

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2005

	Note	Unaudited 30/9/2005 HK\$ Million	(Restated) Unaudited 30/9/2004 HK\$ Million
Turnover	2 & 3	3,387.7	1,482.0
Other net income	4	289.0	6.4
		3,676.7	1,488.4
Direct costs and operating expenses		(2,103.6)	(1,004.2)
Selling and marketing expenses		(210.6)	(40.9)
Administrative expenses		(121.7)	(28.6)
Operating profit before increase in fair value of investment properties and property provision write-back	2 & 3	1,240.8	414.7
Increase in fair value of investment properties		1,481.1	–
Write-back of provision for properties	5	–	1,327.0
Operating profit after increase in fair value of investment properties and property provision write-back		2,721.9	1,741.7
Borrowing costs	6	(94.6)	(36.4)
Share of profits less losses of associates	2	4,555.9	898.3
Profit before taxation		7,183.2	2,603.6
Income tax	7	(319.7)	(44.5)
Profit for the period		6,863.5	2,559.1
Attributable to:			
Shareholders		6,302.9	2,051.6
Minority interests		560.6	507.5
		6,863.5	2,559.1
Interim dividend declared after the balance sheet date	8	50.8	50.8
Earnings per share	9	HK\$3.10	HK\$1.01
Interim dividend per share	8	2.5 cents	2.5 cents

CONSOLIDATED BALANCE SHEET

At 30 September 2005

	Note	Unaudited 30/9/2005 HK\$ Million	(Restated) Audited 31/3/2005 HK\$ Million
Non-current assets			
Fixed assets		6,634.9	5,326.4
Goodwill and other intangible assets		234.0	–
Associates		30,435.9	26,561.7
Available for sale investments		1,236.3	1,488.0
Deferred debtors		310.4	370.6
		<u>38,851.5</u>	<u>33,746.7</u>
Current assets			
Properties under development for sale		5,240.2	9,583.6
Properties held for sale		2,631.9	620.1
Trade and other receivables	10	2,515.5	1,301.7
Bank balances and deposits		3,908.7	3,502.1
		<u>14,296.3</u>	<u>15,007.5</u>
Current liabilities			
Bank loans and overdrafts		(734.3)	(607.6)
Trade and other payables	11	(1,502.8)	(1,286.3)
Deposits from sale of properties		(338.4)	(2,046.2)
Current tax		(154.0)	(132.1)
		<u>(2,729.5)</u>	<u>(4,072.2)</u>
Net current assets		<u>11,566.8</u>	<u>10,935.3</u>
Total assets less current liabilities		<u>50,418.3</u>	<u>44,682.0</u>
Non-current liabilities			
Long-term loans		(6,441.4)	(7,414.9)
Deferred tax		(409.0)	(134.5)
Deferred items		(443.4)	(467.0)
		<u>(7,293.8)</u>	<u>(8,016.4)</u>
Net assets		<u>43,124.5</u>	<u>36,665.6</u>
Capital and reserves			
Share capital		1,015.9	1,015.9
Reserves		36,411.7	30,418.8
Shareholders' equity		<u>37,427.6</u>	<u>31,434.7</u>
Minority interests		<u>5,696.9</u>	<u>5,230.9</u>
Total equity	12	<u>43,124.5</u>	<u>36,665.6</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

	Unaudited 30/9/2005 HK\$ Million	(Restated) Unaudited 30/9/2004 HK\$ Million
Total equity at 1 April		
As previously reported		
Shareholders' equity	36,279.9	26,544.2
Minority interests	5,356.0	4,093.4
	<u>41,635.9</u>	<u>30,637.6</u>
Prior year adjustments arising from changes in accounting policies (Note 1)	(4,970.3)	(3,738.6)
	<u>36,665.6</u>	<u>26,899.0</u>
Adjustment in respect of changes in accounting policy for goodwill (Note 1)	135.1	–
Total equity at 1 April, as restated	<u>36,800.7</u>	<u>26,899.0</u>
Shareholders' equity	<u>31,532.3</u>	<u>22,850.4</u>
Minority interests	<u>5,268.4</u>	<u>4,048.6</u>
Company and subsidiaries		
Surplus on revaluation of available for sale investments	149.4	81.6
Exchange difference on translation of accounts of foreign entities	(196.6)	(34.3)
Associates		
Deficit on revaluation of available for sale investments	(2.0)	(31.3)
Others	(144.2)	(0.9)
Net (loss)/gain not recognised in the profit and loss account	<u>(193.4)</u>	<u>15.1</u>
Company and subsidiaries		
Profit for the period	6,863.5	2,559.1
Reserves transferred to the profit and loss account on disposal of:		
Available for sale investments	(110.8)	2.2
Properties	–	(1.2)
Associates		
Reserves transferred to the profit and loss account on disposal of available for sale investments	(14.7)	(11.0)
Total recognised gain for the period	<u>6,544.6</u>	<u>2,564.2</u>
Shareholders' equity	<u>6,068.0</u>	<u>2,050.5</u>
Minority interests	<u>476.6</u>	<u>513.7</u>
Final dividend approved in respect of the previous year	(172.7)	(132.1)
Dividend to minority interests	(48.1)	(55.0)
Total equity at 30 September	<u>43,124.5</u>	<u>29,276.1</u>
Attributable to:		
Shareholders' equity	37,427.6	24,768.8
Minority interests	5,696.9	4,507.3
	<u>43,124.5</u>	<u>29,276.1</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2005

