1. Basis of preparation

The condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business combinations

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1 January 2001 was held in reserves. The Group has applied the relevant transitional provisions in HKFRS 3 from 1 January 2005. Goodwill previously recognised in reserves amounting to HK$13,908,000 has been transferred to the Group's retained profits on 1 January 2005. Comparative figures for 2004 have not been restated.

2. Principal accounting policies – continued

Business combinations – continued

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and negative goodwill arising on acquisitions after 1 January 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1 January 2005 (of which negative goodwill of HK$516,143,000 was previously recorded in capital reserve, HK$956,000 was previously presented as a deduction from assets and HK$47,653,000 was previously included in interests in associates), with a corresponding increase to retained profits.

Share-based payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. Prior to the application of HKFRS 2, all unvested share options of the Group were granted before 7 November 2002 and the Group did not have share options granted after 7 November 2002 and had not vested on 1 January 2005.

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

2. Principal accounting policies – continued

Financial instruments – continued

Debt and equity securities previously accounted for under the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" that are not part of the hedging relationship and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

Derivatives and hedging

By 31 December 2004, the Group's derivative financial instruments, mainly comprised interest rate and currency swaps, were used to manage the Group's exposure to interest rate and foreign exchange rate fluctuation. The notional amounts of derivatives were previously recorded off balance sheet. Interest flows arising on the derivatives were previously accounted for on an accrual basis.

2. Principal accounting policies – continued

Financial instruments – continued

Derivatives and hedging – *continued*

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

There are three types of hedge relationships under HKAS 39, including fair value hedges, cash flow hedges and net investment hedges. The Group designates certain derivatives as hedging instruments to hedge against its exposure of changes in fair value of certain assets and liabilities. For fair value hedges, changes in the fair value of the hedged items attributable to the relevant hedged risks and of the hedging instruments are recognised in the profit or loss in the period in which fair value changes arise. For cash flow hedges, changes in the fair value of the effective portion of hedging instruments are recognised initially in equity and 'recycled' into the income statement when the hedged items affect profit or loss. Changes in the fair value of the ineffective portion of hedging instruments are recognised directly in profit or loss. For net investment hedges, changes in the fair value of the effective portion of hedging instruments are recognised initially in equity. Changes in the fair value of the ineffective portion of hedging instruments are recognised directly in profit or loss. On disposal of the foreign operation, the gain or loss on the hedging instrument remaining in equity will be transferred to profit or loss for the period in which the disposal takes place.

The Group has applied the relevant transitional provisions in HKAS 39. For hedges that meet the requirements of hedge accounting set out in HKAS 39, the Group has, from 1 January 2005 onwards, applied hedge accounting in accordance with HKAS 39 to account for such hedges (see Note 3 for the financial impact).

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 January 2005. This change has had no material effect on the results for the current period.

2. **Principal accounting policies** – continued

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the SSAP 13 were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. The amount held in investment property revaluation reserve at 1 January 2005 has been transferred to the Group's retained profits (see Note 3 for the financial impact).

The adoption of HKAS 40 has resulted in a change of classification of certain properties which were previously classified as investment properties according to SSAP 13. In previous periods, property with 15% or less by area of value that was occupied by the company or another company in the group should normally be regarded as an investment property in its entirety even though part of it is not held for investment purposes. According to HKAS 40, if a portion of the properties could be sold separately (or leased out separately under a finance lease), an entity accounts for the portions separately. If the portion could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. In the current period, the Group applied HKAS 40 and has reclassified certain such owner-occupied properties that could be sold separately (or leased out separately under a finance lease) from investment properties to property, plant and equipment retrospectively. Comparative figures for 2004 have been restated (see Note 3 for the financial impact).

2. Principal accounting policies – continued

Investment properties – continued

Accordingly, the amount previously held in investment property revaluation reserve relating to these owner-occupied properties has been reclassified to the Group's asset revaluation reserve. Any difference resulting between the carrying amount and the fair value of these properties is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. The adoption of HKAS 40 has also resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of the owner-occupied properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of these assets through use.

Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Interpretation 20). In the current period, the Group has applied HKAS-Interpretation 21 ("INT-21") "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in INT-21, this change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated (see Note 3 for the financial impact).

The Group has not early applied the following new interpretation that has been issued but is not yet effective. The directors of the Company anticipate that the application of this interpretation will have no material impact on the financial statements of the Group.

HKFRS-Interpretation 4	Determining whether an Arrangement Contains a Lease

3. Summary of the effect of the changes in accounting policies

The effect of the changes in the accounting policies described in Note 2 above on the results for the current and prior period are as follows:

	Six months ended 30.6.2005 HK$'000	30.6.2004 HK$'000
Gains arising from fair value changes of investment properties	**2,799,189**	–
Gains arising from fair value changes of hedging instruments under fair value hedges	**12,054**	–
Gains arising from fair value changes of derivative financial instruments	**8,868**	–
Gains arising from fair value changes of financial liabilities, measured at fair value through profit or loss	**2,483**	–
Decrease in deferred taxation liabilities arising from reclassification from investment properties to property, plant and equipment	**173**	167
Increase in deferred taxation liabilities in relation to fair value gains of investment properties	**(453,394)**	–
Decrease in release of negative goodwill	**(1,092)**	–
Increase in depreciation arising from reclassification from investment properties to property, plant and equipment	**(989)**	(953)
Expenses in relation to share options granted to the director and employees	**(690)**	–
Increase in net profit for the period	**2,366,602**	(786)
Attributable to:		
Equity holders of the parent	**2,218,257**	(786)
Minority interests	**148,345**	–
	2,366,602	(786)

Analysis of increase (decrease) in net profit for the period by line items presented according to their function:

	Six months ended 30.6.2005 HK$'000	30.6.2004 HK$'000
Increase in fair value changes on investment properties	**2,799,189**	–
Increase in fair value changes on financial instruments	**23,405**	–
(Increase) decrease in deferred taxation liabilities	**(453,221)**	167
Increase in administrative expenses	**(1,679)**	(953)
Decrease in release of negative goodwill	**(1,092)**	–
	2,366,602	(786)

3. Summary of the effect of the changes in accounting policies – continued

The cumulative effect of the application of the new HKFRSs on the balance sheet as at 31 December 2004 and 1 January 2005 are summarised below:

	As at 31.12.2004 (originally stated) HK$'000	Adjustments HK$'000 (Note)	As at 31.12.2004 (restated) HK$'000	Adjustments HK$'000	As at 1.1.2005 (restated) HK$'000
Property, plant and equipment	68,975	230,400	299,375	–	299,375
Investment properties	28,147,190	(230,400)	27,916,790	–	27,916,790
Interests in associates	855,486	–	855,486	47,653	903,139
Derivative financial instruments	–	–	–	(33,811)	(33,811)
Negative goodwill	(956)	–	(956)	956	–
Deferred tax liabilities	(218,091)	(1,999,013)	(2,217,104)	–	(2,217,104)
Other assets/liabilities	(5,378,385)	–	(5,378,385)	–	(5,378,385)
Net assets	23,474,219	(1,999,013)	21,475,206	14,798	21,490,004
Share capital	5,249,818	–	5,249,818	–	5,249,818
Retained profits	3,984,917	(12,512)	3,972,405	8,902,706	12,875,111
Capital reserve	502,235	–	502,235	(502,235)	–
Hedging reserves	–	–	–	(32,720)	(32,720)
Investment property revaluation reserve	10,251,625	(1,898,672)	8,352,953	(8,352,953)	–
Asset revaluation reserve	20,356	62,905	83,261	–	83,261
Other reserves	2,483,664	–	2,483,664	–	2,483,664
Minority interests	–	–	–	830,870	830,870
Total equity	22,492,615	(1,848,279)	20,644,336	845,668	21,490,004
Minority interests	981,604	(150,734)	830,870	(830,870)	–
	23,474,219	(1,999,013)	21,475,206	14,798	21,490,004

Note: The amounts represent adjustments to comparative figures for 2004 arising from reclassification of certain investment properties of the Group to property, plant and equipment as a result of application of HKAS 40 and recognition of deferred taxation liabilities in respect of revalued investment properties in accordance with HKAS INT-21. These changes of accounting policies have been applied retrospectively.

