



2001 INTERIM REPORT (UNAUDITED)

It is my pleasure to report to the shareholders that the unaudited consolidated profit after taxation and minority interests of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2001 was HK\$329 million, an increase of 47.4% over the corresponding period last year; earnings per share amounted to HK6.05 cents. The Board declared the payment of an interim dividend of HK2 cents per share.

CONSOLIDATED RESULTS

The unaudited consolidated results of the Group for the six months ended 30th June, 2001 and the comparative figures for the corresponding period in 2000 are as follows:

CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June	
		2001	2000
	Notes	HK\$'000	HK\$'000
Turnover	(2)	3,383,985	2,200,321
Cost of sales		(3,031,801)	(1,838,719)
Other revenue		7,954	22,070
Distribution expenses		(46,668)	(35,622)
Administrative expenses		(128,924)	(104,776)
Gain on disposal of other investment	(3)	347,684	–
Impairment losses recognised	(4)	(114,000)	–
Profit from operations	(2&5)	<u>418,230</u>	<u>243,274</u>
Finance costs		(133,975)	(39,179)
Share of results of associates		(23,255)	69,915
Profit before taxation		<u>261,000</u>	<u>274,010</u>
Taxation	(6)	(12,435)	(59,767)
Profit before minority interests		<u>248,565</u>	<u>214,243</u>
Minority interests		80,439	9,022
Profit for the period		<u>329,004</u>	<u>223,265</u>
Dividends	(7)	<u>109,454</u>	<u>108,712</u>
Earnings per share	(8)		
Basic		<u>6.05 cents</u>	<u>4.11 cents</u>
Diluted		<u>5.94 cents</u>	<u>4.05 cents</u>



CONSOLIDATED BALANCE SHEET

	30th June, 2001 (unaudited) Notes	31st December, 2000 (As restated) (audited)
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Investment properties	1,878,600	1,295,600
Property, plant & equipment	721,410	739,595
Properties for development	487,006	792,302
Interest in associates	1,018,372	975,866
Investment in infrastructure and syndicated projects	1,712,452	1,795,279
Other investments	62	121,502
Instalments receivable	123,132	18,068
Negative goodwill	(29,740)	–
	<u>5,911,294</u>	<u>5,738,212</u>
CURRENT ASSETS		
Inventories	4,425	3,415
Properties for sale	4,543,765	5,580,657
Investment in infrastructure and syndicated property projects	56,906	54,429
Other investments	34,765	9,492
Trade and other receivables	(9) 1,891,877	1,148,279
Amounts due from customers for contract work	113,387	135,040
Deposits & prepayments	114,861	93,853
Tax prepaid	37,601	20,297
Bank balances and cash	2,041,215	2,106,137
	<u>8,838,802</u>	<u>9,151,599</u>



CONSOLIDATED BALANCE SHEET (Cont'd)

		30th June, 2001 (unaudited) HK\$'000	31st December, 2000 (As restated) (audited) HK\$'000
	Notes		
CURRENT LIABILITIES			
Trade and other payables	(10)	1,065,719	1,185,120
Sales and other deposits		485,873	325,544
Amounts due to customers for contract work		151,171	112,112
Amount due to associates		202,979	144,186
Provision for taxation		179,805	180,265
Current portion of long-term borrowings		1,513,018	2,508,022
Bank Loans and overdrafts - unsecured		531,814	362,633
		<u>4,130,379</u>	<u>4,817,882</u>
NET CURRENT ASSETS		<u>4,708,423</u>	<u>4,333,717</u>
		<u><u>10,619,717</u></u>	<u><u>10,071,929</u></u>
CAPITAL AND RESERVES			
Share Capital		547,000	543,740
Reserves	(11)	7,617,877	7,499,646
		<u>8,164,877</u>	<u>8,043,386</u>
NON-CURRENT LIABILITIES			
Long-term borrowings		1,696,807	1,560,397
Amounts due to minority shareholders		757,706	467,819
Deferred taxation		327	327
		<u>2,454,840</u>	<u>2,028,543</u>
		<u><u>10,619,717</u></u>	<u><u>10,071,929</u></u>



CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	Six months ended 30th June, 2001 HK\$'000 (unaudited)
Net profit not recognised in the consolidated income statement	
Exchange differences arising on translation of overseas operations	5,282
Net profit for the period	<u>329,004</u>
Total recognised gains	<u><u>334,286</u></u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	Six months ended 30th June, 2001 HK\$'000 (unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	808,835
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(166,987)
NET CASH OUTFLOW FROM TAXATION	(31,138)
NET CASH INFLOW FROM INVESTING ACTIVITIES	<u>16,887</u>
NET CASH INFLOW BEFORE FINANCING	627,597
NET CASH OUTFLOW FROM FINANCING	<u>(651,420)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(23,823)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,047,243</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>2,023,420</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	
Bank balances and cash	2,041,215
Bank loans and overdrafts	<u>(17,795)</u>
	<u><u>2,023,420</u></u>



Notes:

(1) Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention.

Advantage has been taken of the exemption provided by paragraph 37.3 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from the requirement to include comparative figures for the first cash flow statement included in the interim financial statements relating to accounting periods ended on or after 1st July, 2000.

Save as disclosed above, the condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2000, except as described below.

Dividend proposed or declared after the balance sheet date

In accordance with SSAP 9 (revised) "Event after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liabilities at the balance sheet date, but are disclosed as a separate component of equity in the notes to the condensed financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increases the dividend reserve as at 1st January, 2001 by HK\$108,748,000.

Provisions

In accordance with SSAP28 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has not had any significant effect on the results for the current or prior accounting periods.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combination" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Any goodwill arising on acquisitions after 1st January, 2001 will be capitalised and amortised over its estimated useful life. Any negative goodwill arising on acquisitions after 1st January, 2001 will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.



(1) **Principal accounting policies** (Cont'd)

Changes of accounting estimation

SSAP31 "Impairment of Assets" is effective for the period beginning on or after 1st January, 2001 and has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets other than financial assets and investment properties. Although in prior years the Group complied with the requirements of specific accounting standards in respect of impairment losses, the introduction of SSAP 31 has required a re-estimation of the recoverable amount of certain property, plant and equipment, properties under development and interests in associates. Adoption of this SSAP has not had any significant effect on the results for the prior accounting periods.

(2) **Turnover and contribution**

Analysis of the Group's turnover and contribution during the period in terms of principal business and geographical segments are as follows:

	Turnover		Contribution	
	Six months ended		Six months ended	
	30th June,		30th June,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business segments				
Property development and investment	2,066,083	769,003	(70,250)	143,628
Building and civil construction, foundation engineering and project management	1,156,458	1,281,099	103,662	47,730
Infrastructure projects and other investments	63,363	66,572	407,792	84,624
Real estate agency and management	47,454	33,282	9,027	8,125
Treasury operations	50,627	50,365	35,658	19,356
	<u>3,383,985</u>	<u>2,200,321</u>	<u>485,889</u>	<u>303,463</u>
Less: Unallocated administrative expenses			(67,659)	(60,189)
Profit from operations			<u>418,230</u>	<u>243,274</u>
Geographical segments				
Hong Kong	2,801,499	1,215,266	374,520	48,195
PRC	582,486	985,055	111,369	255,268
	<u>3,383,985</u>	<u>2,200,321</u>	<u>485,889</u>	<u>303,463</u>
Less: Unallocated administrative expenses			(67,659)	(60,189)
Profit from operations			<u>418,230</u>	<u>243,274</u>

**(3) Gain on disposal of other investment**

The gain on disposal of other investment represents the Group sold all the 244 million shares of Ryoden Development Ltd. ("Ryoden") to the substantial shareholder of Ryoden (2000: nil).

(4) Impairment losses recognised

Impairment losses recognised for the period represents the provision for properties held for sales (2000: nil).

(5) Profit from operations

	Six months ended 30th June,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging (crediting):		
Depreciation	<u>33,614</u>	<u>38,031</u>
Amortisation of negative goodwill	<u>(1,565)</u>	<u>-</u>
Interest income	<u>(34,788)</u>	<u>(19,266)</u>

(6) Taxation

	Six months ended 30th June,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge/(credit) comprises:		
Company and subsidiaries		
Hong Kong profits tax	5,346	3,774
PRC income tax	7,955	35,416
	<u>13,301</u>	<u>39,190</u>
Associates		
Hong Kong profits tax	1,650	1,593
PRC income tax		
- current	-	18,984
- overprovision in prior years	(2,516)	-
	<u>(866)</u>	<u>20,577</u>
	<u>12,435</u>	<u>59,767</u>

Hong Kong profits tax is calculated at 16% (2000: 16%) on the estimated assessable profits for the period.