	Unaudited 30/9/2005 HK\$ Million	Unaudited 30/9/2004 HK\$ Million
Net cash inflow/(outflow) relating to operating activities	1,006.7	(168.5)
Net cash generated from/(used in) investing activities	437.2	(104.1)
Net cash (used in)/generated from financing activities	(966.7)	358.1
Net (repayment)/drawdown of loans	(745.9)	553.2
Others	(220.8)	(195.1)
Net increase in cash and cash equivalents	477.2	85.5
Cash and cash equivalents at 1 April	3,502.1	2,017.2
Effect of foreign exchange rate changes	(70.6)	(12.7)
Cash and cash equivalents at 30 September	3,908.7	2,090.0
Analysis of the balances of cash and cash equivalents		
Bank balances and deposits	3,908.7	2,090.0

NOTES TO INTERIM ACCOUNTS

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited consolidated interim accounts have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable discloseable provisions of Appendix 16 of the Listing Rules of the Stock Exchange.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, 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.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those described in the annual accounts for the year ended 31 March 2005 except for those changes following the Group’s adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRS”), including HKASs and relevant Interpretations (“HK(SIC)-INTs” and “HK-INTs”) which took effect on 1 January 2005. The changes in accounting policies, which have significant impacts on the Group’s accounts are summarised as follows:

(a) HKAS 40 “Investment property”

In prior years, investment properties other than those with unexpired lease term of 20 years or less were stated at fair value. Changes in the value of investment properties were dealt with as movements in the investment property revaluation reserves. Deficits arising on revaluation on a portfolio basis were set off against previous revaluation surpluses and thereafter charged to the profit and loss account. Investment properties with unexpired lease term of 20 years or less were stated at carrying value less accumulated depreciation and impairment provision, if any.

With effect from 1 April 2005, upon the adoption of HKAS 40, all the Group’s and its associates’ investment properties, including those with unexpired lease term of 20 years or less, are stated at fair values with all the changes in fair value recognised directly in the profit and loss account. This new accounting policy has been applied retrospectively. Revenue reserves as at 1 April 2005 increased by HK\$15,855.4 million (1/4/2004: HK\$10,671.0 million), representing the Group’s share of accumulated post-acquisition revaluation surplus of the associates, previously recorded in the investment property revaluation reserve, being transferred to the revenue reserves. The shareholders’ equity as at 1 April 2005 increased by HK\$5.3 million, because of an adjustment made by the associates for restating certain investment properties with unexpired lease term of 20 years or less at fair value under HKAS 40.

The effect of the change on the Group and its associates has increased the Group’s profit attributable to Shareholders and minority interests for the six-month period ended 30 September 2005 by HK\$5,532.0 million and HK\$267.2 million respectively. This change has no impact in the Group’s results for the period ended 30 September 2004 as no revaluation of the Group’s and its associates’ investment properties was done at 30 September 2004.

(b) HK(SIC)-INT 21 “Income taxes – recovery of revalued non-depreciable assets”

In prior years, deferred taxation was recognised on revaluation changes of investment properties of the Group and its associates on the basis that the recovery of the carrying amount of the investment properties would be through sales and no deferred taxation was provided on the revaluation changes of the properties located in Hong Kong and Singapore, as the capital gain tax rate was nil.

With effect from 1 April 2005, HK(SIC)-INT 21 requires deferred taxation to be recognised on any revaluation changes on investment properties on the basis that the recovery of the carrying amount of the investment properties would be through use and calculated at the applicable profits tax rate and charged to the profit and loss account. This new accounting policy has been applied retrospectively. Shareholders’ equity and minority interests as at 1 April 2005 were restated and decreased by HK\$3,654.2 million and HK\$133.6 million (1/4/2004: HK\$2,642.7 million and HK\$50.8 million), respectively. The adjustment represented net deferred tax liabilities of the revaluation of the Group’s and its associates’ investment properties.

