

NOTES TO INTERIM ACCOUNTS

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited consolidated interim accounts have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice 25 "Interim Financial Reporting" and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2004.

2. SEGMENT INFORMATION

a) Business segments

| | Segment Revenue | | Segment Results | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30/9/2004 HK\$ Million | 30/9/2003 HK\$ Million | 30/9/2004 HK\$ Million | 30/9/2003 HK\$ Million |
| Property investment | 161.2 | 164.0 | 110.6 | 119.0 |
| Property development | 1,218.3 | 1,907.9 | 157.6 | 153.0 |
| Investment and others | 192.9 | 127.8 | 150.9 | 79.7 |
| | 1,572.4 | 2,199.7 | 419.1 | 351.7 |
| Inter-segment revenue (Note i) | (90.4) | (40.6) | – | – |
| | 1,482.0 | 2,159.1 | 419.1 | 351.7 |
| Unallocated expenses | | | (4.4) | (5.9) |
| Operating profit | | | 414.7 | 345.8 |
| Borrowing costs | | | (36.4) | (84.3) |
| Write back of provision/(provision) for properties | | | 1,327.0 | (6.1) |
| Share of results of associates (Note ii) | | | 1,120.2 | 837.8 |
| Profit before taxation | | | 2,825.5 | 1,093.2 |
| Income tax | | | (260.4) | (224.8) |
| Minority interests | | | (507.7) | (101.7) |
| Group profit attributable to shareholders | | | 2,057.4 | 766.7 |

Notes:

(i) Inter-segment revenue eliminated on consolidation includes:

| | 30/9/2004 HK\$ Million | 30/9/2003 HK\$ Million |
|-----------------------|---------------------------|---------------------------|
| Investment and others | 90.4 | 40.6 |

(ii) Share of results of associates

| | Segment Results | |
|---|------------------------|--------------|
| | 30/9/2004 | 30/9/2003 |
| | HK\$ Million | HK\$ Million |
| Property investment | 775.9 | 723.0 |
| Property development | 111.6 | (5.6) |
| Communications, media and entertainment | 111.3 | 99.4 |
| Pay television | 117.3 | 104.9 |
| Internet and multimedia | (13.5) | (24.0) |
| Telecommunications | 5.5 | 9.5 |
| Others | 2.0 | 9.0 |
| Logistics | 431.5 | 426.3 |
| Terminals | 403.0 | 409.3 |
| Other logistics business | 28.5 | 17.0 |
| Investment and others | 37.3 | 19.1 |
| Unallocated expenses and other items | (282.0) | (272.1) |
| Borrowing costs | (65.4) | (152.3) |
| | 1,120.2 | 837.8 |

b) Geographical segments

| | Segment Revenue | | Segment Results (Operating Profit) | |
|-----------|------------------------|----------------|---|--------------|
| | 30/9/2004 | 30/9/2003 | 30/9/2004 | 30/9/2003 |
| | HK\$ Million | HK\$ Million | HK\$ Million | HK\$ Million |
| Hong Kong | 552.3 | 2,066.2 | 189.1 | 257.6 |
| Singapore | 929.7 | 92.9 | 225.6 | 88.2 |
| | 1,482.0 | 2,159.1 | 414.7 | 345.8 |

3. TURNOVER AND OPERATING PROFIT

a) Turnover

The principal activities of the Group are property investment, property development and investment holding. Analysis of the Group's turnover is as follows:

| | 30/9/2004 HK\$ Million | 30/9/2003 HK\$ Million |
|-----------------------|---------------------------|---------------------------|
| Property investment | 161.2 | 164.0 |
| Property development | 1,218.3 | 1,907.9 |
| Investment and others | 102.5 | 87.2 |
| | <u>1,482.0</u> | <u>2,159.1</u> |

b) Operating profit

| | 30/9/2004 HK\$ Million | 30/9/2003 HK\$ Million |
|--|---------------------------|---------------------------|
| Operating profit is arrived at: | | |
| after charging: | | |
| Staff costs | 59.8 | 70.3 |
| – including contributions to defined contribution retirement schemes of HK\$3.6 million (2003/04: HK\$3.7 million) | | |
| Cost of properties sold | 926.5 | 1,658.5 |
| Depreciation | 0.8 | 1.6 |
| | <u>926.5</u> | <u>1,658.5</u> |
| and after crediting: | | |
| Dividend income from listed investments | 15.2 | 11.5 |
| Amortisation of negative goodwill | 4.1 | 19.8 |
| | <u>4.1</u> | <u>19.8</u> |

Staff costs of HK\$3.8 million (2003/04: HK\$5.0 million) were capitalised in costs of properties under development for sale.