Income tax of the PRC is calculated at the applicable PRC tax rates on the estimated assessable profits for the period.



(7) **Dividends**

The board of directors declared the payment of an interim dividend for 2001 of HK2 cents (2000: HK2 cents) per share.

(8) **Earnings per share**

The calculation of the basic earnings per share is based on the profit for the period of HK\$329,004,000 (2000: HK\$223,265,000) and on the weighted average number of 5,441,558,802 (2000: 5,433,038,035) ordinary shares in issue during the period.

The calculation of the diluted earnings per share is based on the profit for the period of HK\$329,004,000 (2000: HK\$223,265,000) and on the weighted average number of 5,534,765,251 (2000: 5,508,036,756) ordinary shares in issue and issuable after adjusting for the weighted average number of dilutive potential ordinary shares of 93,206,449 shares (2000: 74,998,721 shares) assumed to be issued on the exercise of dilutive share options outstanding during the period.

(9) **Trade and other receivables**

Except for revenue from property sales and infrastructure project investments which are payable in accordance with the terms of the relevant agreements, generally the Group allows a credit period of not exceeding 60 days to its customers.

The following is an analysis of trade and other receivables at the balance sheet date:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Receivables, aged		
0-30 days	1,353,698	570,394
31-90 days	168,906	108,932
Over 90 days	151,452	265,887
Retentions receivable	217,821	203,066
	<u>1,891,877</u>	<u>1,148,279</u>

**(10) Trade and other payables**

The following is an analysis of trade and other payables at the balance sheet date:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Payables, aged		
0-30 days	373,428	779,954
31-90 days	121,209	51,625
Over 90 days	295,322	142,998
Retentions payable	275,760	210,543
	<u>1,065,719</u>	<u>1,185,120</u>

(11) Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Exchange equalisation reserve HK\$'000	Capital reserve (Goodwill) on consolidation HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2000	5,169,523	884	369,452	413,576	(37,426)	(298,531)	-	1,732,269	7,349,747
Exchange differences on translation of financial statements	-	-	-	-	(5,374)	-	-	-	(5,374)
Premium on issue of shares less expenses	4,090	-	-	-	-	-	-	-	4,090
Share of associates' reserve movements	-	-	(2,993)	-	(793)	-	-	-	(3,786)
Increase on revaluation of properties, less minority interests	-	-	7,799	-	-	-	-	-	7,799
Realised on disposal of properties	-	-	(631)	(323)	-	-	-	323	(631)
Realised when properties were used and depreciated	-	-	-	(7,572)	-	-	-	7,572	-
Acquisition of associates	-	-	-	-	-	(11,557)	-	-	(11,557)
Profit for the year	-	-	-	-	-	-	-	268,072	268,072
Dividend declared	-	-	-	-	-	-	217,462	(217,462)	-
Dividend paid	-	-	-	-	-	-	(108,714)	-	(108,714)
At 1st January, 2001	<u>5,173,613</u>	<u>884</u>	<u>373,627</u>	<u>405,681</u>	<u>(43,593)</u>	<u>(310,088)</u>	<u>108,748</u>	<u>1,790,774</u>	<u>7,499,646</u>
Exchange differences on translation of financial statements	-	-	-	-	5,282	-	-	-	5,282
Premium on issue of share less expenses	14,691	-	-	-	-	-	-	-	14,691
Realised when properties were used and depreciated	-	-	-	(3,125)	-	-	-	3,125	-
Disposal of other investment	-	-	(44,290)	-	(15)	(77,693)	-	-	(121,998)
Profit for the period	-	-	-	-	-	-	-	329,004	329,004
Dividend declared	-	-	-	-	-	-	109,454	(109,454)	-
Dividend paid	-	-	-	-	-	-	(108,748)	-	(108,748)
At 30th June, 2001	<u>5,188,304</u>	<u>884</u>	<u>329,337</u>	<u>402,556</u>	<u>(38,326)</u>	<u>(387,781)</u>	<u>109,454</u>	<u>2,013,449</u>	<u>7,617,877</u>