



恒隆地產有限公司

HANG LUNG PROPERTIES LIMITED

Interim Report 2004-2005

CORPORATE INFORMATION

DIRECTORS

Ronnie C. Chan (*Chairman*)
S.S. Yin (*Vice Chairman*) *
Nelson W.L. Yuen (*Managing Director*)
Ronald J. Arculli, *JP* *
Laura L.Y. Chen *
H.K. Cheng, *GBS, OBE, JP* *
Wilfred S.L. Ho (*Executive Director*)
P.W. Liu, *SBS* *
Terry S.Y. Ng (*Executive Director*)

* *Independent Non-Executive Director*

AUDIT COMMITTEE

H.K. Cheng, *GBS, OBE, JP* (*Chairman*)
Laura L.Y. Chen
P.W. Liu, *SBS*

NOMINATION AND REMUNERATION COMMITTEE

P.W. Liu, *SBS* (*Chairman*)
Ronald J. Arculli, *JP*
Laura L.Y. Chen
H.K. Cheng, *GBS, OBE, JP*

AUTHORISED REPRESENTATIVES

Terry S.Y. Ng
Robin S.W. Ching

COMPANY SECRETARY

Robin S.W. Ching

REGISTERED OFFICE

28th Floor
Standard Chartered Bank Building
4 Des Voeux Road Central, Hong Kong
Tel : 2879 0111
Fax : 2868 6086

INTERNET ADDRESS

Website : <http://www.hanglung.com>
Email address : HLPproperties@hanglung.com

SHARE REGISTRARS

Computershare Hong Kong Investor
Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel : 2862 8628
Fax : 2529 6087

RESULTS AND DIVIDEND

In the six months ended 31 December 2004, turnover rose 355.1% to \$5,088.0 million. Net profit attributable to ordinary shareholders grew 206.5% to \$1,614.8 million. Earnings per ordinary share was 48.3 cents, 165.4% higher than the previous period. Your Board has declared an interim dividend of 13 cents per ordinary share payable on 22 April 2005 to ordinary shareholders of record on 31 March 2005. This represents an increase of 18.2% from the last period.

OPERATIONS REVIEW

The excellent set of half-year results is the continuation of a harvesting period which should last until 2007/2008, as long as residential prices hold up. It was probable that profit margins achieved were among the best in the industry which was a stated goal of management. Average sales price of The HarbourSide apartments during the period under review was 34% higher than comparable units sold in the first half of 2004.

Carmel-on-the-Hill was launched in August and over 90% of all apartments were sold. Prices achieved were higher than originally projected. The 1616-unit AquaMarine also brought in better than expected profit margins. Approximately half of the development is sold with superior facing blocks remaining.

Rents from local investment properties continued to rise. Whereas those in Hong Kong Island led the growth in the first half of 2004, facilities in Kowloon had performed better of late. Occupancy remained high at about 95%. Rental in Shanghai also grew steadily.

In January we achieved a breakthrough in mainland China. After almost two years of hard work, we landed our first project outside of Shanghai. The 4.4 hectare site is among the very best located in Tianjin. With a relatively low plot ratio of 3.2, a 140,000 square meters world-class shopping galleria will be built. Once completed in 2008/2009, it will no doubt become a landmark in that city, not unlike the malls at Plaza 66 and The Grand Gateway are to Shanghai. Management believes that Tianjin is poised for faster economic growth.

In November, we placed 370 million shares to institutional investors at \$12 per share. All were taken up within an hour and we collected about \$4.4 billion.

PROSPECT

We are relatively comfortable about Hong Kong residential prices for the coming few years. Of late mass-market products did not sell as strongly as people think, but looking two years out, a supply shortage is looming. As such we are not in a hurry to sell. Profit growth in the second half of the fiscal year will as a result not be as brisk as in the first. This is also due to the fact that in the 2003/2004 financial year, sales of properties occurred almost exclusively in the second half, thus giving a much higher base for comparison. With local rents continuing to rise and those in Shanghai holding its own, full year results, barring unforeseen circumstances, should be satisfactory.

Consideration may be made in the future to redevelop or to sell investment properties such as Burnside Estate and The Summit. That, together with the new project on Blue Pool Road in Happy Valley, should ensure that profit growth will be extended well into 2008/2009. By then, profit from the 81,000 square meters of Shanghai rental properties being built will be in full swing.