As a result of this change, the Group’s profit attributable to Shareholders for the six-month period ended 30 September 2005 decreased by HK\$978.6 million, representing the Group’s and its share of associates’ net deferred tax charge (net of minority interests) for the period of HK\$239.8 million and HK\$738.8 million respectively. This change has no impact on the Group’s results for the period ended 30 September 2004 as no revaluation of the Group’s and its associates’ investment properties was done at 30 September 2004.

(c) HK-INT 2 “The appropriate accounting policies for hotel properties”

In prior years, the hotel and club properties of the Group’s associates were stated at their open market value based on an annual professional valuation. No depreciation was provided by the associates on the hotel and club properties as they were maintained in continuous state of sound repair and given the estimated life of the hotel properties and their residual values, any depreciation would be immaterial.

With effect from 1 January 2005, upon the adoption of HK-INT 2 by the associates, the hotel and club properties are stated at cost less accumulated depreciation and impairment provision. The effect of adopting the new accounting policy has been applied retrospectively. Shareholders’ equity as at 1 April 2005 was restated and decreased by HK\$1,206.6 million (1/4/2004: HK\$1,051.1 million) whereas minority interests as at 1 April 2005 was restated and increased by HK\$0.2 million (1/4/2004: HK\$6.0 million).

The change has increased the associates’ depreciation charge and reduced the profit attributable to Group and minority interests for the period ended 30 September 2005 by HK\$5.8 million and HK\$0.2 million (2004/05: HK\$5.8 million and HK\$0.2 million), respectively.

(d) HKFRS 3 “Business Combinations”

In prior years, the Group recognised negative goodwill arising on acquisition of a subsidiary or an associate after 1 April 2001 as deferred item and this was released to the profit and loss account on a proportional basis, when the relevant assets acquired are sold or otherwise realised. For negative goodwill arising on acquisition prior to 1 April 2001, the Group relied upon the transitional provisions set out in Statement of Standard Accounting Practice 30 “Business Combinations” such that negative goodwill was taken to capital reserves in the period in which it arose and had not been restated. In respect of positive goodwill, arising on or after 1 April 2001, was capitalised as an asset and amortised on a straight line basis over its estimated useful life and was subject to impairment testing whether there were indications of impairment.

With effect from 1 April 2005, in accordance with HKFRS 3 “Business Combinations” and HKAS 36 “Impairment of Assets”, amortisation of positive goodwill is no longer allowed. Such goodwill was tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating units to which the goodwill has been allocated exceeds its recoverable amount. The new HKFRS 3 requires negative goodwill be recognised in the profit and loss account immediately. Under the transitional arrangements of HKFRS 3, the Group’s existing negative goodwill classified as deferred item or taken to capital reserves were derecognised by way of an adjustment to the retained earnings at 1 April 2005. The change in accounting policy has been adopted prospectively from 1 April 2005. No comparative figures are required to be adjusted.

As a result of the change, the Group’s net assets and retained earnings as at 1 April 2005 increased by HK\$97.6 million and HK\$210.1 million respectively while the Group’s other capital reserves as at 1 April 2005 decreased by HK\$112.5 million. In addition, the Group’s associates has transferred its goodwill, previously credited to or eliminated against other capital reserves, to revenue reserves. The net effect of the transfers has reduced the Group’s revenue reserves retained in associates by HK\$1,442.4 million while the Group’s share of other capital reserves of associates increased by the same amount. Furthermore, the cessation and amortisation of goodwill by the associates has increased the Group’s profit attributable to Shareholders for the period ended 30 September 2005 by HK\$12.0 million.

(e) HKAS 16 “Property, Plant and Equipment”

In prior years, the rental income earned while the property is still under its development stage, was capitalised to the development cost of the property.

With effect from 1 April 2005, upon the adoption of HKAS 16, capitalisation of such rental income is no longer allowed and the rental income is required to be recognised in the profit and loss account. As a result of this change, the Shareholders’ equity as at 1 April 2005 increased by HK\$10.3 million. Attributable rental (after minority interests) earned from property held for redevelopment during the current six-month period amounted to HK\$12.2 million (2004/05: Nil).

(f) HKAS 32 “Financial instruments: Disclosure and Presentation”, and HKAS 39 “Financial instruments: Recognition and Measurement”

The application of HKAS 32 and 39 has resulted in a change in accounting policy relating to the classification of financial assets and liabilities and their measurement. The principal effects of the change on the Group are summarised as below:

- i. **Classification and measurement of financial assets and financial liabilities**
From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss” including trading securities, “loans and receivables”, “held-to-maturity financial assets” or “available-for-sale financial assets” including non-trading investments. Financial assets at fair value through profit or loss are initially recognised and remeasured at fair value through the profit and loss account. Other financial assets are generally measured at amortised cost using the effective interest method. Available-for-sale financial assets are carried at fair value with any unrealised gains and losses recognised in equity.

Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” and “other financial liabilities” carried at amortised cost using the effective interest method.

The change has resulted in reclassifications of certain financial assets and liabilities together with the corresponding comparatives and has no significant impacts on the Group’s results and equity.

- ii. **Derivatives and hedging**
From 1 April 2005 onwards, all derivatives are initially recognised at fair value on the date of entering the derivative contract and are subsequently remeasured at fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account.

In accordance with HKAS 39, there are three types of hedge relationships, including fair value hedges, cash flow hedges and net investment hedges.

– **Fair value hedges**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges together with any changes in the fair value of the corresponding hedged asset or liability are recorded in the profit and loss account.

– **Cash flow hedges**

Changes in the fair value of derivatives held as hedging instruments that are designated and qualify as cash flow hedges are recognised in equity to the extent that the hedge is effective. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any related cumulative gain or loss existing in equity is recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the related cumulative gain or loss in equity is immediately transferred to the profit and loss account.

– Net investment hedges

Changes in the fair value of the effective portion of hedging instruments are recognised initially in equity. Changes in the fair value of the ineffective portion of hedging instruments are recognised directly in the profit and loss account. On disposal of a foreign operation, the gain or loss on the hedging instrument remaining in equity will be transferred to the profit and loss account for the period in which the disposal takes place.

At 31 March 2005, the Group's derivative financial instruments, mainly forward currency contracts, were used to manage the Group's exposure to foreign exchange rate fluctuation. The notional amounts of derivatives were previously recorded off balance sheet.

The Group has applied the relevant transitional provisions of HKAS 39 and adopted hedge accounting in accordance with the standard with effect from 1 April 2005 onwards. As a result of the change, the fair values of the Group's financial derivative assets totalling HK\$3.1 million has been recognised, whereas the hedged assets have been decreased by HK\$3.1 million and are reflected in the balance sheet at 30 September 2005. This change has no significant impact in the Group's results and equity.

(g) Presentational changes

The application of the new HKFRSs has also resulted in changes in the presentation of the accounts retrospectively with comparatives restated to conform to the current period's presentation, in particular of below:

- i. In prior years, minority interests were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Financial results shared by minority interests were separately presented in the consolidated profit and loss account as a deduction before arriving at the profit attributable to Shareholders.

With effect from 1 April 2005, in order to comply with HKAS 1 "Presentation of Financial Statements" and HKAS 27 "Consolidated and Separate Financial Statements", minority interests are presented in the consolidated balance sheet as an element of total equity, separately from the equity attributable to the Shareholders of the Company, and the results shared by minority interests are presented on the face of the consolidated profit and loss account as an allocation of the attributable profit between the minority interests and the Shareholders of the Company.

- ii. In prior years, shares of associates' tax was presented as a component of taxation in the profit and loss account. On adoption of the HKAS 1, share of associates' tax is presented net of the share of associates' profit.

(h) **Summary of the effect of changes in the accounting policies**

- i. Effect on opening balance of total equity at 1 April 2005 and 1 April 2004 (as adjusted)

	Shareholders' equity				
	Revenue reserves	Other reserves	Total	Minority interests	Total equity
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
At 1 April 2005					
Prior year adjustments					
HKAS 40 – Associates	15,855.4	(15,850.1)	5.3	0.2	5.5
HK(SIC)-INT 21	(3,654.2)	–	(3,654.2)	(133.6)	(3,787.8)
Company and subsidiaries	(102.3)	–	(102.3)	(0.5)	(102.8)
Associates	(3,551.9)	–	(3,551.9)	(133.1)	(3,685.0)
HK-INT 2 – Associates	(106.3)	(1,100.3)	(1,206.6)	0.2	(1,206.4)
HKAS 16 – Company and subsidiaries	10.2	0.1	10.3	8.1	18.4
	<u>12,105.1</u>	<u>(16,950.3)</u>	<u>(4,845.2)</u>	<u>(125.1)</u>	<u>(4,970.3)</u>
Opening adjustment HKFRS 3	(1,232.3)	1,329.9	97.6	37.5	135.1
Company and subsidiaries	210.1	(112.5)	97.6	37.5	135.1
Associates	(1,442.4)	1,442.4	–	–	–
Increase/(decrease) in total equity	<u>10,872.8</u>	<u>(15,620.4)</u>	<u>(4,747.6)</u>	<u>(87.6)</u>	<u>(4,835.2)</u>
At 1 April 2004					
Prior year adjustments					
HKAS 40 – Associates	10,671.0	(10,671.0)	–	–	–
HK(SIC)-INT 21	(2,642.7)	–	(2,642.7)	(50.8)	(2,693.5)
Company and subsidiaries	26.1	–	26.1	49.1	75.2
Associates	(2,668.8)	–	(2,668.8)	(99.9)	(2,768.7)
HK-INT 2 – Associates	(93.3)	(957.8)	(1,051.1)	6.0	(1,045.1)
Increase/(decrease) in total equity	<u>7,935.0</u>	<u>(11,628.8)</u>	<u>(3,693.8)</u>	<u>(44.8)</u>	<u>(3,738.6)</u>

