

Interim Report 2000 / 2001

Notes to the Interim Financial Statements (unaudited)

1 BASIS OF PREPARATION

The interim financial statements are unaudited but have been reviewed by the Audit Committee.

The interim financial statements have 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 No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The principal accounting policies adopted in the 1999/2000 annual accounts have been applied to the interim financial statements.

The interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and investment in securities.

2 SEGMENTAL INFORMATION

The principal activities of the Group during the period consisted of property development and investment, property management, construction, project management, retail, hotel operations, finance, investment holding and information technology development.

- (a) The Group's turnover for the six months ended 31st December, 2000 amounted to approximately HK\$4,985 million and the analysis is as follows:-

	Group turnover	
	For the six months ended 31st December	
	2000	1999
	HK\$'000	HK\$'000
Sale of properties	3,079,464	10,717,828
Rental income	970,575	745,479
Interest income	303,424	357,597
Building construction	147,304	21,311
Hotel operation	72,236	61,439
Retail sales	115,949	110,219
Others	296,381	156,955
	<u>4,985,333</u>	<u>12,170,828</u>

Interim Report 2000 / 2001

Notes to the Interim Financial Statements (unaudited)

2 SEGMENTAL INFORMATION (cont'd)

- (b) The operating profits of the Group during the period amounted to approximately HK\$1,968 million and the analysis of contribution to operating profits is as follows:-

	Contribution to profit from operations	
	For the six months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
Sale of properties	1,001,788	5,379,757
Rental income	625,313	419,683
Interest income	303,423	357,597
Building construction	6,355	1,059
Hotel operation	24,666	15,363
Retail sales	52,299	48,803
Others	233,567	108,347
	<u>2,247,411</u>	<u>6,330,609</u>
Other Group expenses net of other income	(279,344)	(1,138,260)
	<u>1,968,067</u>	<u>5,192,349</u>

No geographical analysis of each segment is shown as less than 10% of the Group's turnover and profit from operations are derived from activities outside Hong Kong.

3 OTHER OPERATING EXPENSES

	For the six months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
	Provision for diminution in value of properties	
– Completed properties for sale	—	(72,530)
– Other properties	—	(661,259)
Others	(51,413)	(190,881)
	<u>(51,413)</u>	<u>(924,670)</u>

Interim Report 2000 / 2001

Notes to the Interim Financial Statements (unaudited)

4 PROFIT ON DISPOSAL OF INVESTMENT

	For the six months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
Profit on partial disposal of interest in a subsidiary (Note a)	582,262	—
Profit on disposal of long-term listed securities	72,201	777,352
Profit realised on dilution of interest in a subsidiary (Note b)	—	50,033
	<u>654,463</u>	<u>827,385</u>

(Note a) Profit on partial disposal of interest in a subsidiary represented profit arising on the spin-off of Henderson Cyber Limited on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited during the period.

(Note b) The gain arising on dilution of interest in a subsidiary was included in capital reserve and the amount to be released to the profit and loss account in each period is based on the issue of completion certificate of the underlying properties of the subsidiary.

Interim Report 2000 / 2001

Notes to the Interim Financial Statements (unaudited)

5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

The consolidated profit from ordinary activities before taxation is arrived at after charging:-

	For the six months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
(a) Finance costs: –		
Interest on borrowings	517,292	510,914
Other borrowing costs	238,350	111,266
	<u>755,642</u>	<u>622,180</u>
Less: Amount capitalised*		
– interest	(340,126)	(330,349)
– other borrowing costs	(130,689)	—
	<u>284,827</u>	<u>291,831</u>

* Borrowing costs have been capitalised at rates ranging from 6.52% to 7.93% (1999 – from 6.31% to 7.11%) per annum.

(b) Items other than those separately disclosed in notes 3 to 5(a):-

	For the six months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
Amortisation and depreciation	35,596	28,107
Less: Amount capitalised	(64)	(38)
	<u>35,532</u>	<u>28,069</u>
Staff cost	264,647	238,556
Less: Amount capitalised	(31,089)	(20,257)
	<u>233,558</u>	<u>218,299</u>
Cost of sales		
– completed properties for sale	1,831,417	5,143,244
– inventories	40,922	68,978

Interim Report 2000 / 2001

Notes to the Interim Financial Statements (unaudited)

6 TAXATION

(a) Taxation in the consolidated profit and loss account represented:-

	For the six months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
The Group		
– Hong Kong	240,729	979,446
– Outside Hong Kong	9,030	16
Associates	62,879	59,792
Jointly controlled entities		
– Hong Kong	2,661	3,471
– Outside Hong Kong	2,251	—
	<u>317,550</u>	<u>1,042,725</u>

Provision for Hong Kong profits tax has been made at 16% (1999 – 16%) on the estimated assessable profits for the period.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the period on the estimated assessable profits arising in the relevant foreign jurisdiction during the period.

