

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st December, 2000

1. ACCOUNTING POLICIES

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

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“SSAP 25”), except that comparative figures are not presented for the statement of recognised gains and losses and the cash flow statement, being the first statement of recognised gains and losses and cash flow statement to be included in the interim financial report relating to accounting periods ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 30th June, 2000.

Comparative figures in the condensed consolidated income statement have been restated to conform with requirements of the revised Statement of Standard Accounting Practice No. 1 “Presentation of financial statements” issued by the Hong Kong Society of Accountants.

2. SEGMENT INFORMATION

	Turnover		Contribution to profit before taxation	
	Six months ended		Six months ended	
	31st December, 2000	31st December, 1999	31st December, 2000	31st December, 1999
	HK\$	HK\$	HK\$	HK\$
By principal activity:				
Property rental	429,894,954	372,019,985	384,249,319	336,630,988
Property development and investment	85,596,200	157,915,284	(12,090,631)	80,912,872
Securities trading and investment	32,933,305	24,340,259	161,153,419	268,579,712
Financing	146,986,967	170,599,997	146,986,967	170,599,997
Management services and others	181,614,339	179,494,929	117,898,300	122,378,177
	877,025,765	904,370,454	798,197,374	979,101,746
Administrative expenses			(164,251,501)	(144,393,026)
Finance costs			(433,529,974)	(413,945,759)
			200,415,899	420,762,961
Share of results of associates			88,988,928	372,339,845
Profit before taxation			289,404,827	793,102,806

Most of the activities of the Group are based in the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”) and more than 90% of the Group’s turnover and operating profit are derived from Hong Kong.

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For the six months ended 31st December, 2000

3. OTHER INCOME

Included in other income is unrealised holding gain on investments in trading securities of HK\$128,348,701 (1999: HK\$244,770,859).

4. DEPRECIATION

During the period, depreciation of HK\$3,800,468 (1999: HK\$2,638,254) was charged in respect of the Group's property, plant and equipment.

5. FINANCE COSTS

	Six months ended	
	31st December, 2000	31st December, 1999
	HK\$	HK\$
Interests on borrowings, net of amounts capitalised to properties under development	367,439,632	345,857,118
Provision for premium on redemption of convertible bonds	48,104,689	48,104,689
Amortisation of issue costs of convertible bonds	7,695,709	10,335,343
Loan facility arrangement fees and finance charges	10,289,944	9,648,609
	<u>433,529,974</u>	<u>413,945,759</u>

6. TAXATION

	Six months ended	
	31st December, 2000	31st December, 1999
	HK\$	HK\$
The Company and subsidiaries		
Hong Kong Profits Tax	29,382,914	22,379,071
Taxation in other jurisdictions	475,079	521,883
	<u>29,857,993</u>	<u>22,900,954</u>
Share of taxation attributable to associates		
Hong Kong Profits Tax	4,745,071	29,747,457
	<u>4,745,071</u>	<u>29,747,457</u>
	<u>34,603,064</u>	<u>52,648,411</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits of the individual companies comprising the Group for the period. Profits tax in other jurisdictions are provided for in accordance with the respective local requirements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

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7. DIVIDEND

The Directors have declared an interim dividend of HK2 cents per share (1999: HK5 cents) which will be paid to shareholders of the Company whose names appear on the Register of Member on 17th April, 2001.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$151,951,137 (1999: HK\$384,884,699) and on the weighted average number of 1,349,264,664 ordinary shares (1999: 1,323,340,586 ordinary shares) in issue throughout the period.

The calculation of the diluted earnings per share for the six months ended 31st December, 1999 is based on the adjusted profit attributable to shareholders for the period of HK\$384,531,815 after adjusting for the effect of dilutive potential ordinary shares of a subsidiary of HK\$352,884, and on the weighted average number of 1,323,340,586 ordinary shares.

There is no effect of dilutive potential ordinary shares of the subsidiary for the six months ended 31st December, 2000, no diluted earnings per share is calculated.

9. INVESTMENT AND HOTEL PROPERTIES

During the period, properties under development were transferred to investment properties and hotel property amounting to HK\$1,101,821,766 and HK\$1,347,658,997 respectively.

10. LOANS RECEIVABLE

The Group offers loans to buyers of properties sold by the Group and the repayment of the loans is specified in the respective loan agreements.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade receivables of HK\$148,556,558 (at 30th June, 2000: HK\$115,003,409) comprising mainly of rental receivables which are billed in advance and settlements are expected upon receipts of billings.

The following is an aged analysis of trade receivables at the reporting date:

	31st December, 2000 HK\$	30th June, 2000 HK\$
0 – 30 days	77,160,440	57,513,152
31 – 60 days	15,269,392	4,330,199
61 – 90 days	4,830,702	3,999,449
Over 90 days	51,296,024	49,160,609
	<u>148,556,558</u>	<u>115,003,409</u>

Trade receivables over 90 days amounting to HK\$51,296,024 (at 30th June, 2000: HK\$49,160,609) are sufficiently covered by rental deposits received from the respective tenants and no provision is required for these receivables under the Group's provision policy.

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For the six months ended 31st December, 2000

12. CREDITORS, ACCRUALS AND PROVISION

Included in creditors, accruals and provision are trade payables of HK\$66,417,355 (at 30th June, 2000: HK\$83,857,190).

