

Corporate Information

Directors

KWOK Ping-sheung, Walter *Chairman & Chief Executive*
#LEE Shau-kee *Vice Chairman*
KWOK Ping-kwong, Thomas *Vice Chairman & Managing Director*
KWOK Ping-luen, Raymond *Vice Chairman & Managing Director*
*HO Tim *(Dr. Ho retired on 20th March 2001)*
*WOO Po-shing
*FUNG Kwok-king, Victor
*KWAN Cheuk-yin, William
#LO Chiu-chun, Clement
LAW King-wan
CHAN Kai-ming
CHAN Kui-yuen, Thomas
KWONG Chun
WONG Yick-kam, Michael
WONG Chik-wing, Mike

Non-Executive Director

* *Independent Non-Executive Director*

Secretary

LAI Ho-kai, Ernest

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Auditors

Deloitte Touche Tohmatsu

Registrars

Central Registration Hong Kong Limited
Rooms 1712–6, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong.

Principal Bankers

The Hongkong & Shanghai Banking
Corporation Limited
Bank of China
Hang Seng Bank Limited
The Bank of Tokyo-Mitsubishi Limited
Standard Chartered Bank
The Sanwa Bank Limited
BNP Paribas
The Sumitomo Bank, Limited
The Industrial and Commercial Bank
of China
ABN Amro Bank N.V.

Solicitors

Woo, Kwan, Lee & Lo
Johnson, Stokes & Master
Winston Chu & Company

Chairman's Statement

I am pleased to present my interim report to the shareholders.

Interim Results

The Group's unaudited profit after tax and minority interests for the six months ended 31st December 2000 was HK\$5,301 million, compared with HK\$5,253 million for the same period last year. Earnings per share were HK\$2.21, compared with HK\$2.19 for the corresponding period last year.

Dividend

The Directors have declared an interim dividend of HK\$0.55 per share, the same as last year's interim dividend. The dividend will be payable on 12th April 2001, to shareholders whose names appear on the Register of Members of the Company on 12th April 2001.

Business Review

Property Sales

During the six months ended 31st December 2000, total property sales generated by the Group, both as principal and agent, were HK\$13,769 million, 3.5 times sales in the same period last year. The majority of this revenue was generated from The Leighton Hill in Happy Valley, Oscar by the Sea in Tseung Kwan O, Royal Peninsula in Kowloon and Villa Esplanada Phase 3 in Tsing Yi. The response to the pre-sale of The Leighton Hill in November 2000 was very encouraging and virtually all units were sold within a couple of weeks.

During the first half of the 2000/01 financial year, the Group completed the following eight projects with an attributable gross floor area of about three million square feet:

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Royal Peninsula	Kowloon Inland Lot 11084	Residential	50	739,000
Le Sommet	28 Fortress Hill Road, North Point	Residential	100	390,000
Ocean Shores Phase 1, Blocks 5 & 6	Tseung Kwan O Town Lot 55	Residential	49	267,000
Villa Premiere	99 Fung Cheung Road, Yuen Long	Residential	100	217,000
Chelsea Heights Phase 2	Tuen Mun Town Lot 396	Residential/Shopping Centre	100	667,000
The Belcher's Phase 1	89 Pok Fu Lam Road	Residential/Shopping Centre	29	386,000
Grand Villa	401 Chatham Road, Hung Hom	Residential/Shops	100	30,000
MEGA-iAdvantage	399 Chai Wan Road	Internet Service Centre	84	293,000
Total				<u>2,989,000</u>

Chairman's Statement

Approximately 75 per cent of the residential units scheduled for completion in the current financial year has been pre-sold. The shopping centres in Chelsea Heights and The Belcher's, as well as MEGA-iAdvantage, are being retained as investments.

Land Bank

Since the last financial year, the Group acquired two sites through public tender and land auction, with an aggregate gross floor area of five million square feet:

Project	Site Area <i>(square feet)</i>	Group's Interest <i>(%)</i>	Usage	Attributable Gross Floor Area <i>(square feet)</i>
Airport Railway Kowloon Station Development Packages 5, 6 & 7	790,000	JV	Office/Shopping Centre/Residential/Service Apartment/Hotel	4,698,000
Kowloon Inland Lot 11145, Farm Road	30,000	100	Residential/Shopping Centre	268,000
Total	820,000			4,966,000

The Group currently owns a land bank of 54.7 million square feet in Hong Kong, comprising 19.3 million square feet of completed investment properties and 35.4 million square feet of properties under development. In addition, the Group owns 22 million square feet of agricultural land in the New Territories in terms of site area. The majority of the agricultural land is located along existing or planned railway lines, and is in the process of land use conversion.

Property Development

Hong Kong saw a strong economic recovery in 2000. Employment is up and salaries have risen modestly. As deflationary pressures continued to ease, homebuyers' confidence has gradually strengthened recently, in response to progressive cuts in local interest rates and positive Government measures in relation to the residential property market. Transaction volume picked up with firmer prices, and at present, virtually all buyers are genuine end-users.

Property prices are now very attractive, at mid-1992 levels, and affordability for homebuyers is the strongest in the last 12 years. At present, mortgage payments are generally lower than residential rent. Other fundamental factors including employment conditions, prospects for pay rises and the interest rate outlook are all positive for the property market.

The Group continues to focus on developing large-scale projects, offering a wide mix of flat sizes to buyers, with the majority being small-to-medium units. It plans to increase the volume of residential developments for sale in coming years, and capitalizing on current market conditions, it will continue to expand its land bank by converting

Chairman's Statement

agricultural land to development sites. Negotiations with the Government on premiums for several approved land use conversion sites are under way. Profit margins on new development projects are expected to gradually increase over time, due mainly to timely land acquisition and construction cost controls.

