

Notes to the Interim Financial Statements (unaudited)

1 BASIS OF PREPARATION

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

The interim financial statements have been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The principal accounting policies adopted in the 2001 annual accounts have been applied to the interim financial statements, except that the Group has in the current period adopted the following revised and new SSAPs issued by HKSA which became effective for accounting periods commencing on or after 1st January, 2001:

(a) Dividends

In prior years, dividends proposed or declared after balance sheet date in respect of an accounting period were recognised as a liability at the balance sheet date. With effect from 1st July, 2001, in order to comply with SSAP 9 (revised) "Events after the balance sheet date", the company recognises a liability for dividends in the accounting period in which they are declared by directors or approved by shareholders. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior year. The effect of this change has resulted in an increase of HK\$947,177,000 in shareholders' funds as at 1st July, 2001, representing the proposed final dividend for the year ended 30th June, 2001.

(b) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments.

In note 2 to the interim financial statements, the Group has disclosed segment revenue and results as defined under SSAP 26 "Segment Reporting." In accordance with the Group's internal financial reporting, the Group has determined that business segments should be presented as the primary reporting format and geographical as the secondary reporting format.

(c) Goodwill

In accordance with SSAP 30 "Business Combinations", goodwill arising on acquisition of subsidiaries, associates and jointly controlled entities after 1st July, 2001 is recognised as an asset in the balance sheet and amortised to the profit and loss account on a straight line basis over its estimated useful life. Negative goodwill arising on acquisition after 1st July, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Upon disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of purchased goodwill not previously amortised through the profit and loss account is included in the calculation of the profit and loss on disposal.

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1 BASIS OF PREPARATION (cont'd)

In prior years, goodwill was written off on acquisition. With the transitional provisions in SSAP 30, the Group has elected not to restate goodwill (negative goodwill) previously written off (credited to reserves). However, any impairment arising on such goodwill is recognised in the profit and loss account in accordance with the newly issued SSAP 31 "Impairment of Assets". This change in accounting policy has no significant impact on the financial statements.

2 SEGMENTAL INFORMATION

The principal activities of the Group during the period consisted of property development, property leasing, finance, construction, infrastructure business, hotel operation, department store operation, project management, property management and investment holding.

The Group's turnover and contribution from operations are analysed as follows:

By principal activity:

For the six months ended 31st December, 2001

	Property develop- ment HK\$'000	Property leasing HK\$'000	Finance services HK\$'000	Building con- struction HK\$'000	Infra- structure HK\$'000	Hotel operation HK\$'000	Department store operation HK\$'000	Others HK\$'000	Elim- inations HK\$'000	Consoli- dated HK\$'000
Turnover	923,149	1,018,375	157,277	201,169	117,639	65,165	86,221	413,660	—	2,982,655
Other revenue	431	—	—	—	903	—	—	—	—	1,334
External revenue	923,580	1,018,375	157,277	201,169	118,542	65,165	86,221	413,660	—	2,983,989
Inter-segment revenue	—	24,795	12,283	11,174	—	—	—	6,485	(54,737)	—
Total revenue	923,580	1,043,170	169,560	212,343	118,542	65,165	86,221	420,145	(54,737)	2,983,989
Segment result	44,290	655,981	169,560	13,115	81,868	22,668	(16,020)	179,294		1,150,756
Inter-segment transactions	16,924	(14,341)	(12,283)	(2,884)	—	932	12,490	(5,240)		(4,402)
Contribution from operations	61,214	641,640	157,277	10,231	81,868	23,600	(3,530)	174,054		1,146,354
Bank interest income										18,125
Unallocated operating expenses net of income										(311,707)
Profit from operations										852,772

Notes to the Interim Financial Statements (unaudited)