Moreover, by 2008/2009 the new Tianjin shopping center should be approaching completion. Other new and sizeable projects in the mainland which I hope to announce in the next year or two will follow soon after. Much of those commercial space will be for long term investment thus ensuring a steady and rising stream of quality rental income. Management is excited about that prospect.

Ronnie C. Chan
Chairman

Hong Kong, 3 March 2005

OVERVIEW

Having benefited from the recovery in the property market in 2004, especially in the luxury category, the Group performed strongly during the first half of the financial year. Turnover increased 355.1% to HK\$5,088.0 million for the six months ended 31 December 2004 due primarily to strong sales of the Group's residential development at favourable prices at The HarbourSide, AquaMarine and Carmel-on-the-Hill. Strong property sales together with steady growth in rental income boosted the net profit attributable to ordinary shareholders by 206.5% to HK\$1,614.8 million for the six months ended 31 December 2004.

Finance costs decreased 36.8% to HK\$85.5 million due mainly to savings from interest expenses paid upon the conversion of the Group's convertible bonds.

The Board of Directors has declared an interim dividend of 13 cents per ordinary share to be paid on 22 April 2005 to holders of ordinary shares registered as of 31 March 2005. This interim payout increased by 18.2% as compared to last year. The Register of Members will be closed from 29 March 2005 to 31 March 2005, both days inclusive, and no transfer of shares will be effected during that period. In order to qualify for the interim ordinary dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, not later than 4:00 p.m. on 24 March 2005.

PROPERTY DEVELOPMENT AND SALES

Hong Kong

The major residential developments launched in the market during the period under review included The HarbourSide at the Airport Railway Kowloon Station, Carmel-on-the-Hill in Ho Man Tin and AquaMarine in West Kowloon. These developments have been well received by the market and are selling at favourable prices. During the first six months of the financial year, a total of 47 units of The HarbourSide were sold at an average price of HK\$12,900 p.s.f.; 780 units of AquaMarine were sold at an average price of HK\$4,600 p.s.f.; and 172 units of Carmel-on-the-Hill were sold at an average price of HK\$5,100 p.s.f. Occupation permit for The Long Beach, also in West Kowloon, was issued during the period under review and the development is expected to be launched in the market in 2006.

Shanghai

The construction of Office Tower 2 at Plaza 66 on Nan Jing Xi Lu has been progressing well and is expected to be completed in 2006.

PROPERTY LEASING

Pre-tax profit on property leasing during the first half of this financial year increased by 13.3% to HK\$886.5 million. Improvement in market sentiment in Hong Kong led to a considerable increase in rental income and profits from the Group's Hong Kong properties. Combined with steady growth in the leasing activities of the two Shanghai projects, Plaza 66 and The Grand Gateway, the Group's leasing activities have been performing well during the period under review.

Hong Kong

The increase in the rental income and profits from our Hong Kong properties came mainly from the commercial, retail and office sectors, where activity has been increasing at a steady pace. Our serviced apartments have also experienced growth, principally as a result of an increase in tourists from the mainland.

Shanghai

Plaza 66 and The Grand Gateway maintained an almost full occupancy rate during the first half of the financial year, with a steady increase in average rent upon the renewal of tenancies.

FINANCE

At 31 December 2004, the Group's consolidated net bank borrowings (after deducting cash and bank deposits) totaled HK\$2,840.2 million compared to HK\$8,529.9 million at 30 June 2004. The significant decrease is mainly due to the receipt of cash from placement of the Company's shares.

On 29 November 2004, the Company placed 370 million new ordinary shares at HK\$12 per share with professional and institutional investors, raising approximately HK\$4.4 billion. The Group also issued HK\$1.5 billion floating rate notes in December 2004.

Following placement of the 370 million new ordinary shares, the market capitalization of the Group increased to HK\$44.2 billion as at 31 December 2004 compared to HK\$33.2 billion as at 30 June 2004.

OUTLOOK

The Group has won its first mainland project outside of Shanghai in January 2005. The 4.4 hectares site in the best part of Tianjin will see a world-class shopping mall of approximately 140,000 square meters. Construction is expected to be completed in 2008/09.

Our marketing strategy for property sales is to maximize profit and so will time the release of properties. We also expect our leasing activities to achieve steady growth in line with the recovery seen in the general economy.