The Group will continue to strengthen its brand name by implementing a variety of measures to enhance the premium quality of its properties, customer care and management service. It is also devoting extensive effort to encouraging employees to raise levels of quality even higher.

Property completions in the first half, and expected completions in the second half of the current financial year, by attributable gross floor area, are shown below:

	Residential	Shopping Centre	Internet Service Centre	Total
	<i>(million square feet)</i>			
First Half Year				
For Sale	2.5	0	0	2.5
For Investment	0	0.2	0.3	0.5
Sub-Total	<u>2.5</u>	<u>0.2</u>	<u>0.3</u>	<u>3.0</u>
Second Half Year				
For Sale	1.1	0	0	1.1
For Investment	0	*	0	*
Sub-Total	<u>1.1</u>	<u>*</u>	<u>0</u>	<u>1.1</u>
Full Year Total	<u>3.6</u>	<u>0.2</u>	<u>0.3</u>	<u>4.1</u>

* Less than 100,000 square feet

Property Investment

Overall occupancy of the Group's rental portfolio remains high at 96 per cent and leasing was relatively active in the second half of 2000 amid the domestic economic improvement. China's impending entry to the WTO, Hong Kong's leading position as an international finance and business hub and continuous economic growth will give rise to more demand for high-quality office space. The anticipated tight supply over the next one or two years suggests a positive outlook for the office leasing market.

Capitalizing on the success of International Finance Centre (IFC) Phase 1, which is now fully let, pre-leasing of IFC Phase 2 will begin soon. Given its strategic location above Hong Kong Station, the high specifications of the office building, its superb quality and interactive technological design, the Group is confident that Phase 2 leasing will be encouraging. Phase 2, which consists of 1.95 million square feet of offices, 0.5 million square feet of shopping and 1.1 million square feet of hotel space, will be completed in stages between 2002 and 2004.

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The Airport Railway Kowloon Station Development Packages 5, 6 and 7 has added 4.7 million square feet of attributable gross floor area to the Group's portfolio, consisting of offices, hotels, service apartments, shopping and residential space. Together with Airport Railway Kowloon Station Development Package 3, there will be a total of over two million square feet of residential properties at Kowloon Station available for sale in the next few years. Situated above Kowloon Station on the Airport Railway and at the heart of a key future commercial and cultural district of Hong Kong, the project will feature the most modern design and intelligent facilities. The project's mega-tower, together with the 88-storey office building at IFC Phase 2 on Hong Kong Island's waterfront, will form a "Harbour Gateway", a new landmark spanning Victoria Harbour.

Advantageously situated in the prime area of Kowloon East, Millennium City is now one of the major commercial centres of Hong Kong. Both Phases 1 and 2 of Millennium City are fully let. The construction of Phase 3 is under way and pre-leasing will commence in the second half of 2001. Planning for Phase 4 is being finalized, and it is scheduled for completion by stages in the next two to three years. Phase 4 has a total floor area of over 1.2 million square feet, comprising office space and a regional shopping mall. Upon completion, the entire Millennium City will provide over 3.7 million square feet of office and retail space in Kowloon East.

Leasing of the Group's shopping centres remains satisfactory. With pay rises, improving job security and lower interest rates, consumer spending should improve gradually and retail rentals should fare better. To further enhance rental and capital value, the Group will continue its renovation and refurbishment programme. The new "garden feel" theme in New Town Plaza III is an example of the Group's efforts to provide a more comfortable environment for shoppers and tenants. In addition, the Group will continue to organize promotional activities in its shopping centres to boost consumption and increase pedestrian flows.

It is the Group's policy to maintain an optimum mix in its rental portfolio. In the next five years, the Group plans to develop eight million square feet of high-quality investment properties, which will give it the largest Grade-A office portfolio in the territory and help to transform Hong Kong's skyline. As part of this initiative, the Group will work to further strengthen its organization and reallocate resources for the development of landmark projects. While developing more quality properties for rental, the Group will also consider selling some non-core investment properties.

Information Technology and Telecommunications

SUNeVision

SUNeVision showed strong revenue growth during the first half of the 2000/01 financial year. It improved operating efficiency on the back of continued business growth and better control over costs. A number of SUNeVision's business units recorded notable progress during the period under review. The MEGA-iAdvantage in Chai Wan was completed in December 2000 and leasing has been satisfactory. The progress of leasing at the other two Internet service centres in Hong Kong has also been encouraging. Together with its operations in Beijing, Shanghai and Singapore, iAdvantage has approximately 570,000 square feet of Internet service centre space throughout Asia. Super-Office, a leading business-enabling service provider, performed satisfactorily with increased users. SuperHome has expanded its community web site network into residential properties managed by the MTR Corporation.

The majority of SUNeVision's planned capital expenditure has largely been accomplished, but it will continue to seek investment opportunities for long-term business growth. The company will focus on revenue growth, mainly generated by the full operation of all its Internet service centres and the provision of a comprehensive range of quality services. SUNeVision is financially strong, with net cash of approximately HK\$2,200 million. With its first-

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mover advantage, strong management team and shareholders' full commitment, the company will further strengthen its leading position in Internet infrastructure and enabling services in Hong Kong and Asia during the current process of industry consolidation. The Group is confident in the company's business prospects.

