

Notes to the Condensed Interim Financial Statements (unaudited)

1 BASIS OF PREPARATION

The condensed interim financial statements are unaudited but have been reviewed by the Audit Committee.

The condensed interim financial statements have 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 Hong Kong Society of Accountants (“HKSA”).

The principal accounting policies and basis of preparation used in the preparation of these condensed interim financial statements are the same as those used in the Group’s audited financial statements for the year ended 30th June, 2002, except for the following new / revised SSAPs which are effective and have been adopted for the first time in preparation of the current period’s condensed consolidated financial statements:

SSAP 1 (Revised)	:	“Presentation of financial statements”
SSAP 11 (Revised)	:	“Foreign currency translation”
SSAP 15 (Revised)	:	“Cash flow statements”
SSAP 25 (Revised)	:	“Interim financial reporting”
SSAP 34	:	“Employee benefits”

In accordance with 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 and in accordance with SSAP 15 (Revised) “Cash flow statements”, the preparation of cash flow statement is modified as required. The adoption of the new / revised SSAPs have no significant impact on the Group’s financial results.

2 SEGMENTAL INFORMATION

(a) The analysis of the Group’s revenue and results by business segment during the periods are as follows:

Business segment

Property development	—	the development and sale of properties
Property investment	—	the leasing of properties to generate rental income
Finance	—	the provision of financing to generate interest income
Management and sales	—	the provision of property management services to generate commissions
Guaranteed return on investment	—	the investment of An-Ju project to generate guaranteed return on investment

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2 SEGMENTAL INFORMATION (cont'd)

Business segment (cont'd)

For the six months ended 31st December, 2002

	Property development HK\$'000	Property investment HK\$'000	Finance HK\$'000	Management and sales commissions HK\$'000	Guaranteed return on investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Turnover	53,706	28,295	29,563	10,289	—	—	121,853
Other revenue	876	63	—	—	—	4,927	5,866
External revenue	<u>54,582</u>	<u>28,358</u>	<u>29,563</u>	<u>10,289</u>	<u>—</u>	<u>4,927</u>	<u>127,719</u>
Segment result	(1,528)	368	29,489	1,951	—	4,927	35,207
Provisions on property projects	(98,000)	—	—	—	—	—	(98,000)
Bad debts written off	—	(37,467)	(369)	—	—	—	(37,836)
Unallocated operating expenses net of income							<u>(3,568)</u>
(Loss) / profit from operations							(104,197)
Finance costs							<u>(10,831)</u>
							(115,028)
Share of profits less losses of associates	8,675	7,152	—	—	—	(2,112)	<u>13,715</u>
(Loss) / profit from ordinary activities before taxation							(101,313)
Taxation							<u>74</u>
(Loss) / profit from ordinary activities after taxation							(101,239)
Minority interests							<u>3,165</u>
(Loss) / profit attributable to shareholders							<u>(98,074)</u>

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2 SEGMENTAL INFORMATION (cont'd)

Business segment (cont'd)

For the six months ended 31st December, 2001

	Property development HK\$'000	Property investment HK\$'000	Finance HK\$'000	Management and sales commissions HK\$'000	Guaranteed return on investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Turnover	262,451	24,683	31,388	10,099	3,680	—	332,301
Other revenue	3,494	—	—	—	—	—	3,494
External revenue	<u>265,945</u>	<u>24,683</u>	<u>31,388</u>	<u>10,099</u>	<u>3,680</u>	<u>—</u>	<u>335,795</u>
Segment result	30,363	19,294	30,228	10,099	3,680	—	93,664
Provisions on property projects							—
Bad debts written off							—
Unallocated operating expenses net of income							—
(Loss) / profit from operations							93,664
Finance costs							(5,409)
							88,255
Share of profits less losses of associates	11,578	(2,066)	—	—	—	(2,961)	6,551
(Loss) / profit from ordinary activities before taxation							94,806
Taxation							(5,115)
(Loss) / profit from ordinary activities after taxation							89,691
Minority interests							(483)
(Loss) / profit attributable to shareholders							<u>89,208</u>

(b) No geographical analysis of the Group's revenue and results is shown as less than 10% of the Group's operations are outside the People's Republic of China ("PRC").

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3 OTHER OPERATING EXPENSES

	For the six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
Provisions on property projects	98,000	—
Bad debts written off	37,836	—
	<u>135,836</u>	<u>—</u>

4 (LOSS) / PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

(Loss) / profit from ordinary activities before taxation is arrived at after charging / (crediting):

(a) Finance costs

	For the six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
Bank interest	25,679	40,376
Interest on loans wholly repayable within five years	9,265	9,730
Other borrowing costs	743	2,903
Total borrowing costs	35,687	53,009
Less: amount capitalised *	(24,856)	(47,600)
	<u>10,831</u>	<u>5,409</u>

* Borrowing costs have been capitalised approximately at the rate of 1.58% (2001: 4.21%) per annum.

