

NOTES ON UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1. Significant accounting policies

(a) Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”). KPMG’s independent review report to the board of directors is included on page 16.

The interim financial report has been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the HKSA.

The financial information relating to the financial year ended 30th June, 2002 included in the interim financial report does not constitute the company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30th June, 2002 are available from the company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24th October, 2002.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2002 annual financial statements.

The same accounting policies adopted in the 2002 annual financial statements have been applied to the interim financial report except for the adoption of the following SSAPs which are effective for accounting periods commencing on or after 1st January, 2002:

(1) SSAP 1 (revised) “Presentation of financial statements”

The consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity. Comparative figures for the consolidated statement of changes in equity have been prepared accordingly.

(2) SSAP 15 (revised) “Cash flow statements”

The format of the cash flow statement has been reclassified into operating, investing and financing activities. Comparative figures for the consolidated cash flow statement have been adjusted accordingly.

2. Turnover and Segment information

The principal activities of the company and the group are property development and investment.

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group's internal financial reporting.

(a) Business segments

For the six months ended 31st December, 2002

	Property investment and development \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	41,970	-	-	41,970
Interest income	-	20,653	-	20,653
Other income	-	3,876	626	4,502
Total revenue	<u>41,970</u>	<u>24,529</u>	<u>626</u>	<u>67,125</u>
Segment results	39,943	24,529		64,472
Unallocated	-	-		<u>(21,739)</u>
Operating profit				42,733
Share of results of jointly controlled entities	42,364	-		42,364
Taxation				<u>(3,351)</u>
Profit attributable to shareholders				<u>81,746</u>
Depreciation for the period	38	-	520	<u>558</u>

For the six months ended 31st December, 2001

	Property investment and development \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	35,553	-	-	35,553
Interest income	-	32,868	-	32,868
Other income	-	1,275	1,046	2,321
Total revenue	<u>35,553</u>	<u>34,143</u>	<u>1,046</u>	<u>70,742</u>
Segment results	34,300	34,143		68,443
Unallocated	-	-		<u>(7,562)</u>
Operating profit				60,881
Share of results of jointly controlled entities	139,727	-		139,727
Taxation				<u>(20,763)</u>
Profit attributable to shareholders				<u>179,845</u>
Depreciation for the period	34	-	556	<u>590</u>

(b) Geographical segments

	Group turnover Six months ended 31st December,		Operating profit Six months ended 31st December,	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Geographical location of operations				
Hong Kong	20,918	18,705	22,573	44,226
United Kingdom	<u>21,052</u>	<u>16,848</u>	<u>20,160</u>	<u>16,655</u>
	<u>41,970</u>	<u>35,553</u>	<u>42,733</u>	<u>60,881</u>

3. Other income

	Six months ended 31st December,	
	2002	2001
	\$'000	\$'000
Other revenue:		
Dividend income from other investments	145	25
Management fee	248	248
Sundry income	378	798
Other net income/(losses):		
Exchange gains	4,070	456
Net unrealised (losses)/gains on other investments at fair value	(339)	565
Gain on disposal of other investments	-	229
	<u>4,502</u>	<u>2,321</u>

4. Operating profit

	Six months ended 31st December,	
	2002	2001
	\$'000	\$'000
Operating profit is arrived at after charging:		
Property expenses	<u>1,823</u>	<u>1,151</u>

5. Taxation

	Six months ended 31st December,	
	2002	2001
	\$'000	\$'000
Hong Kong taxation	-	-
Overseas taxation	<u>1,729</u>	<u>747</u>
	1,729	747
Share of jointly controlled entities' taxation	<u>1,622</u>	<u>20,016</u>
	<u>3,351</u>	<u>20,763</u>

The provision for Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the six months ended 31st December, 2002. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

6. Dividends

(a) Dividends attributable to the interim period:

	Six months ended	
	31st December,	
	2002	2001
	\$'000	\$'000
Interim dividend declared after the interim period end of \$0.10 per share (2001: \$0.10)	4,561	4,578
Special dividend declared with interim dividend after the interim period end of \$0.40 per share (2001: \$0.50)	18,246	22,888
	<u>22,807</u>	<u>27,466</u>

The interim dividends declared after the interim period end have not been recognised as liabilities at the interim period end date.