(b) No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

7 INTERIM DIVIDEND

	For the six months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
Interim dividend at HK\$0.55 per share (1999 – HK\$0.55 per share)	<u>947,177</u>	<u>947,177</u>

8 EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$2,096,167,000 (1999 – HK\$4,476,227,000) and on 1,722,140,000 ordinary shares (1999 – 1,722,140,000 ordinary shares) in issue during the period. There are no diluted earnings per ordinary share for both periods.

Interim Report 2000 / 2001

Notes to the Interim Financial Statements (unaudited)

9 FIXED ASSETS

	Investment properties HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Cost or valuation			
At 1st July, 2000	30,138,973	2,995,159	33,134,132
Additions	100,518	156,014	256,532
Acquisition of subsidiaries	135,358	1,027,491	1,162,849
Disposals	(7,160)	(8,150)	(15,310)
At 31st December, 2000	30,367,689	4,170,514	34,538,203
Amortisation and depreciation			
At 1st July, 2000	—	438,406	438,406
Charge for the period	—	35,596	35,596
Acquisition of subsidiaries	—	96,514	96,514
Written back on disposal	—	(1,464)	(1,464)
At 31st December, 2000	—	569,052	569,052
Net book value or valuation			
At 31st December, 2000	30,367,689	3,601,462	33,969,151
At 30th June, 2000	30,138,973	2,556,753	32,695,726

The Group's investment properties and hotel properties were revalued as at 30th June, 2000 by Mr. Augustine Wong, FHKIS, ARICS, RPS(GP), ACI Arb, the Group's professional valuer on an open market value basis. In the opinion of the directors, there is no significant change in the value of the Group's fixed assets during the period.

10 COMPLETED PROPERTIES FOR SALE

Completed properties for sale include properties of HK\$3,297,979,000 (at 30th June, 2000 – HK\$3,256,125,000) carried at net realisable value.

During the period, two of the properties under development were completed and one of them was transferred to completed properties for sale at cost net of provision.

Interim Report 2000 / 2001

Notes to the Interim Financial Statements (unaudited)

11 INSTALMENTS, DEBTORS, PREPAYMENTS AND DEPOSITS

The Group maintains a defined credit policy. The ageing analysis of trade debtors included in Debtors and instalments receivable (net of provision for bad debts) is as follows:–

	At 31st December, 2000 HK\$'000	At 30th June, 2000 HK\$'000
Under 1 month overdue	694,043	981,038
More than 1 month overdue but less than 3 months overdue	67,983	97,620
More than 3 months overdue but less than 6 months overdue	54,269	39,616
More than 6 months overdue	237,417	183,078
	<u>1,053,712</u>	<u>1,301,352</u>
Prepayments, deposits and other receivables	741,882	888,053
	<u>1,795,594</u>	<u>2,189,405</u>

12 CASH AND CASH EQUIVALENTS

	At 31st December, 2000 HK\$'000	At 30th June, 2000 HK\$'000
Deposits with banks and other financial institutions	1,202,220	931,532
Cash at bank and in hand	295,203	180,652
	<u>1,497,423</u>	<u>1,112,184</u>

Interim Report 2000 / 2001

Notes to the Interim Financial Statements (unaudited)

13 CREDITORS AND ACCRUED EXPENSES

The analysis of the trade payable included in Creditors and Accrued Expenses by due date is as follows:–

	At 31st December, 2000 HK\$'000	At 30th June, 2000 HK\$'000
Due within 1 month and on demand	424,185	284,743
Due after 1 month but within 3 months	90,546	237,786
Due after 3 months but within 6 months	706,901	897,269
Due after 6 months	483,788	538,718
	<u>1,705,420</u>	1,958,516
Amounts received in advance and other payables	569,658	424,445
	<u>2,275,078</u>	<u>2,382,961</u>

