

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

The unaudited interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting"; and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

As a result of adoption of SSAP 2.101 "Presentation of Financial Statements", the presentation and classification of certain comparative figures have been adjusted or extended to conform with current period's presentation.

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with accounting principles adopted in the preparation of the Group's annual financial statements for the year ended 30th June 2000.

2 TURNOVER

The Group is principally engaged in investment and development of property projects in the PRC. Turnover comprises Return on Costs in respect of low-cost community housing, gross proceeds from sales of properties, revenue from rental operations, management fee income and interest income, in respect of loan financing provided to associated companies and joint ventures, net of withholding tax.

	6 months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
Sales of properties	227,506	–
Rental income	80,463	19,450
Management fee income	16,053	20,142
Return on Costs	1,645	129,636
	<u>325,667</u>	<u>169,228</u>
Interest income less withholding tax	64,578	167,204
	<u>390,245</u>	<u>336,432</u>

An analysis of the Group's turnover and profit attributable to shareholders by type of projects is as follows:

	6 months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
(i) Turnover		
Conventional property projects	114,074	176,895
Community housing projects	221,801	1,697
Low-cost community housing projects	54,370	157,840
	<u>390,245</u>	<u>336,432</u>
(ii) Profit attributable to shareholders		
Conventional property projects	66,850	(28,325)
Community housing projects	41,962	18,727
Low-cost community housing projects	52,583	153,901
Land improvement project	(75)	(107)
	<u>161,320</u>	<u>144,196</u>
Corporate expenses	(65,190)	(60,307)
	<u>96,130</u>	<u>83,889</u>

3 OTHER REVENUES

	6 months ended 31st December	
	2000	1999
	HK\$'000	HK\$'000
Bank and other interest income	<u>33,823</u>	<u>19,724</u>

4 OPERATING EXPENSES

	6 months ended 31st December	
	2000	1999
	HK\$'000	HK\$'000
Cost of properties sold	(183,802)	–
Staff costs	(41,764)	(30,956)
Depreciation	(4,607)	(4,129)
Amortisation of deferred expenditure	(2,794)	(3,951)
Administrative expenses	(42,418)	(38,509)
	<u>(275,385)</u>	<u>(77,545)</u>

5 OPERATING PROFIT BEFORE FINANCING

	6 months ended 31st December	
	2000	1999
	HK\$'000	HK\$'000
Operating profit before financing is arrived at after crediting:		
Gross rental income from investment properties	<u>80,463</u>	<u>19,450</u>
and after charging:		
Outgoings in respect of investment properties	3,849	1,798
Guarantee fee paid to ultimate holding company	3,610	7,608
Rental for leased premises	2,946	3,046
Auditors' remuneration	<u>1,926</u>	<u>1,726</u>

6 TAXATION

	6 months ended 31st December	
	2000	1999
	HK\$'000	HK\$'000
Company and subsidiaries		
PRC income tax	10,386	–
Jointly controlled entities		
PRC income tax	<u>8,960</u>	<u>4,880</u>
	<u>19,346</u>	<u>4,880</u>

No provision for Hong Kong profits tax has been made within the Group as the Group has no assessable profits in Hong Kong for the period (1999: Nil). PRC income tax has been provided on the estimated assessable profits of a subsidiary operating in the PRC at the applicable rate of taxation.

6 TAXATION (Cont'd)

The Group's jointly controlled entities established in the PRC are required under the Foreign Investment Enterprises and Foreign Enterprise Income Tax Law to pay income tax at the rate of 33% (1999: 33%).

Realisation of the surplus on revaluation of the Group's investment and hotel properties would give rise to a taxation liability in the PRC. No provision has been made in the accounts for this liability as these properties are held for the long term and management has no intention to dispose of these properties in the foreseeable future. Tax indemnity is also given by the ultimate holding company in respect of these properties.

7 DIVIDEND

The directors do not recommend the payment of a dividend for the six months ended 31st December 2000 (1999: Nil).

8 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$96,130,000 (1999: HK\$83,889,000) and the weighted average of 1,463,772,938 shares (1999: 1,463,772,938 shares) in issue during the period.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 31st December 2000 (1999: Nil).