4. Turnover

	Six months ended 30.6.2005 HK$'000	30.6.2004 HK$'000 (restated)
Turnover comprises:		
Gross rental income from properties	**612,452**	561,647
Other property management fee income	**202**	279
Income from property sales	**800**	–
	613,454	561,926

As the Group's turnover is derived principally from rental income and wholly in Hong Kong, no segment financial analysis is provided.

5. Reversal of impairment loss on investments in securities

The amount for prior period ended 30 June 2004 represented the reversal of the carrying amounts of the investments in securities to their estimated recoverable amounts.

6. Finance costs

	Six months ended 30.6.2005 HK$'000	30.6.2004 HK$'000
Interest on		
– bank loans, overdrafts and other loans:		
wholly repayable within five years	**17,391**	10,817
not wholly repayable within five years	**13,714**	4,494
– floating rate notes	**5,009**	3,095
– fixed rate notes	**54,417**	54,509
	90,531	72,915
Amortisation of discount on zero coupon notes	**4,080**	–
Net interest paid (received) from financial instruments:		
– due within five years	**11,238**	21,144
– due after five years	**(22,251)**	(24,057)
Amortisation of issue expenses for fixed rate notes, floating rate notes and zero coupon notes	**770**	1,015
Bank charges	**3,707**	6,133
Hedging expenses	**1,165**	1,171
Others	**1,438**	–
	90,678	78,321

7. Profit before taxation

	Six months ended 30.6.2005 HK$'000	30.6.2004 HK$'000 (restated)
Profit before taxation has been arrived at after charging (crediting) the following items:		
Staff costs	**60,553**	56,938
Retirement benefits scheme contributions	**2,561**	2,447
Forfeited contributions	**(1,885)**	(5,686)
	61,229	53,699
Depreciation	**3,489**	3,382
Exchange loss	**–**	37
Share of tax of an associate (included in share of results of associates)	**10,573**	4,618
Loss on disposal of property, plant and equipment	**3**	–
Rental income arising from operating leases less outgoings of HK$105,659,000 (1.1.2004 to 30.6.2004: HK$120,607,000)	**(506,793)**	(441,040)
Dividends from listed available-for-sale investments/investments in securities	**(18,861)**	(12,010)
Interest income	**(1,126)**	(688)

8. Taxation

	Six months ended 30.6.2005 HK$'000	30.6.2004 HK$'000 (restated)
Current tax	**38,615**	25,166
Underprovision in prior years	**–**	55,000
	38,615	80,166
Deferred tax (Note 16)		
– Changes in fair value of investment properties	**489,794**	–
– Other temporary differences	**(26,180)**	7,119
	463,614	7,119
	502,229	87,285

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both periods.

The Company received notices of additional assessment from the Inland Revenue Department disallowing the deduction claim for interest expenses in prior years. Management has reviewed the basis on which the interest expenses were disallowed, and an additional tax provision of HK$55 million was made accordingly during the last period.

9. Dividends

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	HK$'000
Interim dividend – HK10 cents per share (2004: HK10 cents)	**105,224**	104,793
Additional prior year's dividend paid on exercise of share options subsequent to 31 December 2003	**–**	80
	105,224	104,873

During the period, a dividend of HK30 cents (2003: HK26.5 cents) per share, which included scrip dividend alternatives offered to shareholders, was paid to shareholders as the final dividend for 2004. The scrip dividend alternatives were accepted by the shareholders as follows:

	HK$'000
Final dividend paid:	
Cash	277,911
Share alternative	37,078
	314,989

10. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	HK$'000
		(restated)
Earnings for the purposes of basic and diluted earnings per share (net profit for the period attributable to equity holders of the parent)	**2,562,160**	304,099
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,050,228**	1,044,241
Effect of dilutive potential ordinary shares:		
Share options	**556**	419
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,050,784**	1,044,660

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the fair value per share.