2 SEGMENTAL INFORMATION (cont'd)

For the six months ended 31st December, 2000

	Property develop- ment HK\$'000	Property leasing HK\$'000	Finance services HK\$'000	Building con- struction HK\$'000	Infra- structure HK\$'000	Hotel operation HK\$'000	Department store operation HK\$'000	Others HK\$'000	Elim- inations HK\$'000	Consoli- dated HK\$'000
Turnover (Note)	3,079,464	970,575	261,961	147,304	23,279	72,236	115,949	273,102	—	4,943,870
Other revenue	1,149	5,274	—	1,703	—	—	1,390	—	—	9,516
External revenue	3,080,613	975,849	261,961	149,007	23,279	72,236	117,339	273,102	—	4,953,386
Inter-segment revenue	—	42,353	51,527	278,382	—	—	—	11,911	(384,173)	—
Total revenue	3,080,613	1,018,202	313,488	427,389	23,279	72,236	117,339	285,013	(384,173)	4,953,386
Segment result	904,898	664,737	313,488	43,511	9,792	24,374	23,998	224,637		2,209,435
Inter-segment transactions	96,996	(34,149)	(51,527)	(35,453)	—	292	29,690	(863)		4,986
Contribution from operations	1,001,894	630,588	261,961	8,058	9,792	24,666	53,688	223,774		2,214,421
Bank interest income										41,463
Unallocated operating expenses net of income										(215,616)
Profit from operations										2,040,268

Notes to the Interim Financial Statements (unaudited)

2 SEGMENTAL INFORMATION (cont'd)

By geographical market:

For the six months ended 31st December, 2001

	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover	2,530,593	452,062	—	2,982,655
Other revenue	431	903	—	1,334
External revenue	2,531,024	452,965	—	2,983,989
Inter-segment revenue	54,737	—	(54,737)	—
Total revenue	2,585,761	452,965	(54,737)	2,983,989
Segment result	975,250	175,506		1,150,756
Inter-segment transactions	(4,402)	—		(4,402)
Contribution from operations	970,848	175,506		1,146,354
Bank interest income				18,125
Unallocated operating expenses net of income				(311,707)
Profit from operations				852,772

For the six months ended 31st December, 2000

	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover (Note)	4,831,478	112,392	—	4,943,870
Other revenue	9,516	—	—	9,516
External revenue	4,840,994	112,392	—	4,953,386
Inter-segment revenue	384,173	—	(384,173)	—
Total revenue	5,225,167	112,392	(384,173)	4,953,386
Segment result	2,147,469	61,966		2,209,435
Inter-segment transactions	4,986	—		4,986
Contribution from operations	2,152,455	61,966		2,214,421
Bank interest income				41,463
Unallocated operating expenses net of income				(215,616)
Profit from operations				2,040,268

Note: Turnover for the period ended 31st December, 2000 has been restated to exclude bank interest income of HK\$41,463,000, reclassified as other revenue, pursuant to the adoption of SSAP 26.

Notes to the Interim Financial Statements (unaudited)

3 OTHER NET INCOME

	For the six months ended 31st December	
	2001 HK\$'000	2000 HK\$'000
Profit on disposal of investment in securities	—	72,201
Others	4,198	2,670
	4,198	74,871

4 NON-OPERATING INCOME

	For the six months ended 31st December	
	2001 HK\$'000	2000 HK\$'000
Profit on partial disposal of interest in a subsidiary (Note a)	—	582,262
Surplus/(deficit) on revaluation of investment in securities	4,546	(129,735)
Profit on disposal of fixed assets	82,875	—
Profit realised on dilution of interest in a subsidiary (Note b)	34,456	—
Goodwill written off	—	(24,359)
Others	(11,137)	—
	110,740	428,168

Note a : Profit on partial disposal of interest in a subsidiary represented profit arising on the spin-off of Henderson Cyber Limited on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited during the prior interim period.

Note b : The gain arising on dilution of interest in a subsidiary was included in capital reserve and the amount to be released to the profit and loss account is based on the disposal of interest of the undeveloped underlying properties of the subsidiary prior to completion to third parties.

