

NOTES ON UNAUDITED INTERIM FINANCIAL REPORT (Expressed in Hong Kong dollars)

1. Significant accounting policies

Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 24th March, 2006.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30th June, 2005, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 30th June, 2006. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes 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 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

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 HKICPA. KPMG’s independent review report to the board of directors is included on page 20.

The financial information relating to the financial year ended 30th June, 2005 that is included in the interim financial report as being previously reported information 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, 2005 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 14th October, 2005.

2. Changes in accounting policies

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations) that are effective for accounting periods beginning on or after 1st January, 2005. The changes in accounting policies, which have significant impacts on the Group’s interim financial report are summarised as follows:

(a) ***Investment properties (HKAS 40, Investment property, and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets)***

Changes in accounting policies relating to investment properties are as follows:

(i) Timing of recognition of movements in fair value in the profit and loss account

In prior years, movements in the fair value of the Group’s investment properties were recognised directly in the investment properties revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the profit and loss account had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the profit and loss account.

Upon adoption of HKAS 40 as from 1st July, 2005, all changes in the fair value of investment properties are recognised directly in the profit and loss account in accordance with the fair value model in HKAS 40.

This change in accounting policy has been adopted retrospectively. As a result of the adoption of this new policy, the opening balance of retained profits as of 1st July, 2005 has increased by HK\$266,522,000 (2004: HK\$Nil) to include all of the Group’s previous investment properties revaluation reserve. In addition, the Group’s profit attributable to shareholders for the six months ended 31st December, 2005 has increased by HK\$76,550,000 (2004: HK\$Nil).

There is no impact on the Group’s net assets in the balance sheets as a result of the adoption of this new policy.

(a) ***Investment properties (HKAS 40, Investment property, and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets) (continued)***

(ii) Measurement of deferred tax on movements of fair value

In prior years, the Group was required to apply the tax rate that would be applicable to the sale of investment properties to determine whether any amounts of deferred tax should be recognised on the revaluation of investment properties. As there would have been no tax payable on the disposal of the Group's investment properties, no deferred tax was provided in prior years.

As from 1st July, 2005, in accordance with HK(SIC) Interpretation 21, the Group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model. This is notwithstanding that any gain on disposal of Hong Kong investment properties would be considered to be capital in nature and not be subject to tax.

This change in accounting policy has been adopted retrospectively. As a result of the adoption of this new policy, the opening balance of retained profits as at 1st July, 2005 has reduced by HK\$92,660,000 (2004: HK\$68,076,000), deferred tax liabilities has increased by HK\$80,491,000 (2004: HK\$59,988,000), and interest in jointly controlled entities has decreased by HK\$12,169,000 (2004: HK\$8,088,000). In addition, the Group's profit attributable to shareholders for the six months ended 31st December, 2005 has decreased by HK\$7,421,000 (2004: increase by HK\$12,114,000).

(b) ***Share of profits less losses of jointly controlled entities (HKAS 1, Presentation of financial statements)***

In prior periods, the Group's share of taxation of jointly controlled entities accounted for using equity method was included as part of the Group's taxation in the consolidated profit and loss account. With effect from 1st July, 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of jointly controlled entities accounted for using equity method in the respective shares of profit or loss in the consolidated profit and loss account. These changes in presentation have been applied retrospectively with comparatives restated and have no effect on net assets in either period.

The Group's share of profits less losses of jointly controlled entities has decreased by HK\$10,604,000 (2004: HK\$3,396,000) as a result of this new presentation.

3. 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, 2005

	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	33,700	–	–	33,700
Finance income	–	18,370	–	18,370
Other income	–	–	10,560	10,560
Total revenue	<u>33,700</u>	<u>18,370</u>	<u>10,560</u>	<u>62,630</u>
Segment results	31,714	18,370	–	50,084
Unallocated	–	–	–	1,460
Operating profit	–	–	–	51,544
Share of results of jointly controlled entities	48,778	–	–	48,778
Valuation gains on investment properties	76,550	–	–	76,550
Profit before taxation	–	–	–	<u>176,872</u>

For the six months ended 31st December, 2004

	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated (restated) \$'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	19,075	–	–	19,075
Valuation gains on investment properties	77,400	–	–	77,400
Profit before taxation	–	–	–	<u>136,456</u>

(b) Geographical segments

Geographical location of operations	Group turnover		Operating profit	
	Six months ended		Six months ended	
	31st December,		31st December,	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Hong Kong	7,294	5,542	27,195	8,829
United Kingdom	<u>26,406</u>	<u>27,788</u>	<u>24,349</u>	<u>31,152</u>
	<u>33,700</u>	<u>33,330</u>	<u>51,544</u>	<u>39,981</u>

In addition, the turnover of the jointly controlled entities attributable to the Group for the period amounted to \$102,223,000 (2004: \$41,149,000).