9 DEBTORS, DEPOSITS AND OTHER RECEIVABLES

Included in debtors, deposits and other receivables are trade debtors and their ageing analysis is as follows:

	As at 31st December 2000	As at 30th June 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	9,504	8,868
31 to 60 days	6,420	614
61 to 90 days	11,431	354
Over 90 days	27,789	2,752
	<u>55,144</u>	<u>12,588</u>

Sales proceed receivables in respect of sale of properties are settled in accordance with the installment schedules as stipulated in the sale and purchase agreements. Monthly rental in respect of leased properties are payable in advance by tenants in accordance with the lease agreements.

10 CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors and their ageing analysis is as follows:

	As at 31st December 2000	As at 30th June 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	74,895	40,895
31 to 60 days	21,169	39,322
61 to 90 days	62,512	3,925
Over 90 days	70,909	63,398
	<u>229,485</u>	<u>147,540</u>

11 BANK AND OTHER BORROWINGS

	As at 31st December 2000 HK\$'000	As at 30th June 2000 HK\$'000
Bank loans (note)		
Secured	261,682	261,682
Unsecured	186,720	373,440
Loans from fellow subsidiaries	2,440,773	1,764,400
Loans from minority shareholders	472,830	966,190
	<u>3,362,005</u>	<u>3,365,712</u>
Current portion included in current liabilities	<u>(467,775)</u>	<u>(582,095)</u>
	<u><u>2,894,230</u></u>	<u><u>2,783,617</u></u>

Note:

The bank loans are repayable as follows:

	Secured		Unsecured		Total	
	31st December 2000 HK\$'000	30th June 2000 HK\$'000	31st December 2000 HK\$'000	30th June 2000 HK\$'000	31st December 2000 HK\$'000	30th June 2000 HK\$'000
Within one year	56,075	-	186,720	373,440	242,795	373,440
Between one and two years	28,037	28,037	-	-	28,037	28,037
Between two and five years	177,570	233,645	-	-	177,570	233,645
	<u>261,682</u>	<u>261,682</u>	<u>186,720</u>	<u>373,440</u>	<u>448,402</u>	<u>635,122</u>

12 CONTINGENT LIABILITIES

- (i) The Group has contingent liabilities of approximately HK\$1,145,755,000 as at 31st December 2000 (30th June 2000: HK\$865,879,000) relating to corporate guarantee given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. As at 31st December 2000, the Group's attributable portion of the outstanding amount under these bank loan facilities granted to the associated companies and the jointly controlled entities was approximately HK\$656,094,000 (30th June 2000: HK\$367,646,000).
- (ii) The Group has contingent liabilities relating to counter-guarantees given to the ultimate holding company of approximately HK\$47,664,000 as at 31st December 2000 (30th June 2000: HK\$47,664,000) in respect of bank loan facilities extended to a fixed return joint venture of the Group in respect of which the ultimate holding company has given guarantees. As at 31st December 2000, the Group's attributable portion of the outstanding amounts under the bank loan facilities granted to the fixed return joint venture in respect of the counter-guarantees was HK\$47,664,000 (30th June 2000: HK\$47,664,000).
- (iii) As at 30th June 2000, the Group had contingent liabilities relating to counter-guarantees given to the ultimate holding company of approximately HK\$196,262,000 in respect of the bank loan facilities extended to a jointly controlled entity of the Group in respect of which the ultimate holding company had given guarantees. As at 30th June 2000, the Group's attributable portion of the outstanding amounts under the bank loan facilities granted to the jointly controlled entity in respect of the counter-guarantees was approximately HK\$137,383,000. The counter-guarantees were released during the period.

