

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	415,520,394	360,210,334	373,510,745	325,324,535
Property development and investment	85,596,200	157,915,284	(12,090,631)	80,912,872
Securities trading and investment	20,366,822	18,606,437	23,962,166	170,080,327
Financing	146,827,041	170,185,668	146,827,041	170,185,668
Management services and others	181,614,339	179,494,929	118,348,229	123,202,745
	<u>849,924,796</u>	<u>886,412,652</u>	<u>650,557,550</u>	<u>869,706,147</u>
Administrative expenses			(162,407,998)	(142,481,754)
Finance costs			(336,499,461)	(338,465,823)
			<u>151,650,091</u>	<u>388,758,570</u>
Share of results of associates			88,989,903	372,342,903
Profit before taxation			<u>240,639,994</u>	<u>761,101,473</u>

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

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\$3,665,750 (1999: HK\$151,971,336).

4. DEPRECIATION

During the period, depreciation of HK\$3,695,665 (1999: HK\$2,403,252) was charged in respect of the Group's property, plant and equipment.

5. FINANCE COSTS

	Six months ended	
	31st December, 2000 HK\$	31st December, 1999 HK\$
Interests on borrowings, net of amounts capitalised to properties under development	270,607,040	270,404,917
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	10,092,023	9,620,874
	<u>336,499,461</u>	<u>338,465,823</u>

6. TAXATION

	Six months ended	
	31st December, 2000 HK\$	31st December, 1999 HK\$
Hong Kong Profits Tax		
Taxation attributable to the Company and its subsidiaries	27,700,898	22,379,071
Share of taxation attributable to associates	4,743,912	29,747,295
	<u>32,444,810</u>	<u>52,126,366</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for both periods.

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 Members on 17th April, 2001.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2000

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\$207,599,910 (1999: HK\$708,191,288) and on the weighted average number of 3,632,736,121 ordinary shares (1999: 3,494,542,677 ordinary shares) in issue throughout the period.

No diluted earnings per share amount has been compiled and presented for the six months ended 31st December, 2000 as the effect of the assumed conversion of the Company's outstanding convertible bonds would be anti-dilutive.

The diluted earnings per share for the six months ended 31st December, 1999 was based on the adjusted profit attributable to shareholders for the period of HK\$708,826,969 and on the weighted average number of 3,499,810,002 ordinary shares issued and issuable, calculated on the assumption that the Company's outstanding convertible bonds had been converted.

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\$147,370,501 (at 30th June, 2000: HK\$114,896,174) comprising mainly of rental receivables which are billed in advance and settlements are expected upon receipt of billings.

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

	31st December, 2000 HK\$	30th June, 2000 HK\$
0 – 31 days	77,088,884	57,405,917
31 – 60 days	14,809,926	4,330,199
61 – 90 days	4,673,886	3,999,449
Over 90 days	50,797,805	49,160,609
	<u>147,370,501</u>	<u>114,896,174</u>

Trade receivables over 90 days amounting to HK\$50,797,805 (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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2000

12. CREDITORS, ACCRUALS AND PROVISION

Included in creditors, accruals and provision are trade payables of HK\$65,961,630 (at 30th June, 2000: HK\$82,961,113).

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

	31st December, 2000 HK\$	30th June, 2000 HK\$
0 – 30 days	35,871,791	72,251,780
31 – 60 days	10,093,723	2,581,180
61 – 90 days	6,083,531	648,186
Over 90 days	13,912,585	7,479,967
	<u>65,961,630</u>	<u>82,961,113</u>

13. SHARE CAPITAL

	Number of ordinary shares of HK\$1 each	Nominal value HK\$
Authorised:		
At 1st July, 2000 and 31st December, 2000	<u>6,000,000,000</u>	<u>6,000,000,000</u>
Issued and fully paid:		
At 1st July, 2000	3,629,901,942	3,629,901,942
Issued in lieu of cash dividend	<u>37,249,209</u>	<u>37,249,209</u>
At 31st December, 2000	<u>3,667,151,151</u>	<u>3,667,151,151</u>

On 18th December, 2000, the Company issued and allotted a total of 37,249,209 shares of HK\$1 each in the Company at an issue price of HK\$3.415 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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2000

14. SHARE PREMIUM AND RESERVES

	Share premium HK	Property revaluation reserve HK\$	Investment property revaluation reserve HK\$	Other security revaluation reserve HK\$	Capital redemption reserve HK\$	Retained profits HK\$	Total HK\$
At 1st July, 1999	8,055,005,092	87,691,796	8,138,404,949	12,469,379	87,160,000	5,987,783,138	22,368,514,354
Premium on issue of shares upon scrip dividend	194,993,583	—	—	—	—	—	194,993,583
Premium on issue of shares upon shares swap	242,697,600	—	—	—	—	—	242,697,600
Premium on issue of shares upon conversion of convertible bonds	3,462,750	—	—	—	—	—	3,462,750
Share issue expenses	(437,647)	—	—	—	—	—	(437,647)
Cancellation upon repurchase of own shares	—	—	—	—	11,860,000	(32,325,710)	(20,465,710)
Surplus (deficits) on revaluation	—	—	313,682,865	(302,059,328)	—	—	11,623,537
Revaluation reserves released on disposal	—	—	(161,111,213)	(38,354)	—	—	(161,149,567)
Share of deficits on revaluation of property interest by minority shareholders	—	—	2,770,000	—	—	—	2,770,000
Share of deficits on revaluation of property interest of associates	—	(702,607)	(27,987,373)	—	—	—	(28,689,980)
Share of revaluation reserves released on disposal of property interest of associates	—	—	(46,534,100)	—	—	—	(46,534,100)
Net profit for the year	—	—	—	—	—	1,365,325,302	1,365,325,302
Dividends paid and proposed	—	—	—	—	—	(361,026,416)	(361,026,416)
At 30th June, 2000 and 1st July, 2000	8,495,721,378	86,989,189	8,219,225,128	(289,628,303)	99,020,000	6,959,756,314	23,571,083,706
Premium on issue of shares upon scrip dividend	89,956,840	—	—	—	—	—	89,956,840
Deficits on revaluation	—	—	—	(110,295,942)	—	—	(110,295,942)
Revaluation reserves released on disposal	—	—	(5,028,232)	—	—	—	(5,028,232)
Share of revaluation reserves released on disposal of property interest of associates	—	—	(4,047,594)	—	—	—	(4,047,594)
Net profit for the period	—	—	—	—	—	207,599,910	207,599,910
Dividend	—	—	—	—	—	(76,943,023)	(76,943,023)
At 31st December, 2000	8,585,678,218	86,989,189	8,210,149,302	(399,924,245)	99,020,000	7,090,413,201	23,672,325,665

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 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 the Company 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.