ii. Effect on profit after taxation for the six months ended 30 September 2005

	Attributable to shareholders HK\$ Million	Minority interests HK\$ Million	Total HK\$ Million
HKAS 40	5,532.0	267.2	5,799.2
Company and subsidiaries	1,369.9	111.2	1,481.1
Associates	4,162.1	156.0	4,318.1
HK(SIC)-INT 21	(978.6)	(47.1)	(1,025.7)
Company and subsidiaries	(239.8)	(19.4)	(259.2)
Associates	(738.8)	(27.7)	(766.5)
HKAS 16 – Company and subsidiaries	12.2	8.7	20.9
HK-INT 2 – Associates	(5.8)	(0.2)	(6.0)
HKFRS 3 – Associates	12.0	0.5	12.5
	4,571.8	229.1	4,800.9

2. SEGMENT INFORMATION

(a) Business segments

	Segment Revenue		Segment Results	
	30/9/2005 HK\$ Million	30/9/2004 HK\$ Million	30/9/2005 HK\$ Million	30/9/2004 HK\$ Million (Restated)
Property investment	227.7	161.2	142.9	110.6
Property development	2,626.6	1,218.3	678.8	157.6
Property management and agency	435.8	27.7	32.0	15.9
Investment and others	157.5	165.2	397.2	135.0
	3,447.6	1,572.4	1,250.9	419.1
Inter-segment revenue (Note i)	(59.9)	(90.4)	–	–
	3,387.7	1,482.0	1,250.9	419.1
Unallocated expenses			(10.1)	(4.4)
Operating profit before increase in fair value of investment properties and property provision write-back			1,240.8	414.7
Increase in fair value of investment properties			1,481.1	–
Write-back of provision for properties			–	1,327.0
Operating profit after increase in fair value of investment properties and property provision write-back			2,721.9	1,741.7
Borrowing costs			(94.6)	(36.4)
Share of results of associates (Note ii)			4,555.9	898.3
Profit before taxation			7,183.2	2,603.6

Notes:

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

	30/9/2005 HK\$ Million	30/9/2004 HK\$ Million
Property management and agency	4.4	4.9
Investment and others	55.5	85.5
	<u>59.9</u>	<u>90.4</u>

(ii) Share of results of associates

	Segment Results	
	30/9/2005 HK\$ Million	(Restated) 30/9/2004 HK\$ Million
Property investment	862.9	767.4
Property development	52.7	111.6
Communications, media and entertainment	128.9	111.3
Pay television	97.4	117.3
Internet and multimedia	15.5	(13.5)
Telecommunications	23.0	5.5
Others	(7.0)	2.0
Logistics	498.9	431.5
Terminals	469.9	403.0
Other logistics business	29.0	28.5
Investment and others	62.4	37.3
Increase in fair value of investment properties	4,318.1	–
Borrowing costs	(89.9)	(65.4)
Income tax	(975.2)	(215.9)
Unallocated expenses and other items	(302.9)	(279.5)
	<u>4,555.9</u>	<u>898.3</u>

(b) **Geographical segments**

	Segment Revenue		Segment Results (Operating Profit)	
	30/9/2005 HK\$ Million	30/9/2004 HK\$ Million	30/9/2005 HK\$ Million	30/9/2004 HK\$ Million
Hong Kong	2,607.5	552.3	879.7	189.1
Singapore	346.7	929.7	319.1	225.6
United Kingdom and others	433.5	—	42.0	—
	<u>3,387.7</u>	<u>1,482.0</u>	<u>1,240.8</u>	<u>414.7</u>

3. TURNOVER AND OPERATING PROFIT

(a) **Turnover**

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

	30/9/2005 HK\$ Million	30/9/2004 HK\$ Million
Property investment	227.7	161.2
Property development	2,626.6	1,218.3
Property management and agency	431.4	22.8
Investment and others	102.0	79.7
	<u>3,387.7</u>	<u>1,482.0</u>