SmarTone

SmarTone was successful in increasing its customer base during the second half of 2000. Subscribers rose to over 1,044,000 by 31st December 2000. The company has achieved a critical mass for its development of wireless data applications and services. It will focus on maximizing efficiency and effectiveness in today's competitive market. SmarTone intends to maintain high customer satisfaction levels and retain high-value subscribers through its superior quality network and premium service. The company will extend its presence beyond Hong Kong after winning a Macau 2G licence. Leveraging its leading position in the telecommunications sector and financial strength, SmarTone will continue to exploit 2G and 2.5G services, taking advantage of opportunities to consolidate and move into 3G as they arise. The Group is confident about the company's future prospects and will continue to hold SmarTone as a long-term strategic investment.

Transportation and Infrastructure

Kowloon Motor Bus

The Kowloon Motor Bus Holdings Limited (KMB) recorded an encouraging result for the 2000 financial year, with increased ridership and improved efficiency. The company further expanded its fleet with new air-conditioned buses. With its management expertise and the use of information technology, KMB continues to provide passengers with an efficient, reliable and ecologically-sound bus service, demonstrated in part by its environmentally-friendly, solar powered bus shelters. It is also developing interchange packages with other public transport operators, offering greater flexibility and wider coverage for passengers. KMB will continue to explore opportunities for business diversification in the bus transportation sector in Hong Kong and on the Mainland, contributing quality recurrent income to the Group.

RoadShow Holdings Limited, a wholly-owned subsidiary of KMB, is engaged in on-board multi-media, transit network media sales and merchandising. "Multi-Media On Board" buses were launched at the end of 2000, broadcasting informative and entertaining programmes. KMB intends to spin off RoadShow Holdings for listing on The Stock Exchange of Hong Kong.

Other Infrastructure Business

The Route 3 (Country Park Section) recorded considerable revenue growth with a steady rise in traffic volume during the period under review. The Wilson Group recently won a Government contract extending its operation and maintenance of the Tsing Ma Control Area, including the Tsing Ma Bridge, for another six years.

The volume of cargo handled at the River Trade Terminal in Tuen Mun has been increasing, and the Airport Freight Forwarding Centre is operating smoothly. Construction of two berths at Container Terminal 9 is progressing, with completion scheduled in phases during 2003 and 2004.

All the Group's infrastructure projects are in Hong Kong and will provide steady streams of recurrent income over the long term.

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Hotels

As visitor arrivals continued to show impressive growth, the hotel sector registered higher levels of occupancy during the period under review. The occupancy rate for the Group's hotels continued to rise, and operating margins showed continued improvement. Average occupancy of the Group's hotel portfolio increased to 88 per cent and the average room rate rose by 11 per cent. The outlook for the hotel industry remains promising in the long term. Hong Kong will continue to be both a tourist and business hub, as well as the gateway to China, attracting even more business travellers when the Mainland enters the WTO. The Group's hotels are expected to show continuous business growth. The Group is also developing five-star hotels in both the Hong Kong and Kowloon Airport Railway stations.

Mainland China Business

China's accession to the WTO will usher in a new era of opportunity and challenge for Hong Kong. The Group will capitalize on this by taking advantage of its existing presence on the Mainland to expand its investments selectively as the Chinese economy continues to grow.

Leasing of the Group's investment properties in both Shanghai and Beijing was encouraging. The shopping centre and office space at Sun Dong An Plaza in Beijing are now 95 per cent and 97 per cent leased respectively, and occupancy of Central Plaza in Shanghai is over 93 per cent. The Group will selectively invest on the Mainland in property, logistics and information technology businesses, continuing to focus geographically on four major cities: Beijing, Shanghai, Guangzhou and Shenzhen.

Corporate Finance

The Group will continue its conservative financial policies, with low gearing and high liquidity, and at the same time diversify its funding sources and lengthen its debt maturity profile. Its financial position remains strong, with a net debt to shareholders' funds ratio of 17.5 per cent at 31st December 2000.

The Group recently arranged a seven-year HK\$7.8 billion syndicated loan facility at competitive pricing with 22 leading banks, and the response was overwhelming. Since July 2000, the Group has also issued several fixed and floating rate notes totalling HK\$1.6 billion with tenors ranging from three to eight years, under its EMTN programme. The proceeds from both the syndicated loan and the notes will be used as standby funds to refinance short-term debts as well as for general working capital.

With substantial undrawn facilities on a committed basis standing by for future business expansion, all the Group's credit facilities are unsecured. Its foreign exchange risk is negligible since the vast majority of its borrowings are denominated in Hong Kong dollars. The Group recently had its rating outlook up-graded from stable to positive by Moody's, on a par with Hong Kong's sovereign rating.

Customer Service

The Group is constantly improving its customer service, "Putting the Customer First". Premium handover service and a one-year quality guarantee on new residential properties further demonstrate the Group's commitment to superior quality and after-sale service. The Group's vision is to build ideal homes, providing total lifestyle solutions to residents.

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The Group offers top-quality management service to residents and has won recognition in the property management industry. Its subsidiary Hong Yip was the first Hong Kong property management company to receive enhanced ISO9001:2000 quality certification, and its other subsidiary Kai Shing recently won a number of honours for eco-friendly property management.

The Group is active in introducing environmentally-friendly concepts to new properties and estate management, providing a greener, more comfortable indoor and outdoor environment to residents. Initiatives include environmentally-friendly designs, energy and water conservation measures and an electric shuttle bus service. One of the Group's projects, The Parcville, is the first residential development in Hong Kong to be rated "Excellent" under the Business Environment Council's Hong Kong Building Environmental Assessment Method.

The SHKP Club continues to grow, with membership presently standing at more than 130,000. The Club is always providing members with enhanced privileges and services, building loyalty to the Group and strengthening two-way communication.