The strengthened balance sheet with a rather low debt-to-equity ratio will enable the Group to take advantage of opportunities both in Hong Kong and in the mainland.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the accounting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2004, the directors and their associates had the following interests in the shares and underlying shares of the Company and its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Part XV of the Securities and Futures Ordinance ("SFO") or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein:

Name of Directors	<i>The Company</i>			<i>Hang Lung Group Limited</i>		
	Ordinary Shares of HK\$1.00 each	Share Options# (Note 1)	Share	Shares of HK\$1.00 each	Share Options# (Note 2)	Share
Ronnie C. Chan	–	–	5,090,000	–	–	5,090,000
S.S. Yin	–	–	–	–	–	–
Nelson W.L. Yuen	–	–	7,126,000	–	–	5,500,000
Ronald J. Arculli	724,346	0.02	–	1,089,975	0.08	–
Laura L.Y. Chen	–	–	–	–	–	–
H.K. Cheng	–	–	–	–	–	–
Wilfred S.L. Ho	–	–	3,239,000	–	–	2,638,000
P.W. Liu	–	–	–	–	–	–
Terry S.Y. Ng	–	–	3,239,000	–	–	2,638,000

* not yet exercised

Notes

1. These share options were granted to the named directors on 20 May 2004 under the Share Option Scheme of the Company at exercise price of \$9.20 per share, exercisable in 4 tranches, i.e. 25% from 20 May 2005, 25% from 20 May 2006, 25% from 20 May 2007 and 25% from 20 May 2008, all expiring on 19 May 2014.

2.

Name	No. of Option Shares	Date Granted	Exercise Price Per Share	Period during which options exercisable
Ronnie C. Chan	5,090,000	20 May 2004	\$9.45	20 May 2005 to 19 May 2014 *
Nelson W.L. Yuen	2,500,000	24 Feb. 2000	\$6.12	24 Feb. 2001 to 23 Feb. 2010
	3,000,000	20 May 2004	\$9.45	20 May 2005 to 19 May 2014 *
Wilfred S.L. Ho	1,250,000	24 Feb. 2000	\$6.12	24 Feb. 2001 to 23 Feb. 2010
	1,388,000	20 May 2004	\$9.45	20 May 2005 to 19 May 2014 *
Terry S.Y. Ng	1,250,000	1 Nov. 2001	\$5.87	1 Nov. 2002 to 31 Oct. 2011
	1,388,000	20 May 2004	\$9.45	20 May 2005 to 19 May 2014 *

* These share options were granted to the named directors under the Share Option Scheme of Hang Lung Group Limited, exercisable in 4 tranches, i.e. 25% from 20 May 2005, 25% from 20 May 2006, 25% from 20 May 2007 and 25% from 20 May 2008, all expiring on 19 May 2014.

Save as disclosed above, none of the directors of the Company or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation.

Other than as stated above, at no time during the accounting period was the Company, its holding company or any of their subsidiaries a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2004, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO are as follows:

(a) Interests in Shares

Name	No. of Ordinary Shares Held	% of Issued Capital
CHAN TAN Ching Fen	1,920,635,670 (Note 1)	52.15
Cole Limited	1,920,635,670 (Note 1)	52.15
Hang Lung Group Limited	1,892,302,570 (Note 2)	51.38
Prosperland Housing Limited	1,267,608,690 (Note 3)	34.42
Purotat Limited	354,227,500 (Note 3)	9.62
The Capital Group Companies, Inc.	292,970,866	7.95

Notes

1. These shares were the same parcel of shares held by a trust of which Ms. CHAN TAN Ching Fen was the founder. Cole Limited was deemed to be interested in the ordinary shares held by Hang Lung Group Limited and its subsidiaries, which number of ordinary shares were included in the above-mentioned number of 1,920,635,670.
2. Hang Lung Group Limited was deemed to be interested in the shareholdings of its subsidiaries, viz. 1,267,608,690 ordinary shares held by Prosperland Housing Limited, 354,227,500 ordinary shares held by Purotat Limited, and 270,466,380 ordinary shares held by other subsidiaries.
3. The 1,267,608,690 ordinary shares held by Prosperland Housing Limited and the 354,227,500 ordinary shares held by Purotat Limited were included in the above-mentioned number of 1,892,302,570 ordinary shares held by Hang Lung Group Limited.