(b) **Operating profit**

	30/9/2005 HK\$ Million	30/9/2004 HK\$ Million
Operating profit is arrived at:		
after charging:		
Staff costs	237.3	59.8
– including contributions to defined contribution retirement schemes of HK\$15.2 million (2004/05: HK\$3.6 million)		
Cost of properties sold	1,799.6	926.5
Depreciation	8.7	0.8
after crediting:		
Dividend income from listed investments	10.6	15.2

In addition to the above staff costs charged directly to the profit and loss account, staff costs of HK\$11.5 million (2004/05: HK\$3.8 million) were capitalised as part of the costs of properties under development for sale.

4. OTHER NET INCOME

	30/9/2005 HK\$ Million	30/9/2004 HK\$ Million
Net profit on disposal of available for sale investments	235.4	0.5
Profit on disposal of investment properties	51.8	–
Amortisation of negative goodwill	–	4.1
Others	1.8	1.8
	<u>289.0</u>	<u>6.4</u>

5. WRITE-BACK OF PROVISION FOR PROPERTIES

The property provision HK\$1,327.0 million made for the diminution in value of the Bellagio development project in previous years was written back in the first half results of 2004/05.

6. BORROWING COSTS

	30/9/2005 HK\$ Million	30/9/2004 HK\$ Million
Interest payable on		
Bank loans and overdrafts	107.6	33.6
Other loans repayable within 5 years	0.2	0.4
Other borrowing costs	5.1	14.5
	<u>112.9</u>	<u>48.5</u>
Less: Amount capitalised	(18.3)	(12.1)
	<u>94.6</u>	<u>36.4</u>

The Group's effective borrowing interest rate for the six-month period was approximately 2.9% (2004/05: 1.0%) per annum.

7. INCOME TAX

- (a) 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% (2004/05: 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:

	30/9/2005 HK\$ Million	30/9/2004 HK\$ Million
<i>Current tax</i>		
Hong Kong profits tax for the period	20.2	32.8
Overseas taxation for the period	25.7	9.1
	<u>45.9</u>	<u>41.9</u>
<i>Deferred tax</i>		
Change in fair value of investment properties	259.2	–
Reversal on disposal of investment properties	(10.3)	–
Origination and reversal of temporary differences	24.9	2.6
	<u>273.8</u>	<u>2.6</u>
	<u>319.7</u>	<u>44.5</u>

- (b) Share of associates' tax for the six months ended 30 September 2005 of HK\$975.2 million (2004/05: HK\$215.9 million) is included in the share of profits less losses of associates.

8. DIVIDENDS

- (a) Dividends attributable to the period

	30/9/2005 HK\$ Million	30/9/2004 HK\$ Million
Interim dividend proposed after the balance sheet date of 2.5 cents (2004/05: 2.5 cents) per share	<u>50.8</u>	<u>50.8</u>

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

	30/9/2005 HK\$ Million	30/9/2004 HK\$ Million
Final dividend in respect of the previous financial year, approved and paid during the period, of 8.5 cents (2004/05: 6.5 cents) per share	<u>172.7</u>	<u>132.1</u>

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to the Shareholders for the period of HK\$6,302.9 million (2004/05: HK\$2,051.6 million) and 2,031.8 million ordinary shares in issue throughout the financial period ended 30 September 2005 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 trade debtors with ageing analysis as at 30 September 2005 as follows:

	30/9/2005 HK\$ Million	31/3/2005 HK\$ Million
Current	569.7	256.1
31 – 60 days	51.9	54.4
61 – 90 days	5.9	22.8
Over 90 days	1,314.4	24.5
	<hr/>	<hr/>
	1,941.9	357.8
Other debtors	149.6	200.0
Stakeholders' deposits	424.0	743.9
	<hr/>	<hr/>
	2,515.5	1,301.7
	<hr/>	<hr/>

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis as at 30 September 2005 as follows:

	30/9/2005 HK\$ Million	31/3/2005 HK\$ Million
Amounts payable in the next:		
0 – 30 days	246.5	197.6
31 – 60 days	114.3	113.9
61 – 90 days	238.3	208.4
Over 90 days	478.6	449.0
	<hr/>	<hr/>
	1,077.7	968.9
Other creditors and provisions	425.1	317.4
	<hr/>	<hr/>
	1,502.8	1,286.3
	<hr/>	<hr/>