Prospects

At the recent session of the National People's Congress, China formulated its Tenth Five-Year Plan. It is anticipated that the Chinese economy will grow at an average of seven per cent over the next five years, doubling in size in the next ten years. With its imminent entry to the WTO, China will quicken economic reforms and open up its domestic market further. This will offer tremendous business opportunities to both Hong Kong and overseas enterprises. Being the gateway to China and an international business centre, Hong Kong stands to benefit from all these opportunities.

The Government has adopted various policy measures that have boosted public confidence and sustained the economic recovery. It has also taken initiatives to revitalize the housing market. These measures should make the residential property market healthier. Notwithstanding recent volatility in the stock market, with falling interest rates, Hong Kong's gradual economic recovery is expected to continue. Employment will continue to rise, while the macro-economy will revert to a mild inflationary environment over time.

Home ownership and property investment have increasingly become more attractive, due to the narrowing yield gap as a result of significant cuts in mortgage rates. Together with pay rises, rising employment, favourable affordability, easy mortgage credit and strengthening homebuyer confidence, the demand for residential property should rise. New residential supply is expected to remain steady in next two to three years, at approximately the yearly average of the last decade. Taking all these factors together, the Group expects Hong Kong's property market to fare better in the coming year.

With on-going economic growth, favourable demographics and supportive government land and housing policies, prospects for the residential property market are promising in the long term. The Group will continue to build its strong brand name in the market, positioning itself as the developer of choice for premium property and strengthening its reputation for quality.

Chairman's Statement

The Group will continue to focus on Hong Kong property development and investment. It is well positioned to capitalize on current market conditions for business expansion, better utilizing its asset base to maximize shareholders' value and return on equity. At the same time, the Group will capitalize on the opportunities presented by China's entry to the WTO with selective investments in property, logistics and information technology on the Mainland.

Approximately 75 per cent of the residential properties to be completed in the current financial year have been pre-sold. The Group will launch residential projects for pre-sale according to schedule. Major projects set for pre-sale in the next few months include Ocean Shores Phase 2 in Kowloon East, 71 Mount Kellett Road on the Peak, the project at Shui Pin Wai in Yuen Long and Park Island Phase I in Ma Wan. The upcoming residential pre-sales and a substantial stream of rental income will further strengthen the Group's cash flow position. Given the steady recovery in the property market, I am fully confident about the Group's future prospects.

Dr. Ho Tim, an independent non-executive director, will soon retire from the board after more than 28 years of service. Throughout these years, he made considerable contributions to the Group's growth. On behalf of the board, I would like to thank Dr. Ho for his invaluable efforts and dedication.

I would also like to take this opportunity to express my gratitude to my fellow directors for their guidance, and to all the staff for their dedication and hard work.

Kwok Ping-sheung, Walter
Chairman & Chief Executive

Hong Kong, 16th March 2001

Consolidated Profit and Loss Account

For the six months ended 31st December 2000
(Expressed in millions of Hong Kong dollars)

	Note	(Unaudited)	
		Six months ended	
		31st December	
		2000	1999
Turnover	2	10,466	17,134
Cost of sales		(4,738)	(11,103)
Gross profit		5,728	6,031
Other revenue		208	157
Selling and marketing expenses		(254)	(379)
Administrative expenses		(558)	(427)
Profit from operations	2	5,124	5,382
Finance cost		(946)	(790)
Finance income		271	235
Net finance cost		(675)	(555)
Profit on disposal of investments		282	801
Share of profits less losses of associates		488	24
Share of profits less losses of jointly controlled entities		493	87
Profit before taxation	3	5,712	5,739
Taxation	4	(402)	(482)
Profit after taxation		5,310	5,257
Minority interests		(9)	(4)
Profit attributable to shareholders		5,301	5,253
Dividends		(1,321)	(1,321)
Profit for the period retained		3,980	3,932
<i>(Expressed in Hong Kong dollars)</i>			
Earnings per share	5	\$2.21	\$2.19
Dividend per share		\$0.55	\$0.55

Consolidated Balance Sheet

As at 31st December 2000

(Expressed in millions of Hong Kong dollars)

	Note	(Unaudited) 31st December 2000	(Audited) 30th June 2000
Non-current assets			
Fixed assets	6	93,320	86,291
Associates		5,161	4,592
Jointly controlled entities		17,985	19,280
Investments		1,908	1,992
Loans receivable		1,508	1,844
Land pending development		17,549	18,908
		<u>137,431</u>	<u>132,907</u>
Current assets			
Stocks		24,337	22,972
Trade and other receivables	7	4,277	3,417
Marketable securities		439	1,111
Bank balances and deposits		9,037	10,414
		<u>38,090</u>	<u>37,914</u>
Current liabilities			
Bank and other borrowings		(6,647)	(4,584)
Trade and other payables	8	(10,639)	(9,884)
Deposits received on sale of properties		(4,013)	(4,669)
Taxation		(2,357)	(2,483)
Proposed dividends		(1,321)	(2,881)
		<u>(24,977)</u>	<u>(24,501)</u>
Net current assets		<u>13,113</u>	<u>13,413</u>
Total assets less current liabilities		<u>150,544</u>	<u>146,320</u>
Non-current liabilities			
Bank and other borrowings		(24,254)	(23,805)
Minority interests		<u>(1,621)</u>	<u>(1,611)</u>
NET ASSETS		<u>124,669</u>	<u>120,904</u>
CAPITAL AND RESERVES			
Share capital	9	1,201	1,201
Share premium and reserves		123,468	119,703
SHAREHOLDERS' FUNDS		<u>124,669</u>	<u>120,904</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 31st December 2000
(Expressed in millions of Hong Kong dollars)

