287,669,676 (2000: 287,669,676) ordinary shares in issue during the period.

No diluted earnings per share is presented for the six months ended 30th June 2001 and 2000 as there are no dilutive instruments outstanding during the period.

Notes to Condensed Consolidated Financial Statements (Continued)

8. Fixed assets

	Leasehold land and buildings in Hong Kong			Overseas freehold land and buildings	Other fixed assets HK\$'000	Total HK\$'000
	Investment properties HK\$'000	Properties under development HK\$'000	Other properties HK\$'000	Investment properties HK\$'000		
	Cost or valuation					
At 1st January 2001	1,671,050	204,630	95,067	524,160	54,260	2,549,167
Additions	—	239	—	2,436	5,768	8,443
Disposals	(6,000)	—	—	—	(5,052)	(11,052)
Revaluation deficit	—	—	—	(67,956)	—	(67,956)
	1,665,050	204,869	95,067	458,640	54,976	2,478,602
At 30th June 2001	1,665,050	204,869	95,067	458,640	54,976	2,478,602
Accumulated Depreciation						
At 1st January 2001	—	—	12,963	—	36,211	49,174
Charge for the period	—	—	1,133	—	1,655	2,788
Disposals	—	—	—	—	(3,707)	(3,707)
	—	—	14,096	—	34,159	48,255
At 30th June 2001	—	—	14,096	—	34,159	48,255
Net book value						
At 30th June 2001	1,665,050	204,869	80,971	458,640	20,817	2,430,347
At 31st December 2000	1,671,050	204,630	82,104	524,160	18,049	2,499,993

Notes to Condensed Consolidated Financial Statements (Continued)

8. Fixed Assets (Continued)

- (a) Certain of the Group's investment properties with an aggregate net book value of HK\$1,587,640,000 (at 31st December 2000: HK\$1,659,160,000) have been pledged to financial institutions to secure credit facilities of the Group totaling HK\$595,287,200 (at 31st December 2000: HK\$574,276,200) of which HK\$445,948,419 (at 31st December 2000: HK\$433,557,472) were utilised as at 30th June 2001.
- (b) The investment properties in Hong Kong of the Group were valued on an open market basis at 30th June 2001 and 31st December 2000 by AA Property Services Limited, an independent professional property valuer.
- (c) The Group's overseas investment properties were valued on an open market basis at 30th June 2001 and 31st December 2000 by Mr. David K Bohegian, Member of The Appraisal Institute, of Martoana Bohegian & Company.

9. Receivables and prepayments

Included in receivables and prepayments are trade receivables which are rental and management fee receivables and their ageing analysis was as follows:

	Current	30-60 days	60-90 days	Over 90 days	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at					
30th June 2001	240	1,288	64	486	2,078
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Balance at					
31st December 2000	3,574	61	73	179	3,887
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Notes to Condensed Consolidated Financial Statements (Continued)

10. Payables and accruals

Included in payables and accruals are trade payables and their ageing analysis was as follows:

	Current <i>HK\$'000</i>	30-60 days <i>HK\$'000</i>	60-90 days <i>HK\$'000</i>	Over 90 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at					
30th June 2001	<u>1,455</u>	<u>113</u>	<u>16</u>	<u>601</u>	<u>2,185</u>
Balance at					
31st December 2000	<u>4,192</u>	<u>376</u>	<u>—</u>	<u>629</u>	<u>5,197</u>

11. Share capital

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Authorised :		
400,000,000 ordinary shares of HK\$1 each	<u>400,000</u>	<u>400,000</u>
Issued and fully paid :		
287,669,676 ordinary shares of HK\$1 each	<u>287,670</u>	<u>287,670</u>

Notes to Condensed Consolidated Financial Statements (Continued)

12. Reserves

	Investment properties revaluation reserve	Share premium	Exchange reserve	Retained profits	Total
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
At 1st January 2001	1,174,683	129,651	6,941	481,463	1,792,738
Net deficit on revaluation of investment properties	(67,956)	—	—	—	(67,956)
Realisation of revaluation reserve on sale of investment property	(5,563)	—	—	—	(5,563)
Exchange translation	—	—	(2)	—	(2)
Profit for the period	—	—	—	35,436	35,436
Dividends (note 6)	—	—	—	(25,890)	(25,890)
At 30th June 2001	<u>1,101,164</u>	<u>129,651</u>	<u>6,939</u>	<u>491,009</u>	<u>1,728,763</u>

Notes to Condensed Consolidated Financial Statements (Continued)

13. Long term bank loans - secured

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Bank loans	363,787	391,457
Amounts due within one year included under current liabilities	<u>(23,480)</u>	<u>(35,371)</u>
	<u>340,307</u>	<u>356,086</u>

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
An analysis of the above long term bank loans is as follows:		
– wholly repayable within five years	152,287	273,457
– not wholly repayable within five years	<u>211,500</u>	<u>118,000</u>
	<u>363,787</u>	<u>391,457</u>

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
The maturity of the above long term bank loans is as follows:		
– within one year	23,480	35,371
– in the second year	32,668	115,558
– in the third to fifth year, inclusive	252,139	170,528
– after the fifth year	<u>55,500</u>	<u>70,000</u>
	<u>363,787</u>	<u>391,457</u>

The long term bank loans of HK\$363,787,200 (at 31st December 2000: HK\$391,457,200) are secured on certain properties (note 8) and rental income thereon.

Notes to Condensed Consolidated Financial Statements (Continued)

14. Contingent liabilities

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Other guarantees	<u>1,181</u>	<u>1,181</u>

15. Commitments

(a) Capital commitments for fixed assets

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Contracted but not provided for		
– properties under development	39,271	5,967
– other fixed assets	—	764
	<u>39,271</u>	<u>6,731</u>

(b) Commitments under operating leases

Operating lease commitments at 30th June 2001 payable in the next twelve months, analysed according to the period in which the lease expires, are as follows:

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Land and buildings		
– within one year	366	334
– in the second to fifth years, inclusive	977	951
	<u>1,343</u>	<u>1,285</u>