12. TOTAL EQUITY

	Share capital	Share premium	Capital redemption reserve	Investment property revaluation reserves	Investment revaluation reserves	Other capital reserves	Revenue reserves	Shareholders' equity	Minority interests	Total equity
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Company and subsidiaries										
Balance at 1 April 2005										
As previously reported	1,015.9	1,913.6	19.5	-	316.3	323.7	11,777.4	15,366.4	4,881.6	20,248.0
Prior year adjustments in respect of:										
Deferred tax on investment property revaluation surplus (HK(SIC)-INT 21)	-	-	-	-	-	-	(102.3)	(102.3)	(0.5)	(102.8)
Rental earned for property held for redevelopment (HKAS 16)	-	-	-	-	-	0.1	10.2	10.3	8.1	18.4
As restated	1,015.9	1,913.6	19.5	-	316.3	323.8	11,685.3	15,274.4	4,889.2	20,163.6
Negative goodwill derecognised to retained earnings (HKFRS 3)	-	-	-	-	-	(112.5)	210.1	97.6	37.5	135.1
Final dividend approved in respect of the previous year (Note 8b)	-	-	-	-	-	-	(172.7)	(172.7)	-	(172.7)
Dividend to minority interests	-	-	-	-	-	-	-	-	(48.1)	(48.1)
Revaluation surplus	-	-	-	-	112.8	-	-	112.8	36.6	149.4
Transferred to the profit and loss account on disposal of available for sale investments	-	-	-	-	(81.2)	-	-	(81.2)	(29.6)	(110.8)
Reclassification	-	-	-	-	-	28.8	(23.9)	4.9	7.3	12.2
Exchange differences	-	-	-	-	-	(112.8)	-	(112.8)	(88.0)	(200.8)
Profit for the period retained	-	-	-	-	-	-	2,509.8	2,509.8	450.4	2,960.2
Balance at 30 September 2005	1,015.9	1,913.6	19.5	-	347.9	127.3	14,208.6	17,632.8	5,255.3	22,888.1
Associates										
Balance at 1 April 2005										
As previously reported	-	-	-	15,850.1	225.9	(143.0)	4,980.5	20,913.5	474.4	21,387.9
Prior year adjustments in respect of:										
Investment properties (HKAS 40)	-	-	-	(15,850.1)	-	-	15,855.4	5.3	0.2	5.5
Hotel and club properties (HK-INT 2)	-	-	-	-	-	(1,100.3)	(106.3)	(1,206.6)	0.2	(1,206.4)
Deferred tax on investment property revaluation surplus (HK(SIC)-INT 21)	-	-	-	-	-	-	(3,551.9)	(3,551.9)	(133.1)	(3,685.0)
As restated	-	-	-	-	225.9	(1,243.3)	17,177.7	16,160.3	341.7	16,502.0
Opening adjustment for goodwill	-	-	-	-	-	1,442.4	(1,442.4)	-	-	-
Revaluation deficit	-	-	-	-	(1.9)	-	-	(1.9)	(0.1)	(2.0)
Transferred to the profit and loss account on disposal of available for sale investments	-	-	-	-	(14.1)	-	-	(14.1)	(0.6)	(14.7)
Reclassification	-	-	-	-	-	(28.6)	23.7	(4.9)	(3.1)	(8.0)
Others	-	-	-	-	-	(66.5)	(71.2)	(137.7)	(6.5)	(144.2)
Profit for the period retained	-	-	-	-	-	-	3,793.1	3,793.1	110.2	3,903.3
Balance at 30 September 2005	-	-	-	-	209.9	104.0	19,480.9	19,794.8	441.6	20,236.4
Total equity at 30 September 2005	1,015.9	1,913.6	19.5	-	557.8	231.3	33,689.5	37,427.6	5,696.9	43,124.5
Total equity at 31 March 2005 (Restated)	1,015.9	1,913.6	19.5	-	542.2	(919.5)	28,863.0	31,434.7	5,230.9	36,665.6

13. CONTINGENT LIABILITIES

At 31 March 2005 and 30 September 2005, there was no guarantees given by the Group in respect of banking facilities available to associates (31/3/2005: Nil).

14. COMMITMENTS

	30/9/2005 HK\$ Million	31/3/2005 HK\$ Million
(a) Acquisition of and future development expenditure relating to properties Contracted but not provided for	1,318.2	1,705.8
(b) Forward exchange contracts Forward exchange contracts outstanding	556.1	120.7
(c) Operating lease commitment	221.5	—

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 2005:

- (a) Included in interest in associates is an advance of HK\$1,278.1 million (31/3/2005: HK\$1,387.6 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.
- (b) In respect of the six-month period ended 30 September 2005, the Group earned rental income totalling HK\$10.2 million (2004/05: HK\$17.1 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. The above lease at Lane Crawford House (except Rooms 706-8A) expired at the end of June 2005. These transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.
- (c) On 28 June 2005, the Group and its listed subsidiary, Wheelock Properties Limited, entered into agreements with The Wharf (Holdings) Limited group to sell their interest in 107,623,761 i-CABLE Communications Limited ("i-CABLE") shares and 17,619,827 i-CABLE shares at consideration of HK\$277.1 million and HK\$45.4 million respectively. Profit recognised by the Group amounted to HK\$98.9 million.