	(Unaudited)	
	Six months ended	
	31st December	
	2000	1999
Net cash inflow from operating activities	4,353	4,180
Net cash outflow from returns on investments and servicing of finance	(3,526)	(3,190)
Tax paid	(448)	(1,367)
Net cash outflow from investing activities	<u>(3,847)</u>	<u>(1,266)</u>
Net cash outflow before financing	(3,468)	(1,643)
Net cash inflow from financing	<u>2,044</u>	<u>1,415</u>
Decrease in cash and cash equivalents	(1,424)	(228)
Cash and cash equivalents at beginning of period	<u>10,354</u>	<u>8,193</u>
Cash and cash equivalents at end of period	<u>8,930</u>	<u>7,965</u>
Analysis of the balances of cash and cash equivalents at end of period		
Bank balances and deposits	9,037	8,011
Bank overdrafts	<u>(107)</u>	<u>(46)</u>
	<u>8,930</u>	<u>7,965</u>

Consolidated Statement of Recognised Gains and Losses

For the six months ended 31st December 2000
(Expressed in millions of Hong Kong dollars)

	(Unaudited)	
	Six months ended	
	31st December	
	2000	1999
Exchange differences on translation of the financial statements of foreign entities	<u>5</u>	<u>2</u>
Net gains not recognised in the consolidated profit and loss account	5	2
Profit attributable to shareholders for the period	5,301	5,253
Realised surplus on disposal of investment properties transferred to profit and loss account	<u>(243)</u>	<u>(79)</u>
Total recognised gains and losses	5,063	5,176
Net reserves arising on consolidation	<u>23</u>	—
	<u>5,086</u>	<u>5,176</u>

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

1. Basis of Preparation

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (SSAP) No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 30th June 2000.

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

2. Turnover and Profit from Operations

The Group's turnover and contribution to profit from operations before finance cost by principal activities are analysed as follows:

	Turnover		Profit from operations	
	Six months ended		before finance cost	
	31st December		Six months ended	
	2000	1999	2000	1999
Property sales	6,388	13,088	2,860	2,963
Rental income	2,651	2,628	2,003	2,025
Property management	424	392	146	134
Hotel operation	307	272	108	74
Other business activities	696	754	44	240
	<u>10,466</u>	<u>17,134</u>	<u>5,161</u>	<u>5,436</u>
Other revenue			208	157
Unallocated administrative expenses			(245)	(211)
			<u>5,124</u>	<u>5,382</u>

Turnover for the period ended 31st December 1999 has been restated to exclude interest income of HK\$235 million on bank deposits, reclassified as finance income, and investment income of HK\$2 million on securities investments, reclassified under other revenue, to conform with the new definition of the Group's turnover pursuant to the adoption of SSAP No. 1 (Revised) "Presentation of Financial Statements".

Turnover and contribution to profit from operations outside Hong Kong are immaterial.

3. Profit Before Taxation

During the period, depreciation charged in respect of the Group's fixed assets amounted to HK\$125 million (1999: HK\$91 million).

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

4. Taxation

	Six months ended 31st December	
	2000	1999
Hong Kong		
Group	322	425
Associates	58	22
Jointly controlled entities	22	35
	402	482

Hong Kong profits tax is provided at the rate of 16 per cent (1999: 16 per cent) based on the estimated assessable profits for the period.

5. Earnings Per Share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$5,301 million (1999: HK\$5,253 million) and on 2,401 million shares (1999: 2,401 million shares) in issue during the period.

No diluted earnings per share is presented for the six months ended 31st December 1999 and 2000 as the exercises of the share options outstanding during the periods have no dilutive effect on the earnings per share.

6. Fixed Assets

During the period, additions to fixed assets amounted to HK\$7,456 million (1999: HK\$134 million), consisting of assets acquired (comprising properties, equipment, furniture, fixtures and vehicles) of HK\$6,987 million (1999: HK\$134 million) and transfer of property assets of HK\$469 million (1999: nil) from land pending development. Net book value of fixed assets disposed amounted to HK\$302 million (1999: HK\$46 million).

7. Trade and Other Receivables

Consideration in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rent in respect of leased properties are payable in advance by the tenants. Other trade debtors settle their accounts according to the payment terms as stated in contracts.

Included in trade and other receivables are trade debtors of HK\$1,111 million (as at 30th June 2000: HK\$1,186 million), of which 77 per cent aged less than 60 days, 3 per cent between 61 to 90 days and 20 per cent more than 90 days (as at 30th June 2000: 74 per cent, 7 per cent and 19 per cent respectively).

8. Trade and Other Payables

Included in trade and other payables are trade creditors of HK\$486 million (as at 30th June 2000: HK\$511 million), of which 67 per cent aged less than 60 days, 2 per cent between 61 to 90 days and 31 per cent more than 90 days (as at 30th June 2000: 75 per cent, 1 per cent and 24 per cent respectively).

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

9. Share Capital

There were no movements in the share capital of the Company during the period ended 31st December 2000 and 31st December 1999.

10. Related Party Transactions

The following is a summary of significant transactions during the period between the Group and related parties, which were carried out at similar terms to other customers or suppliers and at market prices:

	Associates		Jointly controlled entities	
	Six months ended 31st December 2000	1999	Six months ended 31st December 2000	1999
Interest income	73	69	77	14
Rental income	31	25	2	2
Other revenue from services rendered	28	25	518	187
Purchase of goods and services	—	—	165	75

11. Contingent Liabilities and Commitments

The Group had contingent liabilities and commitments, so far as not provided for in the consolidated financial statements, as follows:

	31st December 2000	30th June 2000
(a) Capital commitments contracted for in respect of fixed assets	1,750	1,713
(b) Group's share of capital commitments of joint ventures:		
Contracted but not provided for	4,017	858
Authorised but not contracted for	123	209
(c) Guarantees given to banks and financial institutions in respect of facilities drawn by an associate and jointly controlled entities amounting to approximately HK\$1,463 million (as at 30th June 2000: HK\$1,463 million) and HK\$7,927 million (as at 30th June 2000: HK\$4,651 million) respectively.		