Notes to the Interim Financial Statements (unaudited)

5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

(a) Finance costs:

	For the six months ended 31st December	
	2001	2000
	HK\$'000	HK\$'000
Interest on borrowings	283,020	517,292
Other borrowing costs	95,807	238,350
	<u>378,827</u>	<u>755,642</u>
Less: Amount capitalised*		
- interest	(231,128)	(340,126)
- other borrowing costs	(70,533)	(130,689)
	<u>77,166</u>	<u>284,827</u>

* Borrowing costs have been capitalised at rates ranging from 3.47% to 4.21% (2000: from 6.52% to 7.93%) per annum.

(b) Items other than those separately disclosed in notes 3 to 5(a):

	For the six months ended 31st December	
	2001	2000
	HK\$'000	HK\$'000
Amortisation and depreciation	72,783	35,596
Less: Amount capitalised	(48)	(64)
	<u>72,735</u>	<u>35,532</u>
Staff cost**	375,540	350,554
Less: Amount capitalised	(19,191)	(31,089)
	<u>356,349</u>	<u>319,465</u>
Cost of sales		
- completed properties for sale	782,189	1,831,417
- inventories	92,794	40,922
	<u>874,983</u>	<u>1,872,339</u>

**Certain part of the Group's staff cost were relating to direct costs.

Notes to the Interim Financial Statements (unaudited)

6 TAXATION

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

	For the six months ended 31st December	
	2001 HK\$'000	2000 HK\$'000
The Group		
- Hong Kong	85,632	240,729
- Outside Hong Kong	2,326	9,030
Associates	71,955	62,879
Jointly controlled entities	2,836	4,912
	<u>162,749</u>	<u>317,550</u>

Provision for Hong Kong profits tax has been made at 16% (2000: 16%) on the estimated assessable profits for the period.

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

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

7 INTERIM DIVIDEND

After the balance sheet date, the following dividends have been declared by the board of directors, but not provided for in the financial statements.

	For the six months ended 31st December	
	2001 HK\$'000	2000 HK\$'000
Interim dividend at HK\$0.35 per share (2000: HK\$0.55 per share)	<u>602,749</u>	<u>947,177</u>

8 EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$1,100,908,000 (2000: HK\$2,096,167,000) and on 1,722,140,000 ordinary shares (2000: 1,722,140,000 ordinary shares) in issue during the period. There was no potential dilution of earnings per share for both periods.

Notes to the Interim Financial Statements (unaudited)

9 FIXED ASSETS

	Investment properties HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Cost or valuation:			
At 1st July, 2001	26,331,130	10,680,846	37,011,976
Additions	20,710	404,097	424,807
Disposals	(160,197)	(30,186)	(190,383)
At 31st December, 2001	26,191,643	11,054,757	37,246,400
Amortisation and depreciation:			
At 1st July, 2001	—	664,497	664,497
Charge for the period	—	72,783	72,783
Written back on disposals	—	(13,161)	(13,161)
At 31st December, 2001	—	724,119	724,119
Net book value or valuation:			
At 31st December, 2001	26,191,643	10,330,638	36,522,281
At 30th June, 2001	26,331,130	10,016,349	36,347,479

The Group's investment properties and hotel properties were revalued as at 30th June, 2001 by an independent firm of surveyors, Messrs. DTZ Debenham Tie Leung Limited, and Mr. Augustine Wong, the Group's professional valuer who is an associate member of the Hong Kong Institute of Surveyors, on an open market value basis. In the opinion of the directors, there is no significant change in the value of the Group's fixed assets during the period.

10 COMPLETED PROPERTIES FOR SALE

Completed properties for sale include properties of HK\$2,538,751,000 (at 30th June, 2001: HK\$2,605,981,000) carried at net realisable value.