10. Earnings per share – continued

For the purpose of assessing the underlying performance of the Group, the management is of the view that the profit for the period should be adjusted for fair value changes on investment properties and related deferred taxation liabilities in arriving at "Underlying profit attributable to equity holders of the parent". The difference between the underlying profit attributable to equity holders of the parent and net profit attributable to equity holders of the parent as shown in the condensed consolidated income statement for the period is reconciled as follows:

	Six months ended 30.6.2005 HK$'000	Earnings per share (Basic) HK cents
Net profit attributable to equity holders of the parent as shown in the condensed consolidated income statement	**2,562,160**	**243.96**
Gains arising from fair value changes of investment properties	**(2,799,189)**	
Increase in deferred taxation liabilities in relation to fair value gains of investment properties	**453,394**	
Gain arising from fair value changes of investment properties net of related deferred taxation liabilities attributable to minority interests	**148,345**	
Underlying profit attributable to equity holders of the parent	**364,710**	**34.73**
Gains arising from fair value changes of hedging instruments under fair value hedges	**(12,054)**	
Gains arising from fair value changes of derivative financial instruments	**(8,868)**	
Gains arising from fair value changes of financial liabilities, measured at fair value through profit or loss	**(2,483)**	
Decrease in deferred taxation liabilities arising from reclassification from investment properties to property, plant and equipment	**(173)**	
Decrease in release of negative goodwill	**1,092**	
Increase in depreciation arising from reclassification from investment properties to property, plant and equipment	**989**	
Expenses in relation to share options granted to the director and employees	**690**	
Net profit attributable to equity holders of the parent before adoption of the new HKFRSs	**343,903**	**32.75**

10. Earnings per share – continued

	Six months ended 30.6.2004 HK$'000	Earnings per share (Basic) HK cents
Net profit attributable to equity holders of the parent as shown in the condensed consolidated income statement	304,099	29.12
Underlying profit attributable to equity holders of the parent	304,099	29.12
Increase in depreciation arising from reclassification from investment properties to property, plant and equipment	953	
Decrease in deferred taxation liabilities arising from reclassification from investment properties to property, plant and equipment	(167)	
Net profit attributable to equity holders of the parent before adoption of the new HKFRSs	304,885	29.20

11. Movements in property, plant and equipment

Following the application of HKAS 40 "Investment Properties", certain investment properties of the Group were reclassified to leasehold land and buildings and impact on the financial statements for the current and prior periods was retrospectively adjusted (see Note 3 for the financial impact).

During the period, the Group's leasehold land and buildings with carrying value of HK$30,500,000 was transferred to investment properties and additions to the Group's property, plant and equipment amounted to HK$3,145,000 (1.1.2004 to 31.12.2004: HK$3,563,000).

The Group's leasehold land and buildings classified as property, plant and equipment were revalued at 30 June 2005 by an in-house professional valuer, on market value basis. The valuation has been reviewed and endorsed by Knight Frank Hong Kong Limited, an independent professional valuer. The resulting revaluation surplus of HK$28,603,000 has been credited to the asset revaluation reserve.

12. Investment properties

	30.6.2005 HK$'000	31.12.2004 HK$'000
At 1 January, as originally stated	**28,147,190**	24,366,780
Effect on adoption of HKAS 40	**(230,400)**	(204,800)
As restated	**27,916,790**	24,161,980
Additions	**13,675**	104,527
Adjustment resulted from cost variation	**1,126**	(941)
Disposals	**(600)**	–
Reclassified from leasehold land and buildings (Note 11)	**30,500**	–
Fair value changes	**2,799,189**	3,651,224
	30,760,680	27,916,790

The carrying amount of investment properties:

	30.6.2005 HK$'000	31.12.2004 HK$'000 (restated)
Land in Hong Kong:		
– Medium term lease	**5,213,000**	4,850,000
– Long lease	**25,547,680**	23,066,790
	30,760,680	27,916,790

The investment properties of the Group were revalued at 30 June 2005 by an in-house professional valuer, on market value basis. The valuation has been reviewed and endorsed by Knight Frank Hong Kong Limited, an independent professional valuer. The surplus arising on revaluation of HK$2,799,189,000 has been credited to income statement for the period.

