

Notes to the Condensed Financial Statements

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

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

In the opinion of the directors, 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, 2003.

3. SEGMENT INFORMATION

Geographical Segments

The operations of the Group are currently located in New Zealand, Australia, Greater China other than Hong Kong (the "PRC") and Hong Kong. The corresponding geographical location of the Group's assets are the basis on which the Group reports its primary segment information.

	Half year ended 30th June, 2004						Consolidated HK\$'000
	New Zealand HK\$'000	Australia HK\$'000	PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Eliminations HK\$'000	
Turnover	103,272	11,903	2,432	67,294	-	-	184,901
SEGMENT PROFIT (LOSS)	93,991	(8,574)	(3,361)	58,092	(436)	-	139,712
Interest income							45,100
Unallocated corporate expenses							(19,350)
PROFIT FROM OPERATIONS							165,462

	Half year ended 30th June, 2003						Consolidated HK\$'000
	New Zealand HK\$'000	Australia HK\$'000	PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Eliminations HK\$'000	
Turnover	65,529	77,874	9,590	115,054	-	-	268,047
Inter-segment sales*	-	-	-	335	-	(335)	-
Total	65,529	77,874	9,590	115,389	-	(335)	268,047
SEGMENT PROFIT (LOSS)	44,207	64,954	(3,855)	66,227	(346)	-	171,187
Interest income							14,231
Unallocated corporate expenses							(15,405)
PROFIT FROM OPERATIONS							170,013

* Inter-segment sales are charged at prevailing market rates.

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3. SEGMENT INFORMATION (continued)

Business Segments

The Group is currently organised into four operating divisions – property investment, garment manufacturing and trading, investment and property development.

	Half year ended 30th June, 2004						
	Property investment	Garment manufacturing and trading	Investment	Property development	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	114,728	34,545	1,607	33,291	730	–	184,901
Inter-segment sales*	986	137	48	–	–	(1,171)	–
Total	115,714	34,682	1,655	33,291	730	(1,171)	184,901
SEGMENT PROFIT (LOSS)	103,303	23,737	6,599	7,467	(1,394)	–	139,712
Interest income							45,100
Unallocated corporate expenses							(19,350)
PROFIT FROM OPERATIONS							165,462
	Half year ended 30th June, 2003						
	Property investment	Garment manufacturing and trading	Investment	Property development	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	186,454	71,805	1,565	7,555	668	–	268,047
Inter-segment sales*	2,116	–	48	–	7,947	(10,111)	–
Total	188,570	71,805	1,613	7,555	8,615	(10,111)	268,047
SEGMENT PROFIT (LOSS)	167,230	12,854	5,476	(5,721)	(8,652)	–	171,187
Interest income							14,231
Unallocated corporate expenses							(15,405)
PROFIT FROM OPERATIONS							170,013

* Inter-segment sales are charged at prevailing market rates.

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4. CHANGES IN INVENTORIES AND PROPERTIES HELD FOR SALE

	Half year ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Changes in inventories of manufactured finished goods and work-in-progress	1,334	2,354
Raw materials and consumables used	(9,015)	(18,759)
Purchase of goods held for resale	–	(20,571)
Changes in inventories of properties for sale	219,705	18,144
Costs incurred on properties under development for sale	(240,251)	(24,982)
	(28,227)	(43,814)

5. PROFIT FROM OPERATIONS

	Half year ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Dividend income from listed investments	(1,124)	(1,086)
Interest income	(45,100)	(14,231)
(Gain) loss on sale of investment properties	(23,960)	301
Gain on disposal of property, plant and equipment	(24)	–
Gain on sale of investments	(533)	–

6. TAXATION

	Half year ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	(100)	1,939
Income tax outside Hong Kong	550	598
	450	2,537
Deferred taxation	152	1,626
	602	4,163

Hong Kong Profits Tax is calculated at 17.5% (half year ended 30th June, 2003: 17.5%) on the estimated assessable profits for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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7. DIVIDEND

	Half year ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Interim – HK4 cents (2003: HK4 cents) per share	20,453	20,450

On 12th May, 2004, a dividend of HK6 cents (2003: Nil) per share amount to HK\$30,679,000 (2003: Nil) was paid to the shareholders as the final dividend for 2003.