4. OTHER NET INCOME

| | 30/9/2004 HK\$ Million | 30/9/2003 HK\$ Million |
|--|---------------------------|---------------------------|
| Net profit on disposal of non-trading securities | 0.5 | 21.3 |
| Amortisation of negative goodwill | 4.1 | 19.8 |
| Others | 1.8 | (9.2) |
| | <u>6.4</u> | <u>31.9</u> |

5. BORROWING COSTS

| | 30/9/2004 HK\$ Million | 30/9/2003 HK\$ Million |
|--------------------------------------|---------------------------|---------------------------|
| Interest payable on | | |
| Bank loans and overdrafts | 33.6 | 91.0 |
| Other loans repayable within 5 years | 0.4 | 13.9 |
| Other borrowing costs | 14.5 | 9.8 |
| | <u>48.5</u> | <u>114.7</u> |
| Less: Amount capitalised | (12.1) | (30.4) |
| | <u>36.4</u> | <u>84.3</u> |

The Group's effective borrowing rate for the six-month period was approximately 1.0% (2003/04: 1.7%) per annum.

6. WRITE BACK OF PROVISION/(PROVISION) FOR PROPERTIES

Based on the current achieved average selling price for the Bellagio Phases III and IV units and the prevailing residential property market conditions, the property provision of HK\$1,327.0 million made for the project in previous years was considered no longer required and hence was fully written back in the financial period under review.

7. INCOME TAX

The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 17.5% (2003/04: 17.5%). Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

| | 30/9/2004 HK\$ Million | 30/9/2003 HK\$ Million |
|---|---|---------------------------|
| Company and subsidiaries | | |
| <i>Current tax</i> | | |
| Hong Kong profits tax for the period | 32.8 | 12.8 |
| Overseas taxation for the period | 9.1 | 16.5 |
| | 41.9 | 29.3 |
| <i>Deferred tax</i> | | |
| Origination and reversal of temporary differences | 2.6 | (3.6) |
| | 44.5 | 25.7 |
| Associates | | |
| <i>Current tax</i> | | |
| Hong Kong profits tax for the period | 155.8 | 150.3 |
| Overseas taxation for the period | 6.3 | 2.9 |
| Underprovision in prior years | 28.5 | 9.0 |
| | 190.6 | 162.2 |
| <i>Deferred tax</i> | | |
| Origination and reversal of temporary differences | 25.3 | (12.5) |
| Effect of change in tax rates | – | 49.4 |
| | 215.9 | 199.1 |
| | 260.4 | 224.8 |

8. DIVIDENDS

a) Dividends attributable to the period

| | 30/9/2004 HK\$ Million | 30/9/2003 HK\$ Million |
|--|---------------------------|---------------------------|
| Interim dividend proposed after the balance sheet date of 2.5 cents (2003/04: 2.5 cents) per share | 50.8 | 50.8 |

The interim dividend proposed 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 period

| | 30/9/2004 HK\$ Million | 30/9/2003 HK\$ Million |
|--|---------------------------|---------------------------|
| Final dividend in respect of the previous financial year, approved and paid during the period, of 6.5 cents (2003/04: 5.0 cents) per share | 132.1 | 101.6 |

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings for the period of HK\$2,057.4 million (2003/04: HK\$766.7 million) and 2,031.8 million ordinary shares in issue throughout the financial period ended 30 September 2004 and the previous year's corresponding period.

10. TRADE AND OTHER RECEIVABLES

The Group maintains and closely monitors defined credit policies for its businesses and trade debtors in order to control the credit risk associated with trade debtors.

Included in trade and other receivables are stakeholders' deposits in the amount of HK\$433.1 million (31/3/2004: HK\$435.6 million) in respect of pre-sale of properties and trade debtors of HK\$429.8 million (31/3/2004: HK\$732.1 million). The ageing analysis of the Group's trade debtors as at 30 September 2004 is as follows:

| | 30/9/2004 HK\$ Million | 31/3/2004 HK\$ Million |
|--------------|---------------------------|---------------------------|
| Current | 318.8 | 526.7 |
| 31 – 60 days | 13.0 | 82.5 |
| 61 – 90 days | 11.6 | 17.0 |
| Over 90 days | 86.4 | 105.9 |
| | 429.8 | 732.1 |

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis as at 30 September 2004 as follows:

| | 30/9/2004 HK\$ Million | 31/3/2004 HK\$ Million |
|------------------------------|---------------------------|---------------------------|
| Amounts payable in the next: | | |
| 0 – 30 days | 172.2 | 216.9 |
| 31 – 60 days | 120.2 | 125.3 |
| 61 – 90 days | 238.4 | 303.0 |
| Over 90 days | 538.8 | 497.2 |
| | <u>1,069.6</u> | <u>1,142.4</u> |