12. Comparative Figures

The presentation and classification of items in the interim financial statements have been changed due to the adoption of the requirements of SSAP No. 1 (Revised) "Presentation of Financial Statements". As a result, certain comparative figures have been reclassified to conform with current period's presentation.

Financial Review

Review of Interim Results

The Group's profit attributable to shareholders for the six months ended 31st December 2000 was HK\$5,301 million compared to HK\$5,253 million for the corresponding period in the previous year. The turnover and profit from operations are analysed in Note 2 to the Interim Financial Statements.

Development margin improved significantly during the period. Property sale revenue for the period under review was HK\$6,388 million, compared to HK\$13,088 million for the same period last year. Profits generated from property sales dropped slightly by 3.5 per cent to HK\$2,860 million. The decline in turnover was mainly due to the fact that about half of the volume of property developments completed for sale was engaged through joint venture companies whereby the sales were recognized under the share of results from jointly controlled entities and associates. The two major development profit contributors were Le Sommet and Chelsea Heights Phase 2, both of which achieved a high margin primarily due to the low land cost.

Performance of the Group's rental portfolio was satisfactory. Average occupancy levels stayed high and rental rates remained stable throughout the period. Gross rental income recorded a marginal increase of HK\$23 million to HK\$2,651 million. Net rental income was HK\$2,003 million compared to HK\$2,025 million for the same period last year. These figures have not included the rental contribution from jointly controlled entities. Including the Group's share of rental income from jointly controlled entities, total gross and net rental income would be HK\$2,897 million and HK\$2,192 million, up by 3.8 per cent and 2.1 per cent respectively. The growth was mainly due to the full six-month rental contribution from One International Finance Centre and Millennium City Phase 2.

The Group's property management business has been growing steadily with gradual expansion in the property management portfolio. The profit contribution from property management business increased by 9 per cent to HK\$146 million.

The substantial increase in contribution from the hotel operation, by 46 per cent to HK\$108 million, was the combined result of increased average occupancy rates and room rates. The hotel business achieved higher operating efficiency as well as a greater profit margin.

Total profits generated from other business activities declined by HK\$196 million to HK\$44 million, mainly due to the operating loss (before interest income) incurred by its subsidiary, SUNeVision.

Net finance cost for the period increased by 20 per cent to HK\$675 million as a result of an increase in average net debt.

The Group recorded a profit of HK\$282 million from disposal of investments, comprising mainly listed shares originally held for long-term investment.

Total net profit contributions from associates and jointly controlled entities increased by HK\$870 million to HK\$981 million. The increase was mainly due to profits generated from joint venture development projects including The Belcher's Phase I, Royal Peninsula and Ocean Shores Phase I (Blocks 5 & 6). Share of profit from KMB increased by 22 per cent to HK\$141 million whereas share of loss from SmarTone reduced significantly to HK\$31 million from HK\$104 million.

Financial Resources and Liquidity

Total shareholders' funds as at 31st December 2000 increased by HK\$3,765 million to HK\$124,669 million, representing an increase of 3.1 per cent compared to the previous year end. The increase was attributable to the profits retained during the period.

Financial Review

All the Group's borrowings are unsecured. Maturity profile of the Group's debt at 31st December 2000 is set out as follows:

	31st December 2000	30th June 2000
	HK\$M	HK\$M
Repayable within one year	6,647	4,584
After one year but within two years	12,440	12,868
After two years but within five years	8,028	9,522
After five years	3,786	1,415
Total borrowings	30,901	28,389
Bank deposits and balances	9,037	10,414
Net debt	21,864	17,975

During the period under review, the Group's net debt increased by HK\$3,889 million as a result of the increased expenditures for land acquisitions, including the land premium for the Airport Railway Kowloon Station Development Packages 5, 6 & 7. Net debt to shareholders' funds ratio at 31st December 2000 was 17.5 per cent (at 30th June 2000: 14.9 per cent).

Interest coverage for the period, measured by the ratio of profit from operations to net interest expenses before capitalisation, remained high at 5.4 times (1999: 8.9 times). The reduction of interest coverage was primarily caused by higher net interest expenses.

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. There is no significant change in respect of treasury and financing policies from the information disclosed in the Group's latest annual report.

The Group has no significant exposure to foreign exchange rate fluctuations. About 95 per cent of the Group's borrowings is denominated in Hong Kong dollars, with the balance in US dollars and Renminbi to fund property projects on the Mainland.

Apart from cash and bank deposits, the Group also has substantial committed undrawn credit facilities from its relationship banks, providing the Group with strong financing flexibility, ample financial resources and liquidity to meet its funding needs and on-going working capital requirements.

Employee

At 31st December 2000, the Group had about 17,000 employees. The Group provides competitive remuneration packages to employees commensurable to the level and market trend of pay in the businesses in which the Group operates, with incentive schemes composed of discretionary bonus and other merit payments to reward employees on the basis of individual performance. The Group also provides retirement schemes, medical benefit and training programs for all staff. Details of share option schemes were disclosed in the 1999/2000 annual report.