(b) Short Positions in Shares and Underlying Shares

Save as disclosed in paragraph (a) above, no other interest required to be recorded in the register kept under Section 336 of the SFO has been notified to the Company.

The Company is committed to a high standard of corporate governance. During the six months period ended 31 December 2004, the principles of corporate governance adopted by the Company were in line with the corporate governance statement set out in our 2003/04 Annual Report which included, inter alia, the Board and the Executive Committee, Nomination and Remuneration Committee, systems of internal control and financial reporting, and code of conduct for employees of the Company.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors. It has reviewed this interim report, including the unaudited interim financial statements for the six months ended 31 December 2004 which were not required to be audited, and has recommended their adoption by the Board.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”).

COMPLIANCE WITH MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted a code of conduct regarding securities transactions by directors (“Code of Conduct”) on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules (“the Code”) and the Company has made specific enquiry of all directors that they have complied with the required standard set out in the Code and the Code of Conduct.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2004 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	2004 \$Million	2003 \$Million
Turnover	2	5,088.0	1,118.0
Other income		22.9	80.1
Direct costs and operating expenses		(2,907.0)	(328.0)
Administrative expenses		(54.7)	(43.1)
Profit from operations before finance costs		2,149.2	827.0
Finance costs	3	(85.5)	(135.3)
Operating profit	3	2,063.7	691.7
Share of results of jointly controlled entities		14.4	12.1
Profit before taxation	2(a)	2,078.1	703.8
Taxation	4	(352.7)	(119.6)
Profit after taxation		1,725.4	584.2
Minority interests		(95.4)	(33.2)
Preference dividend	5	(15.2)	(24.1)
Net profit attributable to ordinary shareholders		1,614.8	526.9
Interim dividend at 13¢ (2003: 11¢) per ordinary share		478.8	331.9
Earnings per ordinary share	6		
Basic		48.3¢	18.2¢
Diluted		48.0¢	17.9¢

The annexed notes form part of the interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2004 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	31/12/2004 \$Million	30/6/2004 \$Million
ASSETS			
Non-current assets			
Fixed assets		31,834.5	31,760.7
Interest in jointly controlled entities		438.0	441.4
Loans and investments		9.7	10.3
		32,282.2	32,212.4
Current assets			
Inventories		10,318.9	12,022.6
Trade and other receivables	7	3,881.5	1,846.3
Cash and deposits with banks		6,564.7	1,062.6
		20,765.1	14,931.5
Current liabilities			
Trade and other payables	8	2,539.1	2,182.5
Taxation		496.2	576.8
Preference dividend payable		3.1	20.1
Floating rate notes due 2004		—	540.0
		3,038.4	3,319.4
Net current assets		17,726.7	11,612.1
Total assets less current liabilities		50,008.9	43,824.5

	Note	31/12/2004 \$Million	30/6/2004 \$Million
Non-current liabilities			
Bank loans		9,404.9	9,592.5
Floating rate notes due 2009		1,500.0	—
Deferred taxation		667.1	616.7
Other long term liabilities		676.7	706.9
		12,248.7	10,916.1
Minority interests		914.2	934.7
NET ASSETS		36,846.0	31,973.7
CAPITAL AND RESERVES			
Share capital	9	4,117.6	3,863.5
Reserves	10	32,728.4	28,110.2
Shareholders' funds		36,846.0	31,973.7

The annexed notes form part of the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2004 (Unaudited)

(Expressed in Hong Kong dollars)

	2004 \$Million	2003 \$Million
Total equity at 1 July	31,973.7	24,633.0
Issue of ordinary shares	4,346.5	—
Net profit for the period	1,614.8	526.9
Final ordinary dividend in respect of previous year	(1,089.0)	(837.9)
Capital reserve realised on property disposal	—	(5.6)
Total equity at 31 December	36,846.0	24,316.4

The annexed notes form part of the interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2004 (Unaudited)

(Expressed in Hong Kong dollars)

	Note	2004 \$Million	2003 \$Million
Operating profit before changes in working capital		2,133.1	749.0
Decrease/(Increase) in inventories		1,301.9	(834.6)
Other changes in working capital		(1,220.2)	32.3
Cash generated from/(used in) operations		2,214.8	(53.3)
Hong Kong profits tax paid		(380.5)	(229.9)
Net cash generated from/(used in) operating activities		1,834.3	(283.2)
Net cash used in investing activities		(87.5)	(96.2)
Net cash generated from financing activities		3,755.3	381.0
Increase in cash and cash equivalents		5,502.1	1.6
Cash and cash equivalents at 1 July		1,062.6	1,103.8
Cash and cash equivalents at 31 December	11	6,564.7	1,105.4

The annexed notes form part of the interim financial statements.

