

## **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 Society of Accountants (“HKSA”). KPMG’s independent review report to the board of directors is included on page 16.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the HKSA.

The financial information relating to the financial year ended 30th June, 2001 included in the interim financial report does not constitute the company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 30th June, 2001 are available from the company’s registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 19th October, 2001.

The same accounting policies adopted in the 2001 annual accounts have been applied to the interim financial report except as disclosed under notes 1(b), 1(c) and 1(d).

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 2001 annual accounts.

#### (b) Dividend

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1st July, 2001, in order to comply with SSAP 9 (revised) “Events After the Balance Sheet Date” issued by the HKSA, the Group recognises dividends proposed or declared as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by shareholders (in the case of final dividends).

As a result of this new accounting policy, the Group's net assets at 31st December, 2001 have been increased by \$27,466,000 (at 30th June, 2001: \$105,442,000). There is no impact on the Group's profit attributable to shareholders for the periods presented. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

(c) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(d) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:-

- property, plant and equipment; and
- investments in subsidiaries and jointly controlled entities

If any such indication exists, the recoverable amount of the assets is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. Where there are assets that do not generate cash flows largely independent of those from other assets, recoverable amounts are determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

A reversal of impairment loss is limited to the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised, except where the assets are carried at revalued amounts, in which case the reversal of impairment loss is treated as a revaluation movement.

## 2. Segment information

The analysis of the Group's principal activities and geographical location of the operations of the company and its subsidiaries during the financial period are as follows:

	<b>Group turnover</b>		<b>Operating profit</b>	
	<b>Six months ended</b>		<b>Six months ended</b>	
	<b>31st December,</b>		<b>31st December,</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Principal activities</b>				
Property rental	<b>35,553</b>	32,211	<b>34,300</b>	31,245
Treasury management,				
Investment holding and others	<u>-</u>	<u>-</u>	<u><b>26,581</b></u>	<u>57,426</u>
	<u><b>35,553</b></u>	<u>32,211</u>	<u><b>60,881</b></u>	<u>88,671</u>

### Geographical locations of operations

	<b>Group turnover</b>	
	<b>Six months ended</b>	
	<b>31st December,</b>	
	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Hong Kong	<b>18,705</b>	20,414
United Kingdom	<u><b>16,848</b></u>	<u>11,797</u>
	<u><b>35,553</b></u>	<u>32,211</u>

### 3. Income

	Six months ended 31st December,	
	2001	2000
	\$'000	\$'000
<b>Other revenue</b>		
Interest income	32,868	73,926
Dividend income from other investments	25	64
Management fee	248	248
Others	718	946
	<u>33,859</u>	<u>75,184</u>
<b>Other net income/(losses)</b>		
Exchange gains/(losses)	456	(1,508)
Net unrealised gains on other investment at fair value	565	411
Others	309	-
	<u>1,330</u>	<u>(1,097)</u>

### 4. Profit from ordinary activities

	Six months ended 31st December,	
	2001	2000
	\$'000	\$'000
Profit from ordinary activities is arrived at after charging:		
Property expenses	<u>1,151</u>	<u>846</u>

### 5. Taxation

	Six months ended 31st December,	
	2001	2000
	\$'000	\$'000
Hong Kong taxation	-	42
Overseas taxation	747	210
	<u>747</u>	<u>252</u>
Share of jointly controlled entities' taxation	20,016	7,618
	<u>20,763</u>	<u>7,870</u>

The provision for Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the six months ended 31st December, 2001. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

## 6. Dividends

(a) Dividends attributable to the interim period:

	<b>Six months ended</b>	
	<b>31st December,</b>	
	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Interim dividend declared after the interim period end of \$0.10 per share (2000: \$0.10)	<b>4,578</b>	4,589
Special dividend declared with interim dividend after the interim period end of \$0.50 per share (2000: \$0.80)	<b>22,888</b>	36,716
	<b><u>27,466</u></b>	<u>41,305</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 year, approved and paid during the interim period:

	<b>Six months ended</b>	
	<b>31st December,</b>	
	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Second interim dividend declared in respect of previous financial year of \$0.40 per share (at 30th June, 2001: \$0.40 per share)	<b>18,348</b>	18,507
Final dividend approved in respect of previous financial year of \$0.10 per share (at 30th June, 2001: \$0.10 per share)	<b>4,584</b>	4,613
Special dividend approved with final dividend in respect of previous financial year of \$1.80 per share (at 30th June, 2001: \$2.80 per share)	<b>82,510</b>	129,163
	<b><u>105,442</u></b>	<u>152,283</u>

## 7. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of \$179,845,000 (2000: \$152,171,000) and the weighted average of 45,838,936 ordinary shares (2000: 46,194,035 shares) in issue during the period.

## 8. Debtors, deposits and prepayments

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

	<b>At 31st December, 2001 \$'000</b>	At 30th June, 2001 \$'000
Current	<b>91</b>	91
1-3 months overdue	<u>-</u>	<u>-</u>
Total trade debtors	<b>91</b>	91
Deposits, prepayment and other receivables	<u><b>2,147</b></u>	<u>4,198</u>
	<u><b>2,238</b></u>	<u>4,289</u>

A defined credit policy is maintained within the Group.

An amount of \$660,000 (at 30th June, 2001: \$661,000) included in debtors, deposits and prepayments under current assets is expected to be recovered after more than one year.

## 9. Creditors and accruals

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

	<b>At 31st December, 2001 \$'000</b>	At 30th June, 2001 \$'000
Due after 3 months	<u><b>706</b></u>	<u>706</u>
Total trade creditors	<b>706</b>	706
Other payables	<u><b>30,460</b></u>	<u>39,469</u>
	<u><b>31,166</b></u>	<u>40,175</u>

An amount of \$9,984,000 (at 30th June, 2001: \$9,498,000) included in creditors and accruals under current liabilities is expected to be settled after more than one year.

## 10. Share capital

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

	No. of shares ( '000)	@HK\$2 \$'000
At 1st July, 2001	45,903	91,806
Shares repurchased and cancelled	(117)	(234)
At 31st December, 2001	<u>45,786</u>	<u>91,572</u>

During the period, 117,000 shares were repurchased from the market and cancelled by the company at a total consideration of \$7,870,000.

## 11. Reserves

	Capital redemption reserve \$'000	Investment properties revaluation reserve \$'000	General reserve \$'000	Retained profits \$'000	Total \$'000
At 1st July, 2001					
- as previously reported	731	29,875	240,000	3,504,322	3,774,928
- prior year adjustment in respect of dividends (note 1(b))	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,442</u>	<u>105,442</u>
As restated	731	29,875	240,000	3,609,764	3,880,370
Dividends declared/approved in respect of the previous financial year (note 6(b))	-	-	-	(105,442)	(105,442)
Exchange differences	-	54,003	-	(42,144)	11,859
Revaluation deficits	-	(33,835)	-	-	(33,835)
Purchase of own shares					
- premium paid	-	-	-	(7,636)	(7,636)
- transfer between reserves	234	-	-	(234)	-
Profit for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,845</u>	<u>179,845</u>
At 31st December, 2001	<u>965</u>	<u>50,043</u>	<u>240,000</u>	<u>3,634,153</u>	<u>3,925,161</u>

## **12. Contingent liabilities**

At 31st December, 2001, there were potential contingent liabilities in respect of third party claims amounting to approximately \$54 million (at 30th June, 2001: \$57 million) for which a full provision of \$54 million (at 30th June, 2001: \$57 million) has been included in contingency reserves.

## **13. Comparative figures**

Certain comparative figures have been adjusted as a result of changes in accounting policy for dividends, details of which are set out in Note 1(b).