14 SHARE CAPITAL

	No. of shares		Nominal value	
	At 31st December, 2000 '000	At 30th June, 2000 '000	At 31st December, 2000 HK\$'000	At 30th June, 2000 HK\$'000
Authorised Ordinary shares of HK\$2.00 each	<u>1,800,000</u>	<u>1,800,000</u>	<u>3,600,000</u>	<u>3,600,000</u>
Issued and fully paid Ordinary shares of HK\$2.00 each	<u>1,722,140</u>	<u>1,722,140</u>	<u>3,444,280</u>	<u>3,444,280</u>

Interim Report 2000 / 2001

Notes to the Interim Financial Statements (unaudited)

15 CAPITAL RESERVES

	Other properties revaluation reserve HK\$'000	Reserve on consolidation HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000
At 1st July, 2000	396,963	1,268,531	20,200	(4,743)	2,366	1,683,317
Capital reserve arising on consolidation	-	287,042	-	-	-	287,042
Transfer from profit and loss account	-	-	-	-	21	21
At 31st December, 2000	<u>396,963</u>	<u>1,555,573</u>	<u>20,200</u>	<u>(4,743)</u>	<u>2,387</u>	<u>1,970,380</u>

The revaluation reserve, reserve on consolidation and exchange reserve have been set up and will be dealt with in accordance with the accounting policies adopted for the valuation of properties, goodwill arising on subsidiaries, associates and jointly controlled entities and foreign currency translation.

Other reserve represents statutory reserve required for enterprises established in the PRC. According to the relevant PRC rules and regulations applicable to wholly foreign-owned enterprises, one of the Group's PRC subsidiaries is required to transfer at least 10% of its profit after taxation, as determined under PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the subsidiary's registered capital. The statutory reserve can be used to make good previous years losses, and not distributable to shareholders.

16 INVESTMENT PROPERTY REVALUATION RESERVE

	HK\$'000
At 1st July, 2000	17,621,815
Share of revaluation surplus in jointly controlled entities	15,000
Realised upon disposal of properties	(284)
At 31st December, 2000	<u>17,636,531</u>

17 RETAINED PROFITS

	HK\$'000
At 1st July, 2000	27,010,385
Retained profit for the period	1,148,969
At 31st December, 2000	<u>28,159,354</u>

Interim Report 2000 / 2001

Notes to the Interim Financial Statements (unaudited)

18 COMMITMENTS

(a) The Group had commitments not provided for in these financial statements as follows:-

	At 31st December, 2000 HK\$'000	At 30th June, 2000 HK\$'000
(i) Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	2,180,122	2,154,122
(ii) Contracted commitments to fund a jointly controlled entity to acquire property	1,190,000	—
(iii) Contracted obligations to fund the subsidiaries and associates established outside Hong Kong	3,149,107	3,247,983
(iv) Contracted obligations for funding property development project	6,550,000	6,550,000
(v) Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	3,378,480	3,419,778
	<u>16,447,709</u>	<u>15,371,883</u>

(b) The Group had commitments under operating leases to make payments in the next year as follows:-

	At 31st December, 2000 HK\$'000	At 30th June, 2000 HK\$'000
Property leases expiring:-		
Within 1 year	18,836	1,558
After 1 year but within 5 years	1,730	10,587
	<u>20,566</u>	<u>12,145</u>

Interim Report 2000 / 2001

Notes to the Interim Financial Statements (unaudited)

19 CONTINGENT LIABILITIES

Contingent liabilities of the Group were as follows:-

	At 31st December, 2000 HK\$'000	At 30th June, 2000 HK\$'000
(a) Guarantees given to financial institutions on behalf of purchasers of flats	118,830	161,436
(b) Guarantee given to a bank to secure banking facilities of a jointly controlled entity	<u>2,275,000</u>	<u>—</u>
	<u>2,393,830</u>	<u>161,436</u>
(c) The Group has given guarantees to third parties in respect of contracted commitments to provide attributable portion of capital to joint property development project and funding of property development project. At 31st December, 2000, the Group had contingent liabilities of HK\$6,844 million (at 30th June, 2000—HK\$6,844 million) in relation to the said guarantees.		

20 COMPARATIVE FIGURES

Due to the adoption of revised SSAPs during the current period, the presentation of the consolidated profit and loss account has been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform with the current period's presentation.