12. RESERVES

| | Share premium | Capital redemption reserve | Investment property revaluation reserves | Investment revaluation reserves | Other capital reserves | Revenue reserves | Total |
|--|-----------------------|----------------------------------|---|---------------------------------------|------------------------------|------------------------|------------------------|
| | HK\$ Million | HK\$ Million | HK\$ Million | HK\$ Million | HK\$ Million | HK\$ Million | HK\$ Million |
| Company and subsidiaries | | | | | | | |
| Balance at 1 April 2004 | 1,913.6 | 19.5 | – | 31.8 | 278.0 | 8,732.3 | 10,975.2 |
| Final dividend approved in respect of the previous year (Note 8b) | – | – | – | – | – | (132.1) | (132.1) |
| Revaluation surplus | – | – | – | 59.2 | – | – | 59.2 |
| Transferred to the profit and loss account on: | | | | | | | |
| Disposal of non-trading securities | – | – | – | 1.7 | – | – | 1.7 |
| Disposal of other property | – | – | – | – | (0.9) | – | (0.9) |
| Exchange differences | – | – | – | – | (20.0) | – | (20.0) |
| Profit for the period retained | – | – | – | – | – | 1,973.0 | 1,973.0 |
| Balance at 30 September 2004 | <u>1,913.6</u> | <u>19.5</u> | <u>–</u> | <u>92.7</u> | <u>257.1</u> | <u>10,573.2</u> | <u>12,856.1</u> |
| Associates | | | | | | | |
| Balance at 1 April 2004 | – | – | 10,671.0 | 122.6 | (301.1) | 4,060.6 | 14,553.1 |
| Revaluation deficit | – | – | – | (30.2) | – | – | (30.2) |
| Transferred to the profit and loss account on disposal of non-trading securities | – | – | – | (10.6) | – | – | (10.6) |
| Others | – | – | – | – | (0.3) | – | (0.3) |
| Profit for the period retained | – | – | – | – | – | 84.4 | 84.4 |
| Balance at 30 September 2004 | <u>–</u> | <u>–</u> | <u>10,671.0</u> | <u>81.8</u> | <u>(301.4)</u> | <u>4,145.0</u> | <u>14,596.4</u> |
| Total reserves at 30 September 2004 | <u>1,913.6</u> | <u>19.5</u> | <u>10,671.0</u> | <u>174.5</u> | <u>(44.3)</u> | <u>14,718.2</u> | <u>27,452.5</u> |
| Total reserves at 31 March 2004 | <u>1,913.6</u> | <u>19.5</u> | <u>10,671.0</u> | <u>154.4</u> | <u>(23.1)</u> | <u>12,792.9</u> | <u>25,528.3</u> |

13. CONTINGENT LIABILITIES

At 30 September 2004

- a) There was no guarantees given by the Group in respect of banking facilities available to associates (31/3/2004: HK\$63.2 million).
- b) The Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the development of the Sorrento project.

14. COMMITMENTS

a) Commitments in respect of property developments and capital expenditures

| | 30/9/2004 HK\$ Million | 31/3/2004 HK\$ Million |
|---------------------------------|---------------------------|---------------------------|
| Contracted but not provided for | <u>740.4</u> | <u>1,103.5</u> |

b) Forward exchange contracts

| | 30/9/2004 HK\$ Million | 31/3/2004 HK\$ Million |
|--|---------------------------|---------------------------|
| Forward exchange contracts outstanding | <u>331.2</u> | <u>1,421.3</u> |

15. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the six-month period ended 30 September 2004:

- a) Included in interest in associates are loans of HK\$83.0 million (31/3/2004: HK\$215.6 million) contributed by associates in proportion to their equity interests in the Sorrento property development project. The loans from associates are interest bearing at rates as determined with reference to prevailing market rates. Interest expenses in respect of loans from associates for the six-month period ended 30 September 2004 amounted to HK\$0.4 million (2003/04: HK\$13.8 million). The loans are unsecured and have no fixed terms of repayment.
- b) Included in interest in associates is an advance of HK\$1,807.7 million (31/3/2004: HK\$1,773.6 million) contributed by an associate in proportion to its equity interest in the Bellagio property development project. The advance bears interest at such rate as may from time to time be agreed by the shareholders of the property holding company. For the current financial period, the advance is unsecured and interest free.
- c) As disclosed in note 13(b), the Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the development of the Sorrento project.

- d) In respect of the six-month period ended 30 September 2004, the Group earned rental income totalling HK\$17.1 million (2003/04: HK\$17.7 million) from the Lane Crawford group, which are wholly owned by a trust of which the chairman of the Company is the settlor, in respect of the leasing of the Group's certain retail premises at Shop C, Wheelock House and the Basement, Ground Floor to Fourth Floor, a portion of the Sixth floor and Rooms 706-8A of Lane Crawford House. These transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

16. REVIEW OF UNAUDITED INTERIM ACCOUNTS

The unaudited interim accounts for the six months ended 30 September 2004 have been reviewed by the audit committee of the Company.