(b) Dividends attributable to the previous financial years, declared/approved during the interim period:

	Six months ended	
	31st December,	
	2002	2001
	\$'000	\$'000
Second interim dividend declared in respect of previous financial year of \$Nil per share (at 30th June, 2002: \$0.40 per share)	-	18,348
Second special interim dividend declared in respect of previous financial years of \$18.00 per share (at 30th June, 2002: \$Nil per share)	823,335	-
Final dividend approved in respect of previous financial year of \$0.10 per share (at 30th June, 2002: \$0.10 per share)	4,574	4,584
Special dividend approved with final dividend in respect of previous financial year of \$0.90 per share (at 30th June, 2002: \$1.80 per share)	41,167	82,510
	<u>869,076</u>	<u>105,442</u>

7. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of \$81,746,000 (2001: \$179,845,000) and the weighted average of 45,716,924 ordinary shares (2001: 45,838,936 shares) in issue during the period.

8. Fixed assets

During the period, the Group, through a wholly owned subsidiary, acquired certain properties in Hong Kong for investment purposes for a consideration of \$96,000,000.

In addition, the Group, through a wholly owned subsidiary, purchased from a third party a freehold property in London for investment purposes for a consideration of GBP7,670,000.

9. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors with the following ageing analysis:

	At 31st December, 2002 \$'000	At 30th June, 2002 \$'000
Current	374	167
1-3 months overdue	52	50
More than 3 months but less than 12 months	-	1
Total trade debtors	<u>426</u>	<u>218</u>
Deposits, prepayment and other receivables	<u>3,312</u>	<u>3,563</u>
	<u>3,738</u>	<u>3,781</u>

A defined credit policy is maintained within the Group.

An amount of \$898,000 (at 30th June, 2002: \$662,000) included in debtors, deposits and prepayments under current assets is expected to be recovered after more than one year.

10. Creditors and accruals

Included in creditors and accruals are trade creditors with the following ageing analysis:

	At 31st December, 2002 \$'000	At 30th June, 2002 \$'000
Due after 3 months	<u>706</u>	<u>706</u>
Total trade creditors	<u>706</u>	<u>706</u>
Other payables	<u>35,945</u>	<u>46,344</u>
	<u>36,651</u>	<u>47,050</u>

An amount of \$1,828,000 (at 30th June, 2002: \$9,559,000) included in creditors and accruals under current liabilities is expected to be settled after more than one year.

11. Share capital

Issued and fully paid:
(of HK\$2 each)

	No. of shares ('000)	@HK\$2 \$'000
At 1st July, 2002	45,741	91,482
Shares repurchased and cancelled	(110)	(219)
At 31st December, 2002	<u>45,631</u>	<u>91,263</u>

During the period, 109,600 shares were repurchased from the market and cancelled by the company at a total consideration of \$5,694,201.

12. Contingent liabilities

At 31st December, 2002, there were potential contingent liabilities in respect of third party claims for which a provision of \$36 million (at 30th June, 2002: \$42 million) has been included in contingency reserves.

13. Capital commitments

The Board of a subsidiary has given formal approval to develop the site at 3 Jordan Road. An amount of \$48,000,000 representing the total estimated development costs has been authorised of which approximately \$5,870,000 has been incurred and approximately \$2,727,000 has been contracted for at the balance sheet date.

In addition, the Board has given formal in principle approval to develop the site at the Chai Wan Bus Depot by means of a 50:50 joint venture. An amount of \$1,065,000,000, representing 50% of the total estimated development costs, has been authorised for the purpose of the development of the site.

14. Comparative figures

Certain comparative figures have been adjusted as a result of changes in accounting policy as set out in Note 1(a)(2).