

NOTES ON UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1. Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”). KPMG’s independent review report to the board of directors is included on page 14.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the HKSA except that comparative figures for the cash flow statement have not been prepared as the company has taken advantage of the transitional provisions set out in the Main Board Listing Rules.

The financial information relating to the financial year ended 30th June, 2000 included in the interim financial report does not constitute the company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 30th June, 2000 are available from the company’s registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 14th November, 2000.

The same accounting policies adopted in the 2000 annual accounts have been applied to the interim financial report.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2000 annual accounts.

2. Segmental information

The analysis of the Group's principal activities and geographical location of the operations of the company and its subsidiaries during the financial period are as follows:

	Group turnover		Operating profit	
	Six months ended		Six months ended	
	31st December,		31st December,	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Principal activities				
Property rental	32,211	20,041	31,245	18,955
Treasury management,				
Investment holding and others	-	300	57,426	66,673
	<u>32,211</u>	<u>20,341</u>	<u>88,671</u>	<u>85,628</u>

Geographical locations of operations

	Group turnover	
	Six months ended	
	31st December,	
	2000	1999
	\$'000	\$'000
Hong Kong	20,414	19,731
United Kingdom	11,797	610
	<u>32,211</u>	<u>20,341</u>

3. Income

	Six months ended	
	31st December,	
	2000	1999
	\$'000	\$'000
Other revenue		
Interest income	73,926	83,866
Dividend income from other investments	64	63
Management fee	248	248
Others	946	460
	<u>75,184</u>	<u>84,637</u>
Other net losses		
Exchange losses	(1,508)	(2,683)
Net unrealised gains on other investment at fair value	411	-
	<u>(1,097)</u>	<u>(2,683)</u>

4. Profit from ordinary activities

	Six months ended 31st December,	
	2000	1999
	\$'000	\$'000
Profit from ordinary activities is arrived at after charging:		
Property expenses	<u>846</u>	<u>1,039</u>

5. Taxation

	Six months ended 31st December,	
	2000	1999
	\$'000	\$'000
Hong Kong taxation	42	4
Overseas taxation	<u>210</u>	<u>-</u>
	252	4
Share of jointly controlled entities' taxation	<u>7,618</u>	<u>1,623</u>
	<u>7,870</u>	<u>1,627</u>

The provision for Hong Kong Profits Tax is calculated at 16% (1999: 16%) of the estimated assessable profits for the six months ended 31st December, 2000. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

6. Dividends

	Six months ended 31st December,	
	2000	1999
	\$'000	\$'000
Proposed first interim dividend of \$0.10 per share (1999: \$0.10)	4,589	4,627
Proposed special dividend of \$0.80 per share (1999: \$0.76)	<u>36,716</u>	<u>35,164</u>
	<u>41,305</u>	<u>39,791</u>

7. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of \$152,171,000 (1999: \$102,101,000) and the weighted average of 46,194,035 ordinary shares (1999: 46,268,256 shares) in issue during the period.

8. Fixed assets

During the period, the Group, through a wholly owned subsidiary, purchased from a third party a freehold property in London for investment purposes at a total consideration of GBP12,939,244.

9. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors with the following ageing analysis:

	At 31st December, 2000 \$'000	At 30th June, 2000 \$'000
Current	172	92
1-3 months overdue	110	91
Total trade debtors	282	183
Deposits, prepayment and other receivables	12,438	7,493
	12,720	7,676

A defined credit policy is maintained within the Group.

An amount of \$657,000 (at 30th June, 2000: \$772,000) included in debtors, deposits and prepayments under current assets is expected to be recovered after more than one year.

10. Creditors and accruals

Included in creditors and accruals are trade creditors with the following ageing analysis:

	At 31st December, 2000 \$'000	At 30th June, 2000 \$'000
Due after 3 months	706	706
Total trade creditors	706	706
Other payables	36,163	28,156
	36,869	28,862

An amount of \$9,028,000 (at 30th June, 2000: \$8,287,000) included in creditors and accruals under current liabilities is expected to be settled after more than one year.

11. Share capital

Issued and fully paid:
(of HK\$2 each)

	No. of shares (<i>'000</i>)	@HK\$2 \$ <i>'000</i>
At 1st July, 2000	46,268	92,537
Shares repurchased and cancelled	<u>(214)</u>	<u>(428)</u>
At 31st December, 2000	<u>46,054</u>	<u>92,109</u>

During the period, 214,000 shares were repurchased from the market and cancelled by the company at a total consideration of \$9,402,000.

12. Reserves

	Capital redemption reserve \$ <i>'000</i>	Investment properties revaluation reserve \$ <i>'000</i>	General reserve \$ <i>'000</i>	Retained profits \$ <i>'000</i>	Total \$ <i>'000</i>
At 1st July, 2000	-	107,866	230,000	3,419,778	3,757,644
Nominal value of shares repurchased	428	-	-	(428)	-
Premium on shares repurchased	-	-	-	(8,974)	(8,974)
Revaluation deficits	-	(748)	-	-	(748)
Profit for the period	-	-	-	152,171	152,171
Dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,305)</u>	<u>(41,305)</u>
At 31st December, 2000	<u>428</u>	<u>107,118</u>	<u>230,000</u>	<u>3,521,242</u>	<u>3,858,788</u>

13. Capital commitments

The group's share of the capital commitments of the jointly controlled entities not provided for in the accounts were as follows:

	At 31st December, 2000 \$ <i>'000</i>	At 30th June, 2000 \$ <i>'000</i>
Contracted for	<u>126,147</u>	<u>163,227</u>
Authorised but not contracted for	<u>15,248</u>	<u>26,813</u>

14. Contingent liabilities

At 31st December, 2000, there were potential contingent liabilities in respect of third party claims amounting to approximately \$67 million (at 30th June, 2000: \$71 million) for which a full provision of \$67 million (at 30th June, 2000: \$71 million) has been included in contingency reserves.

15. Material Post Balance Sheet Related Party Transaction

A Sale and Purchase Agreement was signed on 7 February 2001 between Prosperous Orient Limited, a wholly-owned member of the Group and Irene Ngan Kit Ling, a substantial shareholder and a director of the Company. Pursuant to the Sale & Purchase Agreement, Prosperous Orient Limited purchased the Remaining Portion of Kowloon Inland Lot No. 1300 (No. 3, Jordan Road, Kowloon) for a purchase price of HK\$68,000,000 for redevelopment. The Directors, including the independent non-executive Directors, considered that the terms of the Sale & Purchase Agreement are normal commercial terms and are fair and reasonable.

16. Comparative figures

Certain comparative figures have been reclassified and additional line items have been included on the face of the consolidated profit and loss account and the balance sheet due to the adoption of the new requirements under the revised Statement of Standard Accounting Practice 1 (“Presentation of financial statements”).