All of the investment properties of the Group are held for rental under operating leases.

13. Accounts receivable

Accounts receivable are mainly in respect of rents which are normally payable in advance. Rents in arrears of the Group as at 30 June 2005 and 31 December 2004 were less than 90 days old.

14. Creditors and accruals

All of the trade payables of the Group as at 30 June 2005 and 31 December 2004 were less than 90 days old.

15. Long term bank loans – due after one year

	30.6.2005	31.12.2004
	HK$'000	HK$'000
Bank loans, unsecured	**3,279,300**	3,502,100

The bank loans are repayable as follows:

More than one year, but not exceeding two years	**349,300**	–
More than two years, but not exceeding five years	**1,774,000**	1,479,300
More than five years	**1,156,000**	2,022,800
	3,279,300	3,502,100

16. Deferred taxation

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the period:

Deferred tax liabilities

	Six months ended 30.6.2005					
	Accelerated tax depreciation HK$'000	**Revaluation of properties HK$'000**	**Deferred payments HK$'000**	**Retirement benefits scheme contributions HK$'000**	**Tax losses HK$'000**	**Total HK$'000**
At 1 January, as originally stated	**224,066**	**9,070**	**–**	**(1)**	**(15,044)**	**218,091**
Effect of change in accounting policies (Note 3)	**(2,654)**	**13,344**	**–**	**–**	**–**	**10,690**
Opening adjustment on adoption of INT-21 (Note 3)	**–**	**2,081,617**	**–**	**–**	**(93,294)**	**1,988,323**
As restated	**221,412**	**2,104,031**	**–**	**(1)**	**(108,338)**	**2,217,104**
Charge (credit) to income for the period (Note 8)	**11,165**	**489,794**	**–**	**1**	**(37,346)**	**463,614**
Charge to equity for the period	**–**	**5,005**	**–**	**–**	**–**	**5,005**
At 30 June	**232,577**	**2,598,830**	**–**	**–**	**(145,684)**	**2,685,723**

	Six months ended 30.6.2004					
	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Deferred payments HK$'000	Retirement benefits scheme contributions HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January, as originally stated	184,167	6,852	152	(10)	(10,761)	180,400
Effect of change in accounting policies	(2,321)	8,530	–	–	–	6,209
Opening adjustment on adoption of INT-21	–	1,331,032	–	–	(577)	1,330,455
As restated	181,846	1,346,414	152	(10)	(11,338)	1,517,064
Charge (credit) to income for the period (Note 8)	8,060	–	(76)	2	(867)	7,119
Charge to equity for the period	–	167	–	–	–	167
At 30 June	189,906	1,346,581	76	(8)	(12,205)	1,524,350

16. **Deferred taxation** – continued

At 30 June 2005, the Group has unused estimated tax losses of HK$1,144 million (31.12.2004: HK$1,144 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$144 million (31.12.2004: HK$86 million) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses of HK$1,000 million (31.12.2004: HK$1,058 million) as the utilisation of these estimated tax losses is uncertain. These estimated tax losses may be carried forward indefinitely.

17. **Share options**

The Company has a share option scheme for its executive Directors and eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	1,350,000
Granted during the period	915,000
Outstanding at the end of the period	2,265,000

As mentioned in Note 2, the Group has, for the first time, applied HKFRS 2 "Share-based Payments" to account for its share options in the current period. In accordance with HKFRS 2, fair value of share options granted to executive Directors and eligible employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's employee share-based compensation reserve. In the current period, an amount of share option expense of HK$690,000 has been recognised, with a corresponding adjustment recognised in the Group's employee share-based compensation reserve.