4. Finance income

	Six months ended	
	31st December,	
	2005	2004
	\$'000	\$'000
Interest income	26,941	11,813
Dividend income from other investments	159	151
Exchange (losses)/gains	(8,507)	3,110
Net unrealised (losses)/gains on other investments at fair value	<u>(223)</u>	<u>1,325</u>
	<u>18,370</u>	<u>16,399</u>

5. Other income

	Six months ended	
	31st December,	
	2005	2004
	\$'000	\$'000
Management fee	248	248
Profit on disposal of spare parts	–	8
Recognition of deferred profits	10,001	–
Sundry income	<u>311</u>	<u>299</u>
	<u>10,560</u>	<u>555</u>

6. Operating profit

	Six months ended 31st December,	
	2005	2004
	\$'000	\$'000
Operating profit is arrived at after charging:		
Property expenses	<u>1,700</u>	<u>1,698</u>

7. Taxation

	Six months ended 31st December,	
	2005	2004
	\$'000	(restated) \$'000
Current tax - Provision for Hong Kong Profits Tax		
Tax for the period	67	46
Underprovision in respect of prior years	<u>-</u>	<u>366</u>
	<u>67</u>	<u>412</u>
Current tax - Overseas		
Tax for the period	2,467	2,187
(Over)/under-provision in respect of prior years	<u>(338)</u>	<u>104</u>
	<u>2,129</u>	<u>2,291</u>
Deferred taxation		
Origination and reversal of temporary differences		
- relating to property valuation	5,425	(14,000)
- others	<u>617</u>	<u>676</u>
	<u>6,042</u>	<u>(13,324)</u>
	<u>8,238</u>	<u>(10,621)</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the six months ended 31st December, 2005. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

Share of taxation of jointly controlled entities for the six months ended 31st December, 2005 amounting to \$10,604,000 (2004: \$5,282,000 (restated)) is included in share of results of jointly controlled entities in the consolidated profit and loss account.

8. Dividends

(a) Dividends attributable to the interim period:

	Six months ended 31st December,	
	2005	2004
	\$'000	\$'000
Interim dividend declared after the interim period end of \$0.10 per share (2004: \$0.10)	4,559	4,559
Special dividend declared with interim dividend after the interim period end of \$0.50 per share (2004: \$0.50)	22,798	22,798
	<u>27,357</u>	<u>27,357</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,	
	2005	2004
	\$'000	\$'000
Second interim dividend declared in respect of previous financial year of \$0.30 per share (at 30th June, 2005: \$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, 2005: \$0.10 per share)	4,559	4,559
Special dividend approved with final dividend in respect of previous financial year of \$1.00 per share (at 30th June, 2005: \$1.80 per share)	45,595	82,071
	<u>63,832</u>	<u>100,308</u>

9. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of \$168,634,000 (2004: \$147,077,000 (restated)) and the weighted average of 45,594,656 ordinary shares (2004: 45,594,656 shares) in issue during the period.

10. Debtors, deposits and prepayments

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

	At 31st December, 2005 \$'000	At 30th June, 2005 \$'000
Current	279	247
1-3 months overdue	<u>50</u>	<u>91</u>
Total trade debtors	329	338
Deposits, prepayment and other receivables	<u>3,841</u>	<u>3,423</u>
	<u>4,170</u>	<u>3,761</u>

A defined credit policy is maintained within the Group.

An amount of \$1,124,000 (at 30th June, 2005: \$1,121,000) included in debtors, deposits and prepayments under current assets is expected to be recovered after more than one year.

11. Creditors and accruals

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

	At 31st December, 2005 \$'000	At 30th June, 2005 \$'000
Due within 1 month	28	–
Due after 3 months	<u>201</u>	<u>201</u>
Total trade creditors	229	201
Other payables	<u>25,427</u>	<u>27,896</u>
	<u>25,656</u>	<u>28,097</u>

An amount of \$3,185,000 (at 30th June, 2005: \$2,959,000) included in creditors and accruals under current liabilities is expected to be settled after more than one year.

12. Share capital

Issued and fully paid:
(of HK\$2 each)

	At 31st December, 2005 \$'000	At 30th June, 2005 \$'000
45,594,656 shares of HK\$2 each	<u>91,189</u>	<u>91,189</u>

13. 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, 2005						
- As previously reported	1,348	266,522	5,971	280,000	3,046,385	3,600,226
- Prior period adjustments in respect of						
- Investment properties	-	(266,522)	-	-	266,522	-
- Related deferred taxation	-	-	-	-	(92,660)	(92,660)
- As restated	<u>1,348</u>	<u>-</u>	<u>5,971</u>	<u>280,000</u>	<u>3,220,247</u>	<u>3,507,566</u>
Dividends declared/approved in respect of the previous financial year	-	-	-	-	(63,832)	(63,832)
Exchange differences	-	-	-	-	(35,419)	(35,419)
Realisation of other properties revaluation reserve	-	-	(125)	-	125	-
Net gains and losses not recognised in the profit and loss account	-	-	(125)	-	(35,294)	(35,419)
Profit for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,634</u>	<u>168,634</u>
At 31st December, 2005	<u><u>1,348</u></u>	<u><u>-</u></u>	<u><u>5,846</u></u>	<u><u>280,000</u></u>	<u><u>3,289,755</u></u>	<u><u>3,576,949</u></u>

14. Contingent liabilities

At 31st December, 2005, there were potential contingent liabilities in respect of third party claims for which a provision of \$3,600,000 (at 30th June, 2005: \$3,600,000) has been included in contingency reserves.

15. Material related party transactions

Interest in jointly controlled entities includes loans to the jointly controlled entities at 31st December, 2005 amounting to HK\$749,057,000 which are unsecured, interest-free and have no fixed terms of repayment.

16. Capital commitments

A subsidiary has contracted for capital commitments of approximately HK\$15 million.

17. Comparative figures

Certain comparative figures have been adjusted as a result of the changes in accounting policies as set out in note 2 to conform with the current period's presentation.