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 30 June 2004.

2. TURNOVER AND SEGMENT INFORMATION

	Segment revenue		Segment results	
	2004 \$Million	2003 \$Million	2004 \$Million	2003 \$Million
(a) Business segment				
Property sales				
- development properties	3,906.2	—	1,294.5	—
- investment properties	—	35.2	—	7.3
	3,906.2	35.2	1,294.5	7.3
Property leasing	1,181.8	1,082.8	886.5	782.7
	5,088.0	1,118.0	2,181.0	790.0
Other income			22.9	80.1
Administrative expenses			(54.7)	(43.1)
Finance costs			(85.5)	(135.3)
Operating profit			2,063.7	691.7
Share of results of jointly controlled entities				
- property leasing			14.4	12.1
Profit before taxation			2,078.1	703.8
(b) Geographical segment				
Group				
Hong Kong	4,811.2	889.4	1,976.2	626.3
Mainland China	276.8	228.6	204.8	163.7
	5,088.0	1,118.0	2,181.0	790.0
Jointly controlled entities				
Hong Kong			14.4	12.1

3. OPERATING PROFIT

	2004 \$Million	2003 \$Million
Operating profit is arrived at after charging:		
Finance costs		
Interest on borrowings	94.2	176.5
Other ancillary borrowing costs	7.1	19.9
	101.3	196.4
Less: Borrowing costs capitalised	(15.8)	(61.1)
	85.5	135.3
Included in cost of property sales:		
Cost of inventories	2,495.7	—
Cost of investment properties	—	27.9
Staff costs, including contribution to retirement schemes of \$7.8 million (2003: \$7.9 million)	103.8	107.5
Depreciation	6.8	8.0
and after crediting:		
Interest income	22.9	3.9

4. TAXATION

Provision for Hong Kong Profits Tax and PRC Income Tax is calculated at 17.5% and 33% respectively on the estimated assessable profits for the period.

	2004 \$Million	2003 \$Million
Provision for Hong Kong Profits Tax		
Tax for the period	300.0	72.2
Share of jointly controlled entities	2.2	2.1
	302.2	74.3
Deferred taxation		
Origination and reversal of temporary differences	50.3	45.1
Share of jointly controlled entities	0.2	0.2
	50.5	45.3
	352.7	119.6

5. PREFERENCE DIVIDEND

The convertible cumulative preference shares of \$7,500 each issued in November 1993 bear dividend at 5.5% per annum on a reference amount of US\$1,000 each. The preference dividend is in respect of the six months ended 31 December 2004.

6. EARNINGS PER ORDINARY SHARE

- (a) The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of \$1,614.8 million (2003: \$526.9 million) and the weighted average number of 3,347.0 million (2003: 2,889.3 million) ordinary shares in issue during the period.
- (b) The calculation of diluted earnings per ordinary share is based on the adjusted net profit attributable to ordinary shareholders of \$1,629.9 million (2003: \$584.2 million) and the weighted average number of 3,397.2 million (2003: 3,272.7 million) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

7. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors with the following ageing analysis:

	31/12/2004 \$Million	30/6/2004 \$Million
Within 1 month	3,338.1	1,774.1
1 - 3 months	3.9	3.7
Over 3 months	3.0	3.5
	3,345.0	1,781.3

The Group maintains a defined credit policy. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

8. TRADE AND OTHER PAYABLES

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

	31/12/2004 \$Million	30/6/2004 \$Million
Within 1 month	628.7	396.9
Over 3 months	143.9	781.2
	772.6	1,178.1

9. SHARE CAPITAL

	Number of shares (‘000)	\$Million
Issued and fully paid		
<i>Ordinary shares of \$1 each</i>		
At 1 July 2004	3,299,901	3,299.9
Issue of shares (Note i)	370,000	370.0
Convertible cumulative preference shares conversion (Note ii)	13,186	13.2
At 31 December 2004	3,683,087	3,683.1
<i>Convertible cumulative preference shares of \$7,500 each</i>		
At 1 July 2004	75	563.6
Shares converted into ordinary shares	(17)	(129.1)
At 31 December 2004	58	434.5
Total at 31 December 2004		4,117.6

