

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 2002 except for the changes as described below.

(a) SSAP 1 (Revised) "Presentation of financial statements"

The consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

(b) SSAP 11 (Revised) "Foreign currency translation"

The results of foreign enterprises are translated into Hong Kong dollars at the weighted average exchange rates during the period. This is a change in accounting policy from prior years where these were translated at exchange rates ruling at the balance sheet date. The effect of such change is immaterial to the financial statements.

(c) SSAP 15 (Revised) "Cash flow statements"

A revised classification of activities from which cash flows are derived has been made. As a result, cash flow during the period has been reclassified by operating, investing and financing activities. For the period ended 31 December 2001, net cash outflow from taxation of HK\$113 million has been reclassified as operating cash flow, dividend and interest received of HK\$161 million have been reclassified as investing cash flow, finance costs paid of HK\$316.6 million and dividends paid of HK\$825.6 million have been reclassified as financing cash flow.

(d) SSAP 34 "Employee benefits"

This new SSAP 34 prescribes the accounting and disclosure requirements for employee benefits. This has had no major impact on the interim financial statements.

2. SEGMENT INFORMATION

		Segment revenue		Segment results	
		2002	2001	2002	2001
		HK\$Million	HK\$Million	HK\$Million	HK\$Million
(a)	Business segment				
	Property sales	641.3	413.6	27.9	66.0
	Property leasing	1,099.5	1,072.2	796.9	798.4
	Hotel owning and management (Note)	103.6	118.4	12.9	20.9
	Other operations	8.8	11.6	6.6	(16.5)
		1,853.2	1,615.8	844.3	868.8
	Inter-segment – property leasing	(2.2)	(0.8)	–	–
		1,851.0	1,615.0	844.3	868.8
	Interest income			31.4	61.4
	Administrative expenses			(66.1)	(71.1)
	Finance costs			(179.1)	(181.0)
	Operating profit			630.5	678.1
	Share of results of jointly controlled entities				
	Property sales			(11.4)	1.1
	Property leasing			16.9	16.2
	Other operations			(2.3)	(3.1)
	Profit before taxation			633.7	692.3

Note: Hotel operations have ceased with effect from 31 December 2002.

(b)	Geographical segment				
	Hong Kong	1,639.3	1,394.9	704.3	779.4
	Mainland China	211.7	220.1	140.0	89.4
		1,851.0	1,615.0	844.3	868.8

3. OPERATING PROFIT

	2002 HK\$Million	2001 HK\$Million
Operating profit is arrived at after charging:		
Finance costs		
Interest on borrowings	235.2	283.2
Other ancillary borrowing costs	21.8	14.7
Total borrowing costs	257.0	297.9
Less: Borrowing costs capitalised	(77.9)	(116.9)
	179.1	181.0
Included in cost of property sales:–		
Cost of inventories	524.1	134.5
Cost of investment properties	65.3	212.9
Depreciation	15.8	28.7
and after crediting:		
Net realised and unrealised gains/(losses) on listed investments	16.7	(34.8)

4. TAXATION

Provision for Hong Kong profits tax has been made at 16% on the estimated assessable profits for the period. No provision has been made for PRC income tax for the period as tax allowances are available to offset PRC taxable income for the period. No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

	2002 HK\$Million	2001 HK\$Million
Group		
Hong Kong	56.7	61.8
Jointly controlled entities		
Hong Kong	2.3	2.6
	59.0	64.4

5. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit attributable to shareholders of HK\$295.4 million (2001: HK\$300.4 million) and the weighted average number of 1,323.9 million (2001: 1,322.7 million) shares in issue during the period.

No diluted earnings per share is presented for both periods as the Company's share options did not give rise to any dilution.

6. TRADE AND OTHER RECEIVABLES

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

	31/12/2002 HK\$Million	30/6/2002 HK\$Million
Within 1 month	237.4	105.0
1 – 3 months	8.1	24.1
Over 3 months	2.1	7.0
	247.6	136.1

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.