The directors have determined that an interim dividend for 2004 of HK4 cents (2003: HK4 cents) per share be paid to the shareholders of the Company whose names appear in the Register of Members on 30th September, 2004.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	Half year ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	66,471	59,492

	Number of shares	
	2004	2003
Weighted average number of ordinary shares for the purposes of basic earnings per share	511,269,336	511,246,868
Effect of dilutive potential ordinary shares		
Options	7,574,468	N/A
Warrants	36,410,792	N/A
Weighted average number of ordinary shares for the purposes of diluted earnings per share	555,254,596	511,246,868

No diluted earnings per share for 2003 had been presented because the exercise prices of the Company's options and warrants were higher than the average market price of the Company's shares during the half year ended 30th June, 2003.

The computation of diluted earnings per share in 2003 did not assume the conversion of the preference convertible promissory notes of a subsidiary of the Company since their exercise would result in an increase in the net profit per share.

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9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired investment properties at a cost of HK\$43,813,000 and disposed of investment properties with carrying value of HK\$346,714,000 for total consideration of HK\$360,529,000. In addition, there was an exchange realignment of HK\$63,590,000 contributed to a decrease in the carrying value of investment properties brought forward from 1st January, 2004.

In the opinion of the directors, there is no material difference between the carrying amount and the market value of investment properties at 30th June, 2004.

During the period, the Group acquired property, plant and equipment at a cost of HK\$19,235,000 and there was an exchange realignment of HK\$3,601,000 contributed to a decrease in carrying value of property, plant and equipment brought forward from 1st January, 2004.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 2.5 months to its trade customers.

Included in debtors, deposits and prepayments are trade debtors of HK\$13,706,000 (31st December, 2003: HK\$36,081,000), an aged analysis of which at the reporting date is as follows:

	30th June, 2004	31st December, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 60 days	10,121	17,588
61 to 90 days	1,172	15,899
91 to 365 days	699	972
Over 365 days	1,714	1,622
	13,706	36,081

11. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors of HK\$32,632,000 (31st December, 2003: HK\$50,942,000), an aged analysis of which at the reporting date is as follows:

	30th June, 2004	31st December, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 60 days	28,214	31,256
61 to 90 days	260	15,087
91 to 365 days	13	573
Over 365 days	4,145	4,026
	32,632	50,942

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12. BORROWINGS

During the period, the Group repaid bank loans amounting to HK\$1,978,826,000 and obtained new bank loans in the amount of HK\$2,198,154,000. In addition, there was an exchange realignment of HK\$60,014,000 contributed to a decrease in carrying value of borrowings brought forward from 1st January, 2004. The new loans bear interest at market rates and are repayable by instalments up to respective maturity period. The proceeds were used to finance the construction costs of properties under development and for working capital purpose.

13. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary share of HK\$0.1 each issued and fully paid		
At 1st January, 2004	511,246,868	51,125
Exercise of warrants	71,739	7
At 30th June, 2004	511,318,607	51,132

14. COMMITMENTS

At the reporting date, the Group had capital commitments not provided for in the condensed financial statements in respect of expenditure to be incurred on properties as follows:

	30th June, 2004 <i>HK\$'000</i>	31st December, 2003 <i>HK\$'000</i>
Authorised but not contracted for		
Hong Kong	73,380	73,380
PRC	361,000	438,000
New Zealand and Australia	84,524	–
	518,904	511,380
Contracted for but not provided for in the financial statements		
Hong Kong	247,449	281,558
PRC	68,400	3,000
New Zealand and Australia	14,697	2,083
	330,546	286,641

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15. CONTINGENT LIABILITIES

At 30th June, 2004, the Group acted as guarantor for the repayment of the bank loans granted to purchasers of the Group's properties under development for sale amounting to Nil (31st December, 2003: HK\$1,128,000). The guarantee at 31st December, 2003 had been released upon completion of the construction of the properties and the relevant property ownership certificate being issued by the relevant authority.