- (i) On 9 December 2004, 370 million ordinary shares of \$1 each were issued at a premium of \$11 per share which were fully paid in cash.
- (ii) During the period, 17,215 convertible cumulative preference shares were converted which resulted in the issue of 13,186,690 ordinary shares of the Company. As at balance sheet date, the number of outstanding convertible cumulative preference shares is 57,935 (30/6/2004: 75,150) with conversion rights to 44,378,210 (30/6/2004: 57,564,900) ordinary shares, exercisable at any time from 26 December 1993.

Share Option Scheme

At 31 December 2004, the directors and employees had the following interests in options to subscribe for ordinary shares of the Company (“Share Options”) granted at nominal consideration under the Share Option Scheme of the Company. Each Share Option gives the holder the right to subscribe for one ordinary share.

The movements of Share Options during the period are as follows:

	Number of Share Options outstanding on 1 July 2004	Number of Share Options lapsed during the period	Number of Share Options outstanding on 31 December 2004	Date granted	Period during which options are exercisable	Exercise price \$
Directors	18,694,000	—	18,694,000	20 May 2004	20 May 2005 to 19 May 2014	9.20
Employees	10,867,000	(200,000)	10,667,000	20 May 2004	20 May 2005 to 19 May 2014	9.20
Total	29,561,000	(200,000)	29,361,000			

No Share Options have been granted during the period.

10. RESERVES

	Share premium \$Million	Investment property revaluation reserves \$Million	Capital reserve on consolidation \$Million	Capital redemption reserve \$Million	Exchange reserve \$Million	Retained profits \$Million	Total \$Million
At 1 July 2004	11,520.5	6,493.3	275.3	1,559.5	13.8	8,247.8	28,110.2
Issue of ordinary shares	3,976.5	—	—	—	—	—	3,976.5
Conversion of convertible cumulative preference shares	—	—	—	115.9	—	—	115.9
Net profit for the period	—	—	—	—	—	1,614.8	1,614.8
Ordinary dividend paid	—	—	—	—	—	(1,089.0)	(1,089.0)
At 31 December 2004	15,497.0	6,493.3	275.3	1,675.4	13.8	8,773.6	32,728.4

11. NOTE TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Analysis of the balances of cash and cash equivalents

	2004 \$Million	2003 \$Million
Cash and deposits with banks	6,564.7	1,105.4

12. COMMITMENTS

Capital commitments outstanding at 31 December 2004 not provided for in the financial statements were as follows:

	31/12/2004 \$Million	30/6/2004 \$Million
Contracted for	191.6	92.6
Authorised but not contracted for	677.1	813.5
	868.7	906.1

13. RELATED PARTY TRANSACTIONS

A fellow subsidiary of the Company contributed funds as capital investment, to a subsidiary of the Company for the development of Plaza 66, a property project in Shanghai. The amount outstanding at 31 December 2004 was \$273.8 million (30/6/2004 : \$282.4 million).

FINANCIAL BRIEFS & CALENDAR

Financial Briefs	31/12/2004 HK\$ Million
Total assets	53,047.3
Shareholders' funds	36,846.0
Turnover	5,088.0
Net profit attributable to ordinary shareholders	1,614.8
Per ordinary share data	
Earnings - Basic	48.3¢
- Diluted	48.0¢
Interim dividend	13.0¢
Net assets	\$10.0
Debt-to-equity ratio*	11.8%
Number of ordinary shares outstanding (in million)	3,683.1

Financial Calendar	
Financial period	1 July 2004 to 31 December 2004
Interim results announced	3 March 2005
Latest time to lodge transfers	4:00 p.m. on 24 March 2005
Closure of ordinary share register	29 March to 31 March 2005 (both days inclusive)
Record date for interim ordinary dividend	31 March 2005
Interim ordinary dividend payable	22 April 2005

* Debt-to-equity ratio represents net debt over equity plus net debt. Net debt represents bank loans, floating rate notes and finance lease obligations, less cash and deposits with banks. Equity comprises shareholders' funds and minority interests.