The following is an aged analysis of trade payables at the reporting date:

	31st December, 2000 HK\$	30th June, 2000 HK\$
0 – 30 days	36,281,897	72,742,122
31 – 60 days	10,137,911	2,601,909
61 – 90 days	6,084,206	722,720
Over 90 days	13,913,341	7,790,439
	<u>66,417,355</u>	<u>83,857,190</u>

13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.20 each	Nominal value HK\$
Authorised:		
At 1st July, 2000 and 31st December, 2000	<u>2,500,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
At 1st July, 2000	1,348,369,895	269,673,979
Issued in lieu of cash dividend	<u>12,664,419</u>	<u>2,532,884</u>
At 31st December, 2000	<u>1,361,034,314</u>	<u>272,206,863</u>

On 19th December, 2000, the Company issued and allotted a total of 12,664,419 shares of HK\$0.20 each in the Company at an issue price of HK\$4.995 each to the shareholders who elected to receive shares in the Company in lieu of cash for the final dividends in respect of financial year ended 30th June, 2000 pursuant to the scrip dividend circular despatched to shareholders on 16th November, 2000. These shares rank pari passu in all respects with the existing shares in issue.

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For the six months ended 31st December, 2000

14. SHARE PREMIUM AND RESERVES

	Share premium HK\$	Capital reserve HK\$	Capital redemption reserve HK\$	Investment property revaluation reserve HK\$	Property revaluation reserve HK\$	Other security revaluation reserve HK\$	Retained profits HK\$	Total HK\$
At 1st July, 1999	2,232,169,793	122,037,162	224,000	3,865,753,281	29,001,336	10,469,864	3,289,865,176	9,549,520,612
Premium on issue of shares upon scrip dividend	121,489,342	—	—	—	—	—	—	121,489,342
Shares issue expenses	(60,070)	—	—	—	—	—	—	(60,070)
Goodwill on additional interest in a subsidiary less minority interests	—	235,601,461	—	—	—	—	—	235,601,461
Goodwill on acquisition of a subsidiary	—	18,969,908	—	—	—	—	—	18,969,908
Surplus (deficits) on revaluation	—	—	—	313,682,865	—	(274,713,189)	—	38,969,676
Revaluation reserves released on disposal	—	—	—	(161,111,213)	—	(38,354)	—	(161,149,567)
Share of deficits on revaluation of property interest of associates less minority interests	—	—	—	(14,413,861)	(361,852)	—	—	(14,775,713)
Share of revaluation reserve released on disposal of property interest of associates less minority interests	—	—	—	(23,965,666)	—	—	—	(23,965,666)
Deficits on revaluation attributable to minority shareholders of a listed subsidiary	—	—	—	2,770,000	—	—	—	2,770,000
Exchange rate adjustments	—	—	—	—	—	—	433,201	433,201
(Surplus) deficits on revaluation attributable to minority shareholders	—	—	—	(153,475,526)	—	146,494,847	—	(6,980,679)
Revaluation reserve released upon disposal attributable to minority shareholders	—	—	—	78,136,844	—	18,601	—	78,155,445
Net profit for the year	—	—	—	—	—	—	557,880,231	557,880,231
Dividends paid and proposed	—	—	—	—	—	—	(134,162,662)	(134,162,662)
At 30th June, 2000 and 1st July, 2000	2,353,599,065	376,608,531	224,000	3,907,376,724	28,639,484	(117,768,231)	3,714,015,946	10,262,695,519
Premium on issue of shares upon scrip dividend	60,725,893	—	—	—	—	—	—	60,725,893
Goodwill on additional interest in a subsidiary less minority interests	—	149,835,600	—	—	—	—	—	149,835,600
Deficits on revaluation	—	—	—	—	—	(89,460,546)	—	(89,460,546)
Revaluation reserves released on disposal	—	—	—	(5,028,232)	—	—	—	(5,028,232)
Share of revaluation reserve released on disposal of property interest of associates less minority interests	—	—	—	(2,123,036)	—	—	—	(2,123,036)
Deficits on revaluation attributable to minority shareholders of a listed subsidiary	—	—	—	—	—	52,441,735	—	52,441,735
Exchange rate adjustments	—	—	—	—	—	—	2,013,995	2,013,995
Revaluation reserve released upon disposal attributable to minority interests	—	—	—	2,390,834	—	—	—	2,390,834
Net profit for the period	—	—	—	—	—	—	151,951,137	151,951,137
Dividend	—	—	—	—	—	—	(27,220,686)	(27,220,686)
At 31st December, 2000	<u>2,414,324,958</u>	<u>526,444,131</u>	<u>224,000</u>	<u>3,902,616,290</u>	<u>28,639,484</u>	<u>(154,787,042)</u>	<u>3,840,760,392</u>	<u>10,558,222,213</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2000

15. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following commitments and contingent liabilities not provided for in the financial statements:

	31st December, 2000 HK\$	30th June, 2000 HK\$
(a) Commitments for property development expenditure		
Authorised but not contracted for	25,007,234	13,164,297
Contracted but not provided for	1,082,537,810	862,026,517
	<u>1,107,545,044</u>	<u>875,190,814</u>
(b) Guarantees in respect of banking facilities and other liabilities of associates		
Utilised	5,599,540,000	5,349,225,000
Not utilised	517,950,000	894,735,000
	<u>6,117,490,000</u>	<u>6,243,960,000</u>
(c) At 31st December, 2000 and 30th June, 2000, the Company's listed subsidiary, Sino Land Company Limited ("Sino Land") and its wholly-owned subsidiary are parties to a legal claim and counterclaim in respect of the termination of a sale and purchase agreement dated 19th December, 1996 between Sino Land and its subsidiary and Hang Lung Development Company Limited and its subsidiary. In the opinion of the Directors, since these claim and counterclaim are being contested, likelihood of the conclusion of the case within a short period of time is remote at the present stage of the legal proceedings. Accordingly, no provision for contingency has been made.		