13 COMMITMENTS

(i) Capital expenditure commitments

(a) The capital expenditure commitments of the Group are as follows:

	As at 31st December 2000 HK\$'000	As at 30th June 2000 HK\$'000
Contracted but not provided for		
Fixed assets	242	2,048
Investments in jointly controlled entities	201,442	202,248
Investments in fixed return joint ventures	15,560	76,244
	<u>217,244</u>	<u>280,540</u>
Authorised but not contracted for	-	-
	<u>217,244</u>	<u>280,540</u>

(b) As at 31st December 2000, the Group did not have any share of capital commitments of the jointly controlled entities themselves not included in (a) above (30th June 2000: Nil).

(ii) Lease commitments

	As at 31st December 2000 HK\$'000	As at 30th June 2000 HK\$'000
Annual commitments payable in the following years in respect of land and building expiring in		
The first year	-	62
The second to fifth years	6,046	5,938
	<u>6,046</u>	<u>6,000</u>

(iii) Other commitments

As at 31st December 2000, the Group had issued performance guarantees amounting to approximately HK\$480,996,000 (30th June 2000: HK\$156,602,000) of which HK\$372,791,000 (30th June 2000: HK\$107,069,000) was utilised, in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by a subsidiary and certain jointly controlled entities of the Group. Pursuant to the terms of the performance guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

14 RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions during the period carried out by the Group in the normal course of its business:

(i)	6 months ended 31st December	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on loans from fellow subsidiaries	58,697	56,790
Rental for leased premises	2,341	2,372
Guarantee fee paid to ultimate holding company	3,610	7,608
Estate management fee income from a fellow subsidiary	(1,009)	(872)
Interest income from jointly controlled entities	(11,853)	(139,001)
Management fee income from jointly controlled entities	(16,053)	(20,141)
	<u> </u>	<u> </u>

These related party transactions were governed in accordance with the terms as disclosed in 2000 annual report.

- (ii) Total services fees for the provision of project management, construction and engineering consultancy for the Group's property projects and payable to certain fellow subsidiaries amount to HK\$82,335,000 (30th June 2000: HK\$39,794,000). Such fees are charged at fixed amount in accordance with service contracts entered.
- (iii) Certain subsidiaries in the PRC have entered into various contracts with the PRC partners or their supervisory authority for site clearance, demolition, and resettlement of existing tenants from the sites of the property development projects on the basis of fixed contract sums with overrun costs being wholly borne by the respective PRC partners. The aggregate contract sums under these contracts amount to approximately HK\$157.3 million (30th June 2000: HK\$157.3 million) of which approximately HK\$127.7 million (30th June 2000: HK\$117.7 million) had been incurred as at 31st December 2000.
- (iv) A deed of tax indemnity was entered into between the ultimate holding company and the Group whereby the ultimate holding company undertakes to indemnify the Group in respect of IT and LAT payable in consequence of the disposal of certain properties.

The following is a summary of other significant related party transactions during the period carried out by associated companies and jointly controlled entities of the Group in the normal course of their business:

- (i) Certain associated companies and jointly controlled entities in the PRC have entered into various contracts with the PRC partners or their supervisory authority for site clearance, demolition, and resettlement of existing tenants from the sites of the property development projects on the basis of fixed contract sums with overrun costs being wholly borne by the respective PRC partners. The aggregate contract sums under these contracts amount to approximately HK\$2,640 million (30th June 2000: HK\$2,640 million) of which approximately HK\$2,462.8 million (30th June 2000: HK\$2,462.8 million) had been incurred as at 31st December 2000.
- (ii) Total fees for the provision of project management, construction and engineering consultancy services in respect of certain property projects of the jointly controlled entities of the Group and payable to certain fellow subsidiaries amount to HK\$220.5 million (30th June 2000: HK\$ 307.5 million). Such fees are charged at fixed amounts in accordance with the terms of the respective contracts.
- (iii) Certain associated companies of the Group have entered into loan agreements with a fellow subsidiary. These loan balances amount to US\$52,730,000 (30th June 2000: US\$52,730,000), bear interest ranging from to 0.5% above HIBOR to 15% per annum (30th June 2000: 15%), and have repayment terms as specified in the loan agreements. The total interest charged at 31st December 2000 by the fellow subsidiary and included as part of the development costs of properties developed by these associated companies was HK\$199.9 million (30th June 2000: HK\$178.2 million).