7. TRADE AND OTHER PAYABLES

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

	31/12/2002 HK\$Million	30/6/2002 HK\$Million
Within 1 month	512.9	465.2
Over 3 months	484.8	522.0
	997.7	987.2

8. SHARE CAPITAL

	Number of shares of HK\$1 each	HK\$Million
Issued and fully paid		
At 1 July 2002	1,323,812,242	1,323.8
Shares issued under share option scheme	390,000	0.4
At 31 December 2002	1,324,202,242	1,324.2

8. SHARE CAPITAL (continued)

Share Option Scheme

At 31 December 2002, the directors and employees had the following interests in options to subscribe for shares of the Company ("Share Option") granted at nominal consideration under the Share Option Scheme of the Company. Each Share Option gives the holder the right to subscribe for one share.

	Number of Share Options outstanding on 1 July 2002	Number of Share Options exercised during the period	Number of Share Options outstanding on 31 December 2002 (Note 1 & 2)	Date granted	Period during which options exercisable (Note 3)	Exercise price HK\$	Weighted average share price before exercise of options HK\$
Directors							
Nelson W.L. Yuen	2,500,000	–	2,500,000	24 February 2000	24 February 2001 to 23 February 2010	6.12	–
Wilfred S.L. Ho	1,250,000	–	1,250,000	24 February 2000	24 February 2001 to 23 February 2010	6.12	–
Terry S.Y. Ng	1,250,000	–	1,250,000	1 November 2001	1 November 2002 to 31 October 2011	5.87	–
Employees	6,900,000	325,000	6,330,000	24 February 2000	24 February 2001 to 23 February 2010	6.12	7.15
	390,000	65,000	250,000	1 December 2000	30 November 2001 to 29 November 2010	5.49	6.70
	350,000	–	150,000	10 July 2001	10 July 2002 to 9 July 2011	6.87	–
	120,000	–	120,000	7 December 2001	7 December 2002 to 6 December 2011	6.83	–

The Share Options granted are not recognised in the financial statements until they are exercised. No Share Options have been granted during the period.

Notes

- During the period, 520,000 Share Options have been lapsed due to the resignation of some option holders.
- No Share Options were cancelled during the period.
- Subject to change by the Board at its discretion to an earlier but not a later date.

9. RESERVES

	Capital reserves						Revenue reserves		Total
	Share premium	Property revaluation reserve	Capital reserve on consolidation	Share of post-acquisition capital reserves of jointly controlled entities	Capital redemption reserve	Other capital reserves	General reserve	Retained profits	
	HK\$Million	HK\$Million	HK\$Million	HK\$Million	HK\$Million	HK\$Million	HK\$Million	HK\$Million	HK\$Million
At 1 July 2002	2,175.1	2,234.3	1,065.4	157.1	26.1	427.2	275.0	10,475.9	16,836.1
Net profit for the period	-	-	-	-	-	-	-	295.4	295.4
Dividend paid	-	-	-	-	-	-	-	(423.8)	(423.8)
Property disposal	-	(15.4)	(4.2)	-	-	(0.4)	-	-	(20.0)
Exchange difference	-	-	-	-	-	0.9	-	-	0.9
Issue of share capital	2.0	-	-	-	-	-	-	-	2.0
Increase in investment in subsidiaries	-	(214.3)	62.2	-	-	-	-	-	(152.1)
At 31 December 2002	2,177.1	2,004.6	1,123.4	157.1	26.1	427.7	275.0	10,347.5	16,538.5

10. NOTE TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Analysis of the balances of cash and cash equivalents

	2002 HK\$Million	2001 HK\$Million
Cash and bank balances	3,584.6	4,369.3
Bank overdrafts	(0.8)	(5.5)
	3,583.8	4,363.8

11. COMMITMENTS

Capital commitments outstanding at 31 December 2002 not provided for in the accounts were as follows:

	31/12/2002 HK\$Million	30/6/2002 HK\$Million
Contracted for	88.9	3.6
Authorised but not contracted for	1,010.9	975.0
	1,099.8	978.6

12. RELATED PARTY TRANSACTIONS

The Group has a 20% interest in a jointly controlled entity which participated in the development of Package One of the MTRC Tung Chung Station Development Project. At 31 December 2002, the Group advanced to this jointly controlled entity a total of HK\$1,241.6 million (30/6/2002 : HK\$1,336.9 million). All advances are unsecured, interest-free and have no fixed settlement dates.