

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 Institute of Certified Public Accountants (“HKICPA”). 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 HKICPA.

The financial information relating to the financial year ended 30th June, 2004 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, 2004 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 8th October, 2004.

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 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of the interim financial report are consistent with those used in the annual financial statements for the year ended 30th June, 2004.

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, 2004

	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	33,330	–	–	33,330
Finance income	–	16,399	–	16,399
Other income	–	–	555	555
Total revenue	<u>33,330</u>	<u>16,399</u>	<u>555</u>	<u>50,284</u>
Segment results	31,341	16,399	–	47,740
Unallocated	–	–	–	(7,759)
Operating profit				39,981
Share of results of jointly controlled entities	24,357	–	–	24,357
Write-back of revaluation deficits of investment properties	77,400	–	–	77,400
Taxation				(6,775)
Profit after taxation attributable to shareholders				<u>134,963</u>
Depreciation for the period	(50)	–	(449)	<u>(499)</u>

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
Finance income	–	9,813	–	9,813
Other income	–	–	619	619
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				(10,910)
Profit after taxation attributable to shareholders				<u>84,225</u>
Depreciation for the period	(36)	–	(490)	<u>(526)</u>

(b) Geographical segments

Geographical location of operations	Group turnover		Operating profit	
	Six months ended		Six months ended	
	31st December,		31st December,	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Hong Kong	5,542	20,880	8,829	19,194
United Kingdom	<u>27,788</u>	<u>24,796</u>	<u>31,152</u>	<u>26,626</u>
	<u>33,330</u>	<u>45,676</u>	<u>39,981</u>	<u>45,820</u>

In addition, the turnover of the jointly controlled entities attributable to the Group for the period amounted to \$41,149,000 (2003: \$130,583,000).

3. Finance income

	Six months ended	
	31st December,	
	2004	2003
	\$'000	\$'000
Interest income	11,813	7,930
Dividend income from other investments	151	99
Exchange gains/(losses)	3,110	(100)
Net unrealised gains on other investments at fair value	1,325	1,384
Gain on disposal of other investments	<u>—</u>	<u>500</u>
	<u>16,399</u>	<u>9,813</u>

4. Other income

	Six months ended	
	31st December,	
	2004	2003
	\$'000	\$'000
Management fee	248	248
Profit on disposal of spare parts	8	68
Sundry income	<u>299</u>	<u>303</u>
	<u>555</u>	<u>619</u>

5. Operating profit

	Six months ended 31st December,	
	2004	2003
	\$'000	\$'000
Operating profit is arrived at after charging:		
Property expenses	<u>1,698</u>	<u>1,329</u>

6. Taxation

	Six months ended 31st December,	
	2004	2003
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Tax for the period	46	1,982
Underprovision in respect of prior years	<u>366</u>	<u>—</u>
	<u>412</u>	<u>1,982</u>
Current tax - Overseas		
Tax for the period	2,187	1,993
Underprovision in respect of prior years	<u>104</u>	<u>320</u>
	<u>2,291</u>	<u>2,313</u>
Deferred taxation		
Origination and reversal of temporary differences	<u>676</u>	<u>907</u>
Share of jointly controlled entities' taxation	<u>3,396</u>	<u>5,708</u>
	<u>6,775</u>	<u>10,910</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the six months ended 31st December, 2004. 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:

	Six months ended	
	31st December,	
	2004	2003
	\$'000	\$'000
Interim dividend declared after the interim period end of \$0.10 per share (2003: \$0.10)	4,559	4,559
Special dividend declared with interim dividend after the interim period end of \$0.50 per share (2003: \$0.40)	<u>22,798</u>	<u>18,238</u>
	<u>27,357</u>	<u>22,797</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,	
	2004	2003
	\$'000	\$'000
Second interim dividend declared in respect of previous financial year of \$0.30 per share (at 30th June, 2004: \$0.30 per share)	13,678	13,678
Final dividend approved in respect of previous financial year of \$0.10 per share (at 30th June, 2004: \$0.10 per share)	4,559	4,559
Special dividend approved with final dividend in respect of previous financial year of \$1.80 per share (at 30th June, 2004: \$1.10 per share)	<u>82,071</u>	<u>50,154</u>
	<u>100,308</u>	<u>68,391</u>

8. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of \$134,963,000 (2003: \$84,225,000) and the weighted average of 45,594,656 ordinary shares (2003: 45,594,656 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:

	At 31st December, 2004 \$'000	At 30th June, 2004 \$'000
Current	338	180
1-3 months overdue	47	6
More than 3 months but less than 12 months	<u>9</u>	<u>–</u>
Total trade debtors	394	186
Deposits, prepayment and other receivables	<u>2,650</u>	<u>2,235</u>
	<u>3,044</u>	<u>2,421</u>

A defined credit policy is maintained within the Group.

An amount of \$1,119,000 (at 30th June, 2004: \$1,109,000) 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, 2004 \$'000	At 30th June, 2004 \$'000
Due within 1 month	15	–
Due after 3 months	<u>201</u>	<u>201</u>
Total trade creditors	216	201
Other payables	<u>24,059</u>	<u>37,768</u>
	<u>24,275</u>	<u>37,969</u>

An amount of \$2,456,000 (at 30th June, 2004: \$1,510,000) 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)

	At 31st December, 2004	At 30th June, 2004
	\$'000	\$'000
45,594,656 shares of HK\$2 each	<u>91,189</u>	<u>91,189</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, 2004	1,348	–	5,998	270,000	2,996,741	3,274,087
Dividends declared/approved and paid in respect of the previous financial year	–	–	–	–	(100,308)	(100,308)
Exchange differences	–	–	–	–	51,132	51,132
Realisation of other properties revaluation reserve	–	–	(14)	–	14	–
Net gains and losses not recognised in the profit and loss account	–	–	(14)	–	51,146	51,132
Profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>134,963</u>	<u>134,963</u>
At 31st December, 2004	<u>1,348</u>	<u>–</u>	<u>5,984</u>	<u>270,000</u>	<u>3,082,542</u>	<u>3,359,874</u>

13. Contingent liabilities

At 31st December, 2004, there were potential contingent liabilities in respect of third party claims for which a provision of \$5,600,000 (at 30th June, 2004: \$5,600,000) has been included in contingency reserves.

14. Capital commitments

The Company has capital commitments outstanding at 31st December, 2004 amounting to \$355,000 (at 30th June, 2004: \$669,300).

A subsidiary has capital commitments outstanding at 31st December, 2004 contracted for amounting to \$5,486,000 (at 30th June, 2004: \$7,030,000).

15. Material related party transactions

Interest in jointly controlled entities includes loans to the jointly controlled entities at 31st December, 2004 amounting to \$764,557,000 which are unsecured, interest-free and have no fixed terms of repayment.

16. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.