

## **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 18.

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, 2003 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, 2003 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 10th October, 2003.

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 2003 annual financial statements.

The same accounting policies adopted in the 2003 annual financial statements have been applied to the interim financial report except for the adoption of the following SSAP which is effective for accounting periods commencing on or after 1st July, 2003:

#### (1) SSAP 12 (revised) “Income taxes”

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

With effect from 1st July, 2003, in order to comply with SSAP 12 (revised) issued by the Hong Kong Society of Accountants, the Group adopted a new accounting policy for deferred tax. A balance sheet method was used to recognise deferred tax in respect of all temporary differences between the carrying amounts of assets and liabilities in

the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. As a result of the adoption of this accounting policy, the Group's profit for the six months ended 31st December, 2003 has been decreased by HK\$2.04 million (31st December, 2002: HK\$4.18 million) and the net assets as at 31st December, 2003 have been decreased by HK\$23.14 million (31st December, 2002: HK\$15.58 million).

The new accounting policy has been adopted retrospectively, with the opening balances of retained profits and reserves and the comparative information adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity.

## 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, 2003

	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	45,676	–	–	45,676
Interest income	–	7,930	–	7,930
Other income	–	1,883	619	2,502
Total revenue	<u>45,676</u>	<u>9,813</u>	<u>619</u>	<u>56,108</u>
Segment results	44,167	9,813	–	53,980
Unallocated	–	–	–	(8,160)
Operating profit				45,820
Share of results of jointly controlled entities	49,315	–	–	49,315
Taxation				<u>(10,910)</u>
Profit attributable to shareholders				<u>84,225</u>
Depreciation for the period	36	–	490	<u>526</u>

**For the six months ended 31st December, 2002 (restated)**

	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	41,970	–	–	41,970
Interest income	–	20,653	–	20,653
Other income	–	<u>3,876</u>	<u>626</u>	<u>4,502</u>
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>(7,528)</u>
Profit attributable to shareholders				<u>77,569</u>
Depreciation for the period	38	–	520	<u>558</u>

(b) Geographical segments

Geographical location of operations	Group turnover Six months ended 31st December,		Operating profit Six months ended 31st December,	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Hong Kong	<b>20,880</b>	20,918	<b>19,194</b>	22,573
United Kingdom	<u><b>24,796</b></u>	<u>21,052</u>	<u><b>26,626</b></u>	<u>20,160</u>
	<u><b>45,676</b></u>	<u>41,970</u>	<u><b>45,820</b></u>	<u>42,733</u>

In addition, the turnover of the jointly controlled entities attributable to the Group for the period amounted to \$130,583,000 (2002: \$63,869,000).

### 3. Finance income

	<b>Six months ended 31st December,</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income	<b>7,930</b>	20,653
Dividend income from other investments	<b>99</b>	145
Exchange (losses)/gains	<b>(100)</b>	4,070
Net unrealised gains/(losses) on other investments at fair value	<b>1,384</b>	(339)
Gain on disposal of other investments	<b>500</b>	—
	<b><u>9,813</u></b>	<b><u>24,529</u></b>

### 4. Other income

	<b>Six months ended 31st December,</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Management fee	<b>248</b>	248
Profit on disposal of spare parts	<b>68</b>	—
Sundry income	<b>303</b>	378
	<b><u>619</u></b>	<b><u>626</u></b>

### 5. Operating profit

	<b>Six months ended 31st December,</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating profit is arrived at after charging:		
Property expenses	<b><u>1,329</u></b>	<b><u>1,823</u></b>

## 6. Taxation

	<b>Six months ended</b>	
	<b>31st December,</b>	
	<b>2003</b>	<b>2002</b>
	<b>(restated)</b>	
	<b>\$'000</b>	<b>\$'000</b>
<b>Current tax</b>		
Hong Kong Profits tax	<b>1,982</b>	–
Overseas taxation	<b>2,313</b>	1,729
	<u><b>4,295</b></u>	<u>1,729</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	<b>907</b>	3,988
	<u><b>907</b></u>	<u>3,988</u>
Share of jointly controlled entities' taxation	<b>5,708</b>	1,811
	<u><b>10,910</b></u>	<u>7,528</u>

In March 2003, the Hong Kong Government announced an increase in the Profits Tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%. Accordingly, the provision for Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the six months ended 31st December, 2003. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

## 7. Dividends

(a) Dividends attributable to the interim period:

	<b>Six months ended 31st December,</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Interim dividend declared after the interim period end of \$0.10 per share (2002: \$0.10)	<b>4,559</b>	4,561
Special dividend declared with interim dividend after the interim period end of \$0.40 per share (2002: \$0.40)	<b><u>18,238</u></b>	<u>18,246</u>
	<b><u>22,797</u></b>	<u>22,807</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:

	<b>Six months ended 31st December,</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Second interim dividend declared in respect of previous financial year of \$0.30 per share (at 30th June, 2003: \$Nil per share)	<b>13,678</b>	–
Second special interim dividend declared in respect of previous financial years of \$Nil per share (at 30th June, 2003: \$18 per share)	–	823,242
Final dividend approved in respect of previous financial year of \$0.10 per share (at 30th June, 2003: \$0.10 per share)	<b>4,559</b>	4,567
Special dividend approved with final dividend in respect of previous financial year of \$1.10 per share (at 30th June, 2003: \$0.90 per share)	<b><u>50,154</u></b>	<u>41,103</u>
	<b><u>68,391</u></b>	<u>868,912</u>

## 8. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of \$84,225,000 (2002: \$77,569,000 (restated)) and the weighted average of 45,594,656 ordinary shares (2002: 45,716,924 shares) in issue during the period.

## 9. Debtors, deposits and prepayments

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

	<b>At 31st December, 2003 \$'000</b>	<b>At 30th June, 2003 \$'000</b>
Current	<b>318</b>	335
1-3 months overdue	<b>47</b>	36
More than 3 months but less than 12 months	<b>9</b>	–
Total trade debtors	<b>374</b>	371
Deposits, prepayment and other receivables	<b>1,783</b>	2,297
	<b>2,157</b>	2,668

A defined credit policy is maintained within the Group.

An amount of \$901,000 (at 30th June, 2003: \$903,000) 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:

	<b>At 31st December, 2003 \$'000</b>	<b>At 30th June, 2003 \$'000</b>
Due after 3 months	<b>201</b>	201
Total trade creditors	<b>201</b>	201
Other payables	<b>37,800</b>	35,779
	<b>38,001</b>	35,980

An amount of \$1,820,000 (at 30th June, 2003: \$2,654,000) 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)

	<b>At 31st December, 2003 \$'000</b>	<b>At 30th June, 2003 \$'000</b>
45,594,656 shares of HK\$2 each	<u><b>91,189</b></u>	<u><b>91,189</b></u>

## 12. Reserves

	Capital redemption reserve \$'000	Investment properties revaluation reserve \$'000	Other properties revaluation reserve \$'000	General reserve \$'000	Retained profits \$'000	Total \$'000
At 1st July, 2003						
- as previously reported	1,348	-	6,010	260,000	2,806,284	3,073,642
- prior period adjustments in respect of deferred tax	-	-	-	-	(21,096)	(21,096)
- as restated	1,348	-	6,010	260,000	2,785,188	3,052,546
Dividends declared/approved and paid in respect of the previous financial year	-	-	-	-	(68,391)	(68,391)
Exchange differences	-	-	-	-	58,253	58,253
Realisation of other properties revaluation reserve	-	-	(5)	-	5	-
Net gains and losses not recognised in the profit and loss account	-	-	(5)	-	58,258	58,253
Profit for the period	-	-	-	-	84,225	84,225
At 31st December, 2003	<u><u>1,348</u></u>	<u><u>-</u></u>	<u><u>6,005</u></u>	<u><u>260,000</u></u>	<u><u>2,859,280</u></u>	<u><u>3,126,633</u></u>

## 13. Contingent liabilities

At 31st December, 2003, there were potential contingent liabilities in respect of third party claims for which a provision of \$10,650,000 (at 30th June, 2003: \$10,700,000) has been included in contingency reserves.



#### **14. Capital commitments**

The Company has capital commitments outstanding at 31st December, 2003 amounting to \$3.93 million (at 30th June, 2003: \$Nil).

A subsidiary has capital commitments outstanding at 31st December, 2003 contracted for amounting to \$25.19 million (at 30th June, 2003: \$34.87 million).

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.

#### **15. Material related party transactions**

Interest in jointly controlled entities includes loans to the jointly controlled entities at 31st December, 2003 amounting to HK\$777,407,000 which are unsecured, interest-free and have no fixed terms of repayment.

#### **16. Comparative figures**

Certain comparative figures have been adjusted as a result of change in accounting policy as set out in Note 1(a)(1) and reclassified to conform with the current period's presentation.