16. REVIEW OF UNAUDITED INTERIM ACCOUNTS

The unaudited interim accounts for the six months ended 30 September 2005 have been reviewed with no disagreement by the Audit Committee of the Company.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' DEALING IN SECURITIES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors and all the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2005, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, of an associate of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), and of two subsidiaries of the Company, namely, Wheelock Properties Limited ("WPL") and Wheelock Properties (Singapore) Limited ("WP(S)L"), and the percentages which the relevant shares represented to the issued share capitals of the four companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	Nature of Interest
The Company		
Peter K. C. Woo	1,204,934,330 (59.3023%)	Personal Interest in 8,847,510 shares, Corporate Interest in 200,865,142 shares and Other Interest in 995,221,678 shares
B. M. Chang	8,629,575 (0.4247%)	Corporate Interest
G. W. J. Li	1,486,491 (0.0732%)	Personal Interest
S. T. H. Ng	300,000 (0.0148%)	Personal Interest
Wharf		
G. W. J. Li	686,549 (0.0280%)	Personal Interest
S. T. H. Ng	650,057 (0.0266%)	Personal Interest
WPL		
G. W. J. Li	2,900 (0.0001%)	Personal Interest
WP(S)L		
D. J. Lawrence	250,000 (0.0627%)	Personal Interest

Notes:

- (1) *The 995,221,678 shares of the Company stated above as "Other Interest" against the name of Mr. Peter K. C. Woo represented an interest comprised in certain trust properties in which Mr. Woo was taken, under certain provisions in Part XV of the Securities and Futures Ordinance (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested.*
- (2) *The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporations at respective general meetings of which the relevant Directors were respectively either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.*

- (3) *The shareholding interests stated above as “Personal Interest” and “Corporate Interest” against the name of Mr. Peter K. C. Woo totalling 209,712,652 shares of the Company represented the same block of shares as that of the shareholding interest of Mrs. Bessie P. Y. Woo stated below in the section headed “Substantial Shareholders’ Interests”.*
- (4) *The 995,221,678 shares of the Company as referred to under Note (1) above are entirely duplicated or included in the shareholding interest of HSBC Trustee (Guernsey) Limited stated below under the section headed “Substantial Shareholders’ Interests”.*

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers:

- (i) there were no interests, both long and short positions, held as at 30 September 2005 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and
- (ii) there existed during the financial period no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s) of the Company, who/which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 30 September 2005, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the “Register”), and the percentages which the shares represented to the issued share capital of the Company:

Names	No. of Ordinary Shares (percentage of issued capital)
(i) Mrs. Bessie P. Y. Woo	209,712,652 (10.32%)
(ii) HSBC Trustee (Guernsey) Limited	1,095,300,362 (53.91%)
(iii) JPMorgan Chase & Co	143,184,100 (7.05%)

Notes:

- (1) *Duplication occurred in respect of the shareholding interests under (i) and (ii) above, as set out above in Notes (3) and (4) under the section headed “Directors’ Interests in Shares”.*
- (2) *Due to the amalgamation of Bermuda Trust (Guernsey) Limited with HSBC Trustee (Guernsey) Limited into one company known as HSBC Trustee (Guernsey) Limited with effect from 1 January 2005, the name of Bermuda Trust (Guernsey) Limited, which appeared in the Register prior to 1 January 2005, has been accordingly amended to become HSBC Trustee (Guernsey) Limited.*

All the interests stated above represented long positions and as at 30 September 2005, there were no short positions recorded in the Register.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

BOOK CLOSURE

The Register of Members will be closed from Tuesday, 3 January 2006 to Friday, 6 January 2006, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 30 December 2005.

By Order of the Board

Wilson W. S. Chan

Secretary

Hong Kong, 8 December 2005

As at the date of this interim report, the Board of Directors of the Company comprises of Mr. Peter K. C. Woo, Mr. Gonzaga W. J. Li, Mr. Stephen T. H. Ng, Mr. Paul Y. C. Tsui and Mr. David J. Lawrence, together with four independent Non-executive Directors, namely, Mr. Alexander S. K. Au, Mr. B. M. Chang, Mr. Kenneth W. S. Ting and Mr. William Turnbull.