Other Information

Disclosure of Interests

Directors' Interests in the Company

As at 31st December 2000, the interests of the directors and the chief executive of the Company in the equity securities of the Company, as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "Ordinance"), were as follows:

Name of Director	No. of shares in which the Directors were interested				Total
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
Kwok Ping-sheung, Walter	—	3,000	—	1,073,792,522 (Note 1)	1,073,795,522
Lee Shau-kee	486,340	—	—	343,000	829,340
Kwok Ping-kwong, Thomas	1,901,281	304,065	—	1,071,842,214 (Note 1)	1,074,047,560
Kwok Ping-luen, Raymond	—	1,000	—	1,074,985,895 (Note 1)	1,074,986,895
Ho Tim	423,941	—	—	—	423,941
Kwan Cheuk-yin, William	123,780	—	—	—	123,780
Lo Chiu-chun, Clement	137,273	62,117	—	—	199,390
Law King-wan	20,000	80,267	—	—	100,267
Chan Kai-ming	41,186	—	—	—	41,186
Chan Kui-yuen, Thomas	126,500	66,000	—	—	192,500
Kwong Chun	732,722	339,358	—	—	1,072,080
Wong Yick-kam, Michael	50,904	—	—	—	50,904
Wong Chik-wing, Mike	150,999	—	—	—	150,999

Note 1: Messrs. Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen were deemed (by virtue of the Ordinance) to be interested in the number of shares in the Company shown opposite their names respectively. Of those shares, 1,051,808,347 shares represented the same interests and were therefore duplicated among those three directors.

Other Information

Directors' Interests in Other Associated Corporations

As at 31st December 2000, the interests of directors and the chief executive of the Company in the equity securities of any associated corporation (within the meaning of the Ordinance), as recorded in the register required to be kept under section 29 of the Ordinance, were as follows:

- (i) The following directors had the following interests in the equity securities of SUNeVision Holdings Limited:

Name of Director	No. of shares in which the Directors were interested				Total
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
Kwok Ping-sheung, Walter	—	—	—	1,070,000 (Note 2)	1,070,000
Kwok Ping-kwong, Thomas	—	—	—	1,070,000 (Note 2)	1,070,000
Kwok Ping-luen, Raymond	672,500	—	—	1,070,000 (Note 2)	1,742,500
Fung Kwok-king, Victor	—	—	—	8,000	8,000
Kwan Cheuk-yin, William	884	—	—	—	884
Lo Chiu-chun, Clement	2,771	—	—	—	2,771
Chan Kai-ming	115,000	—	—	—	115,000
Kwong Chun	300,000	—	—	—	300,000
Wong Chik-wing, Mike	109,000	—	—	—	109,000

Note 2: Messrs. Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen were deemed (by virtue of the Ordinance) to be interested in the number of shares in SUNeVision Holdings Limited shown opposite their names respectively. Of those shares 1,070,000 shares represented the same interests and were therefore duplicated among those three directors.

- (ii) Each of Messrs. Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen had the following interests in the equity securities of the following associated corporation:

Associated Corporation	No. and Class of Securities	Category of Interest
Superindo Company Limited	10 shares	Personal
Super Fly Company Limited	10 shares	Personal
Splendid Kai Limited	2,500 shares	Corporate
Hung Carom Company Limited	25 shares	Corporate
Tinyau Company Limited	1 share	Corporate
Open Step Limited	8 shares	Corporate

- (iii) Messrs. Walter Kwok Ping-sheung and Raymond Kwok Ping-luen had personal interests of 61,522 shares and 393,350 shares respectively in the equity securities of The Kowloon Motor Bus Holdings Limited.

- (iv) Mr. Raymond Kwok Ping-luen had a personal interest of 692,846 shares in the equity securities of SmarTone Telecommunications Holdings Limited.

Other Information

- (v) Mr. Lee Shau-kee has other interests in the equity securities of the following associated corporations;

Associated Corporation (Note 3)	No. and Class of Securities
Mightypattern Limited	200 shares
Star Play Development Limited	1 share
Central Waterfront Property Holdings Limited	47.5% of issued share capital
Newfoundworld Holdings Limited	40,000 shares
Topcycle Development Limited	1 share
Anbok Limited	2 shares
Teamfield Property Limited	4,918 shares

Note 3: The shares in Mightypattern Limited and Star Play Development Limited were beneficially owned by Henderson Investment Limited ("HI").

The respective interests of Henderson Land Development Company Limited ("HL") and The Hong Kong and China Gas Company Limited (a company in which the subsidiaries of HI owned more than one-third of its issued shares) in Central Waterfront Property Holdings Limited were 32.5 per cent and 15 per cent respectively.

The shares in Newfoundworld Holdings Limited and Topcycle Development Limited were beneficially owned by HL.

The shares in Anbok Limited and in Teamfield Property Limited were held by a company in which HL had a 50 per cent interest.

Mr. Lee Shau-kee beneficially owned all the issued capital of Hopkins (Cayman) Limited. Hopkins (Cayman) Limited, as the trustee of a unit trust, owned all the issued ordinary shares which carried voting rights in the capital of Henderson Development Limited ("HD"). HD was the holding company of HL, which was the holding company of HI.

By virtue of the provisions of the Ordinance and the matters aforesaid, Mr. Lee Shau-kee was taken to be interested in the shares and interests as mentioned above.

- (vi) Mr. Victor Fung Kwok-king had corporate interests of 70 shares in the equity securities of Fun Fun World Investment Limited.
- (vii) None of the directors had any interests in any debt securities issued by the Company or any jointly controlled entities and associated corporation.