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4 (LOSS) / PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION (cont'd)

(b) Items other than those separately disclosed in note 3 to 4(a):

	For the six months ended 31st December,	
	2002	2001
	HK\$'000	HK\$'000
Staff costs	29,189	26,626
Less: amount capitalised	(15,206)	(19,191)
	<u>13,983</u>	<u>7,435</u>
Depreciation	747	9,798
Less: amount capitalised	(40)	(48)
	<u>707</u>	<u>9,750</u>
Cost of completed properties for sale	<u>40,029</u>	<u>184,250</u>
Profit on disposal of investment properties	<u>(4)</u>	<u>—</u>
Dividends from investment securities	<u>(4,888)</u>	<u>—</u>

Notes to the Condensed Interim Financial Statements (unaudited)

5 TAXATION

(a) Taxation in the consolidated profit and loss account represents:

	For the six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
The Group		
— Outside Hong Kong	4,007	(2,139)
Associates	(4,367)	(4,995)
Tax Indemnity (Note 6 and 16(a))	434	2,019
	<u>74</u>	<u>(5,115)</u>

No provision has been made for Hong Kong Profits Tax as the Group did not have any assessable income subject to Hong Kong Profits Tax during the period.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the period on the estimated assessable profits arising in the relevant foreign jurisdiction during the period.

(b) No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

6 TAX INDEMNITY

Tax indemnity represents indemnity receivable from an intermediate holding company, Henderson Land Development Company Limited ("Henderson Land"), pursuant to an indemnity deed dated 15th March, 1996 in respect of PRC income tax and Land Appreciation Tax ("LAT") payable by the Group in consequence of the disposal by the Group of any of its property interests owned by the Group as at 31st December, 1995 ("Property Interests") insofar as such taxation is attributable to the difference between (i) the value attributed to the relevant Property Interests in the valuation of the Group's Property Interests by DTZ Debenham Tie Leung Limited (formerly C. Y. Leung & Company Limited) as at 31st December, 1995 (the "Valuation") and (ii) the aggregate of the attributable costs of such Property Interests incurred up to 31st December, 1995 and the attributable amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of such Property Interests, on the assumption that such Property Interests are disposed of at the value attributed to them in the Valuation and computed by reference to the current rates and legislation governing PRC income tax and LAT.

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7 DIVIDENDS

- (a) Dividends attributable to the interim period

	For the six months ended 31st December,	
	2002	2001
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end at HK\$0.03 per share (2001: HK\$0.06 per share)	<u>14,903</u>	<u>29,807</u>

The interim dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date.

- (b) Dividends attributable to the previous financial year, approved and paid during the interim period

	For the six months ended 31st December,	
	2002	2001
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, at HK\$0.06 per share (2001: HK\$0.06 per share)	<u>29,807</u>	<u>29,807</u>

8 (LOSS) / EARNINGS PER SHARE

- (a) Basic (loss) / earnings per share

The calculation of basic (loss) / earnings per share is based on the loss attributable to shareholders of HK\$98,074,000 (2001: profit HK\$89,208,000) and on 496,776,205 ordinary shares (2001: 496,776,205 ordinary shares) in issue during the period.

- (b) Diluted (loss) / earnings per share

Diluted (loss) per share for the period is not shown as the existence of outstanding options during the period ended 31st December, 2002 has an anti-dilutive effect on the calculation of diluted (loss) per share for the period. There was no potential dilution of earnings per share during the corresponding period in 2001.

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9 INSTALMENTS RECEIVABLE

- (a) This represents the principal content of instalments receivable from the sale of flats after twelve months from the balance sheet date. The amounts receivable within twelve months from the balance sheet date are included under current assets.
- (b) The ageing analysis of instalments receivable (net of provision for bad debts) under current assets is as follows:

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Under 1 month overdue	23,989	45,799
More than 1 month overdue but less than 3 months overdue	908	1,145
More than 3 months overdue but less than 6 months overdue	1,344	1,907
More than 6 months overdue	<u>19,855</u>	<u>37,660</u>
	<u><u>46,096</u></u>	<u><u>86,511</u></u>

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10 DEBTORS, PREPAYMENTS AND DEPOSITS

The Group maintains a defined credit policy. Consideration in respect of sold properties are payable by the purchaser pursuant to the terms of the sale and purchase agreement. Monthly rental in respect of leasing properties are payable in advance by tenants. Other trade debtors settle their accounts according to the payment terms as stated in the contracts. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

The ageing analysis of trade debtors (net of provision for bad debts) is as follows:

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Under 1 month overdue	42,047	42,873
More than 1 month overdue but less than 3 months overdue	15,444	7,153
More than 3 months overdue but less than 6 months overdue	14,114	14,318
More than 6 months overdue	156,837	168,661
	<u>228,442</u>	233,005
Prepayments, deposits and other receivables	336,572	<u>305,078</u>
	<u><u>565,014</u></u>	<u><u>538,083</u></u>

Notes to the Condensed Interim Financial Statements (unaudited)

11 CREDITORS AND ACCRUED EXPENSES

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

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Trade creditors:		
Due within 1 month and on demand	9,986	4,130
Due after 1 month but within 3 months	10,671	1,003
Due after 3 months but within 6 months	6,731	36,990
Due after 6 months	<u>163,245</u>	<u>140,818</u>
	190,633	182,941
Rental and other deposits	26,019	24,466
Other payables	<u>158,817</u>	<u>150,603</u>
	<u><u>375,469</u></u>	<u><u>358,010</u></u>