In the current period, share options were granted on 30 March 2005 and 10 May 2005 to the eligible employees and the Managing Director respectively. The fair value of the options determined at the dates of grant using the Black-Scholes option pricing model (the "Model") were HK$3,659,000 and HK$1,286,000 respectively.

The closing prices of the Company's shares immediately before 30 March 2005 and 10 May 2005, the dates of grant of the options, were HK$15.35 and HK$16.40 respectively.

The following assumptions were used to calculate the fair values of share options:

	Date of grant	
	30.3.2005	**10.5.2005**
Closing share price at the date of grant	HK$15.55	HK$16.60
Exercise price	HK$15.85	HK$16.60
Expected life of options	10 years	10 years
Expected volatility	31.50%	29.81%
Expected dividend per annum	HK$0.39	HK$0.39
Risk free rate	4.428%	3.817%

17. Share options – continued

The Company has used the Model to value the share options granted during the review period. The Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

18. Capital commitments

At the balance sheet date, the Group had capital commitments in respect of the following:

	30.6.2005 HK$'000	31.12.2004 HK$'000
Contracted for but not provided in the financial statements		
– investment properties	**112,046**	8,429
– properties, plant and equipment	**651**	–
	112,697	8,429

19. Related party transactions and balances

A. Related party transactions

During the period, the Group has the following transactions with related parties:

	Notes	**Substantial shareholder**		**Directors**	
		1.1.2005 to 30.6.2005 HK$'000	1.1.2004 to 30.6.2004 HK$'000	**1.1.2005 to 30.6.2005 HK$'000**	1.1.2004 to 30.6.2004 HK$'000
Gross rental income	(a)	**2,246**	2,250	**10,611**	10,039
Construction cost for investment properties	(b)	**–**	–	**8,824**	19,981

At the balance sheet date, the Group has the following balances with related parties:

	Notes	**Substantial shareholder**		**Directors**	
		30.6.2005 HK$'000	31.12.2004 HK$'000	**30.6.2005 HK$'000**	31.12.2004 HK$'000
Construction cost payable to	(b)	**–**	–	**3,630**	2,624
Amount due to a minority shareholder	(c)	**–**	–	**94,443**	94,443

19. **Related party transactions and balances** – continued

A. **Related party transactions** – continued

Notes:

(a) The Group has, in the ordinary course of its business, entered into lease agreements with related parties to lease premises for varying periods. The leases were entered into in the normal course of business and the rentals were determined with reference to market rates.

(b) Dr. Geoffrey M.T. Yeh, the Company's Independent non-executive Director, (and his alternate, V-nee Yeh) are substantial shareholders and V-nee Yeh is also the Chairman of Hsin Chong Construction Group Ltd. whose wholly-owned subsidiary, Hsin Chong Construction (Asia) Limited ("Hsin Chong Asia"), entered into a main contract with a subsidiary of the Company relating to the renovation project of Lee Gardens Two. Such transaction was entered into on normal commercial terms and on arm's length basis.

The sum represented the sum paid, or as the case may be, outstanding balances due under the main contract with Hsin Chong Asia. To the best of the Company's knowledge having made due enquiries, substantially the whole of such contracts were sub-contracted by Hsin Chong Asia to other sub-contractors. The contract sum is not the indicative of the amount actually derived by Hsin Chong Asia under the relevant contract, in which the amount is substantially less than the relevant contract sum.

(c) The sum represents outstanding loan advanced by Jebsen and Company Limited to a non wholly-owned subsidiary of the Group, Barrowgate Limited, in proportion to its shareholding for general funding purpose. The amount is unsecured, interest free and is not repayable within one year. Hans Michael Jebsen, the Company's non-executive Director, is a director and shareholder of Jebsen and Company Limited.

B. **Key management personnel compensation**

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**8,123**	9,199
Contractual compensation for loss of office	**–**	1,508
Incentive payment on joining	**–**	488
Retirement benefits costs	**128**	127
Forfeited contributions	**–**	(2,483)
Employee share option benefits	**350**	–
	8,601	8,839