Share Option Scheme

The following directors have been granted options at HK\$1.00 per grant in respect of shares of the Company and SUNeVision Holdings Limited under their respective share option schemes. The options granted under these schemes during the period ended 31st December 2000 were as follows:

Share Option Scheme of the Company

Name of Director	Date of Grant	Exercise Price (HK\$)	No. of Shares	Option Exercised During the Year	Balance Outstanding at 31/12/2000
Chan Kui-yuen, Thomas	15/2/2000	70.00	150,000	—	150,000
Wong Yick-kam, Michael	15/2/2000	70.00	150,000	—	150,000
Wong Chik-wing, Mike	15/2/2000	70.00	150,000	—	150,000

Other Information

The above mentioned options can be exercised in accordance with the following terms:

- (i) other than in the circumstances set out in para 5.3 of the scheme, the options are not exercisable during the first year of the option period running from 15th February 2000; and
- (ii) the option holder can exercise up to one third of the option during the second year of the option period, up to two thirds of the option during the third year of the option period and all or part of the option any time three years after 15th February 2000.

Share Option Scheme of SUNeVision Holdings Limited

Name of Director	Date of Grant	Exercise Price (HK\$)	No. of Shares	Option Exercised During the Year	Balance Outstanding at 31/12/2000
Kwok Ping-sheung, Walter	28/3/2000	10.38	415,000	—	415,000
Kwok Ping-kwong, Thomas	28/3/2000	10.38	415,000	—	415,000
Kwok Ping-luen, Raymond	28/3/2000	10.38	755,000	—	755,000
Chan Kui-yuen, Thomas	28/3/2000	10.38	510,000	—	510,000
Wong Yick-kam, Michael	28/3/2000	10.38	360,000	—	360,000

The above mentioned options may be exercised in accordance with the following terms:

- (i) one third of the option within three years commencing 31st December 2000;
- (ii) a further one third of the option within three years commencing 31st December 2001; and
- (iii) the remaining one third of the option within three years commencing 31st December 2002.

Other Share Option Schemes

Two more option schemes were approved for two subsidiaries of the Company, iAdvantage Limited and SUNeVision Red-Dots Limited, allowing their respective boards of directors the right to grant to their full-time employees and executive directors the chance to subscribe for their shares, which in aggregate represent up to ten per cent of the issued capital of the respective companies from time to time. No such option shares were granted to any director of the Company during the six months ended 31st December, 2000.

Substantial Shareholders

As at 31st December 2000, the interests of every person, other than a director or the chief executive of the Company, being ten per cent or more in the equity securities of the Company, as recorded in the register required to be kept under Section 16(1) of the Ordinance, were as follows:

Name of Shareholder	No. of Shares in which the Shareholder was interested
HSBC Holdings plc	1,116,798,501
HSBC Finance (Netherlands)	1,116,759,917
HSBC Holdings B.V.	1,116,759,917
HSBC Investment Bank Holdings B.V.	1,098,922,699
HSBC International Trustee Limited (Note 4)	1,080,338,972

Other Information

Note 4: The shares in which HSBC International Trustee Limited was interested formed part of the shares in which HSBC Investment Bank Holdings B.V. was interested; the shares in which HSBC Investment Bank Holdings B.V. was interested formed part of the shares in which HSBC Holdings B.V. was interested; the shares in which HSBC Holdings B.V. was interested were the shares in which HSBC Finance (Netherlands) was interested and the shares in which HSBC Finance (Netherlands) was interested formed part of the shares in which HSBC Holdings plc was interested.

Of the above shares in the Company in which HSBC International Trustee Limited was interested, 1,051,808,347 shares were part of the shares referred to in Note 1 above.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its ordinary shares during the half year ended 31st December 2000. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares during this period.

Interim Dividend

The Directors declared an interim dividend of HK\$0.55 per share (1999: HK\$0.55 per share) payable in cash on 12th April 2001 to shareholders on the Register of Members as at 12th April 2001.

The Register of Members will be closed from Wednesday, 4th April 2001 to Thursday, 12th April 2001, both days inclusive. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrars, Central Registration Hong Kong Limited, Hopewell Centre, 17th Floor, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 3rd April 2001.

Audit Committee

The Audit Committee, which was established in pursuance of the requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, comprises Mr. William Kwan Cheuk-yin (Chairman), Dr. Ho Tim and Mr. Clement Lo Chiu-chun, met in September 2000 and March 2001.

During the meetings, the Committee reviewed and made recommendations to the improvement of the Company's financial reporting process and internal controls.

Code of Best Practice

No Director is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

By Order of the Board
Lai Ho-kai, Ernest
Secretary

Hong Kong, 16th March 2001



- 西半山寶翠園
*The Belcher's,
western Mid-Levels*



- 屯門卓爾居
*Chelsea Heights,
Tuen Mun*



- 馬灣珀麗灣
Park Island, Ma Wan



- 北京新東安市場
*Sun Dong An
Plaza, Beijing*

The Group is dedicated to building the finest properties and enhancing customer care and management service. Properties completed during the period under review, such as Le Sommet in North Point and Chelsea Heights Phase 2 in Tuen Mun, were highly acclaimed by owners for their quality and service. Properties launched for sale during the period also saw a good response, and the pre-sale of The Leighton Hill in Happy Valley in November 2000 was particularly encouraging. In the coming months, the Group will offer several residential projects for sale, including The Belcher's Phase 2 in western Mid-Levels, the project in Shui Pin Wai, Yuen Long and Park Island Phase I in Ma Wan.

The Group will maintain an optimum mix in its property portfolio. In the next five years it plans to develop eight

million square feet of high-quality investment property, which includes International Finance Centre Phase 2 above the Airport Railway Hong Kong Station, as well as the Airport Railway Kowloon Station Development Packages 5, 6 and 7 will give it the largest grade-A office portfolio in the territory.

The Group's investments in Mainland China property are also doing well, with the shopping centre and office space at Sun Dong An Plaza in Beijing now 95 and 97 per cent leased respectively. The Group will capitalize on the opportunities presented by China's entry to the WTO with selective investments in property, logistics and information technology on the Mainland.