12 SHARE CAPITAL

	Number of shares		Nominal value	
	At 31st December, 2002 '000	At 30th June, 2002 '000	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Authorised				
Ordinary shares of HK\$1.00 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid				
Ordinary shares of HK\$1.00 each	<u>496,776</u>	<u>496,776</u>	<u>496,776</u>	<u>496,776</u>

Notes to the Condensed Interim Financial Statements (unaudited)

13 RESERVES

	Share premium HK\$'000	Capital reserves HK\$'000	Investment property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1st July, 2001	5,566,402	75,433	70,646	1,120,232	6,832,713
Dividends approved in respect of the previous financial year (Note 7(b))	—	—	—	(29,807)	(29,807)
Transfer from profit and loss account to capital reserve (note)	—	68	—	(68)	—
Profit for the period	—	—	—	89,208	89,208
Balance at 31st December, 2001	<u>5,566,402</u>	<u>75,501</u>	<u>70,646</u>	<u>1,179,565</u>	<u>6,892,114</u>
Balance at 1st July, 2002	5,566,402	75,503	327,647	1,193,434	7,162,986
Dividends approved in respect of the previous financial year (Note 7(b))	—	—	—	(29,807)	(29,807)
Loss for the period	—	—	—	(98,074)	(98,074)
Realised upon disposal of properties	—	—	(403)	—	(403)
Balance at 31st December, 2002	<u>5,566,402</u>	<u>75,503</u>	<u>327,244</u>	<u>1,065,553</u>	<u>7,034,702</u>

note: According to the relevant PRC rules and regulations applicable to wholly foreign-owned enterprises, one of the Company's subsidiaries is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant subsidiary's registered capital.

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14 COMMITMENTS

- (a) At 31st December, 2002, the Group had commitments not provided for in these financial statements as follows:

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Contracted for	2,746,024	2,810,440
Authorised but not contracted for	650,539	914,878
	<u>3,396,563</u>	<u>3,725,318</u>

Based on information available at the balance sheet date, the directors estimate that the Group's commitments disclosed above are payable as follows:

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Within 1 year	480,346	645,569
After 1 year but within 2 years	960,692	644,041
After 2 years	1,955,525	2,435,708
	<u>3,396,563</u>	<u>3,725,318</u>

- (b) At 31st December, 2002, the Group had total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Within 1 year	1,570	616
After 1 year but within 5 years	508	11
	<u>2,078</u>	<u>627</u>

Notes to the Condensed Interim Financial Statements (unaudited)

15 CONTINGENT LIABILITIES

Contingent liabilities of the Group were as follows:

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Guarantees given by the Group to financial institutions in respect of financing provided to purchasers of flats	<u>260,911</u>	<u>268,670</u>

16 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with fellow subsidiaries

Details of material related party transactions between the Group and Henderson Land and its subsidiaries other than the Group (the "Henderson Land Group") and subsidiaries of Henderson Development Limited (the "Henderson Development companies") are as follows:

	For the six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
Interest expenses (note i)	<u>9,265</u>	9,730
Tax indemnity (note ii) (Note 5)	<u>434</u>	<u>2,019</u>

note:

- (i) Interest expenses represent interest payable on the basis of outstanding balances owed to the Henderson Land Group and Henderson Development companies by subsidiaries of the Company. Interest under these intra group financing arrangements is charged based on the prevailing Hong Kong Inter-bank Offer Rate per annum.
- (ii) The tax indemnity represents indemnity receivable from Henderson Land Group pursuant to an indemnity deed dated 15th March, 1996 (Note 6).

(b) Transactions with companies controlled by a director of the Company

Mr. Lee Ka Kit, a director of the Company, through companies controlled or owned by him has separate interests in certain subsidiaries and associates of the Company and through which the Company holds its interest in certain development projects in the PRC. Mr. Lee through companies controlled or owned by him had provided finance in the form of advances to these subsidiaries and associates in accordance with the percentage of his equity interest in these companies. At 31st December, 2002, the advances made to the Company's subsidiaries and associates through companies controlled or owned by Mr. Lee amounting to HK\$409,193,000 (At 30th June, 2002: HK\$410,158,000) and HK\$660,229,000 (At 30th June, 2002: HK\$646,116,000) respectively are unsecured. Interest payable by these subsidiaries and associates to companies controlled or owned by Mr. Lee under such arrangements during the period ended 31st December, 2002 are HK\$Nil (2001: HK\$Nil) and HK\$17,764,000 (2001: HK\$23,930,000) respectively.

Notes to the Condensed Interim Financial Statements (unaudited)**16 MATERIAL RELATED PARTY TRANSACTIONS (cont'd)**

(c) Transactions with associates

	For the six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
Interest income recognised	17,764	23,930
Management fee recognised	3,890	3,576

In the opinion of the directors of the Company, the transactions with the above related parties were carried out on normal commercial terms and in the ordinary course of business.

17 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.