In addition, the Group has given guarantees to purchasers of the disposed investment properties that, for a maximum period of 36 months from the date of disposal of the properties, certain areas of the properties will receive an agreed minimum monthly rent until leased. Based on management's best estimation, a provision of HK\$32,383,000 (31st December, 2003: HK\$44,139,000) had been made at 30th June, 2004.

16. PLEDGE OF ASSETS

At the reporting date, the Group had the following mortgages and/or pledge over its assets to secure banking facilities and other bank loans granted to the Group:

- a. Fixed and floating charges on investment properties with an aggregate book value of HK\$3,282,483,000 (31st December, 2003: HK\$3,644,483,000).
- b. Properties for sale with an aggregate book value of HK\$729,860,000 (31st December, 2003: HK\$529,213,000).
- c. Properties under development held for investment with an aggregate book value of HK\$106,015,000 (31st December, 2003: HK\$106,015,000).
- d. Bank deposits of HK\$683,445,000 (31st December, 2003: HK\$69,655,000).
- e. Listed shares of a subsidiary with assets principally comprised of investment properties including in (a) above.
- f. Unlisted shares of certain subsidiaries with assets principally comprised of investment properties and properties under development held for investment including in (a) and (c) above.

17. POST BALANCE SHEET EVENTS

- a. The Group has entered into a sale and purchase agreement with certain independent third parties to acquire certain properties located at Leighton Road, Hong Kong at a consideration of HK\$239.5 million. The transaction has been completed in July 2004.
- b. The Group has entered into a new agreement among the minority shareholders of a subsidiary in which it has effectively disposed of 33.95% of its interests in that subsidiary for HK\$56.9 million and retaining its remaining 26.05% interests as long term investment. Completion of this transaction will depend on the fulfillment of certain conditions and expected to be taken place in the 3rd quarter of 2004. Details of this transaction are set out in the circular of the Company dated 11th June, 2004.

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17. POST BALANCE SHEET EVENTS *(continued)*

- c. The Group has entered into a sale and purchase agreement with an independent third party to dispose of the Group's investment properties located at 1-7 The Strand Building and two adjoining sites in Takapuna, Auckland, New Zealand with a carrying value as at 31st December, 2003 of NZ\$30.0 million, equivalent to approximately HK\$146.5 million, at a consideration of NZ\$30.0 million, equivalent to approximately HK\$146.5 million. Completion of this transaction is expected to be taken place in September 2004. Details of this transaction are set out in the circular of the Company dated 7th July, 2004.
- d. The Group has entered into a sale and purchase agreement with an independent third party to acquire investment properties located at 132 Halsey Street, Auckland, New Zealand at a consideration of NZ\$9.5 million, equivalent to approximately HK\$48.0 million. The transaction has been completed in August 2004. Details of this transaction are set out in the circular of the Company dated 29th July, 2004.
- e. The Group has entered into a sale and purchase agreement with an independent third party to dispose of the Group's investment properties located at Customs Street East, Penrose, Auckland, New Zealand known as the Citibank Centre with a carrying value as at 31st December, 2003 of NZ\$27.1 million, equivalent to approximately HK\$134.3 million, at a consideration of NZ\$30.5 million, equivalent to approximately HK\$151.1 million. The transaction has been completed in August 2004. Details of this transaction are set out in the circular of the Company dated 17th August, 2004.
- f. The Group has entered into a sale and purchase agreement with an independent third party to dispose of the Group's investment properties located at 34 Shortland Street, Auckland, New Zealand known as Auckland Club Tower with a carrying value as at 31st December, 2003 of NZ\$22.0 million, equivalent to approximately HK\$109.2 million, at a consideration of NZ\$23.3 million, equivalent to approximately HK\$115.5 million. Completion of this transaction is expected to be taken place in September 2004. Details of this transaction are set out in the circular of the Company dated 25th August, 2004.
- g. The Group has entered into a conditional sale and purchase agreement with an independent third party to dispose of the Group's investment properties located at central Auckland known as the Finance Centre Complex. Completion of this transaction will depend on the fulfillment of certain conditions. Details of this transaction are set out in the announcement of the Company dated 24th August, 2004.