Notes to the Interim Financial Statements (unaudited)

11 DEBTORS, PREPAYMENTS AND DEPOSITS

The Group maintains a defined credit policy. Consideration in respect of sold properties are payable by the purchaser pursuant to the term of the sale and purchase agreement. Rent in respect of leasing properties are paid by tenants in advance. In respect of retail, most of transactions are carried out on cash basis. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

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

	At 31st December, 2001 HK\$'000	At 30th June, 2001 HK\$'000
Under 1 month overdue	307,033	199,223
More than 1 month overdue but less than 3 months overdue	72,929	47,083
More than 3 months overdue but less than 6 months overdue	20,292	50,676
More than 6 months overdue	149,165	96,458
	<u>549,419</u>	<u>393,440</u>
Prepayments, deposits and other receivables	860,489	628,374
	<u>1,409,908</u>	<u>1,021,814</u>

12 INSTALMENTS RECEIVABLE

The ageing analysis of instalment receivable is as follows:

	At 31st December, 2001 HK\$'000	At 30th June, 2001 HK\$'000
Under 1 month overdue	368,178	476,973
More than 1 month overdue but less than 3 months overdue	10,625	10,282
More than 3 months overdue but less than 6 months overdue	11,786	9,285
More than 6 months overdue	47,766	58,431
	<u>438,355</u>	<u>554,971</u>

13 CASH AND CASH EQUIVALENTS

	At 31st December, 2001 HK\$'000	At 30th June, 2001 HK\$'000
Deposits with banks and other financial institutions	1,043,810	1,270,455
Cash at bank and in hand	773,456	286,976
	<u>1,817,266</u>	<u>1,557,431</u>

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14 CREDITORS AND ACCRUED EXPENSES

The ageing analysis of trade creditors is as follows:

	At 31st December, 2001 HK\$'000	At 30th June, 2001 HK\$'000
Due within 1 month and on demand	373,365	251,744
Due after 1 month but within 3 months	169,391	1,097,550
Due after 3 months but within 6 months	194,954	179,495
Due after 6 months	610,259	794,052
	<u>1,347,969</u>	<u>2,322,841</u>
Other payables and accrued expenses	366,590	291,972
	<u>1,714,559</u>	<u>2,614,813</u>

15 SHARE CAPITAL

	No. of shares		Nominal value	
	At 31st December, 2001 '000	At 30th June, 2001 '000	At 31st December, 2001 HK\$'000	At 30th June, 2001 HK\$'000
Authorised				
Ordinary shares of HK\$2.00 each	<u>1,800,000</u>	<u>1,800,000</u>	<u>3,600,000</u>	<u>3,600,000</u>
Issued and fully paid				
Ordinary shares of HK\$2.00 each	<u>1,722,140</u>	<u>1,722,140</u>	<u>3,444,280</u>	<u>3,444,280</u>

16 CAPITAL RESERVES

	Other properties revaluation reserve HK\$'000	Reserve on consolidation HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000
At 1st July, 2001	262,089	1,481,158	20,200	(3,971)	2,395	1,761,871
Capital reserve arising on consolidation	—	272,040	—	—	—	272,040
Realised to profit and loss account (Note 4)	—	(34,456)	—	—	—	(34,456)
Transfer from profit and loss account	—	—	—	—	43	43
At 31st December, 2001	<u>262,089</u>	<u>1,718,742</u>	<u>20,200</u>	<u>(3,971)</u>	<u>2,438</u>	<u>1,999,498</u>

Notes to the Interim Financial Statements (unaudited)

16 CAPITAL RESERVES (cont'd)

The application of capital redemption reserve is governed by Section 49H of the Hong Kong Companies Ordinance.

The other properties revaluation reserve, reserve on consolidation and exchange reserve have been set up and will be dealt with in accordance with the accounting policies adopted for the valuation of properties, goodwill arising on acquisition of subsidiaries, associates and jointly controlled entities and foreign currency translation.

Other reserve represents statutory reserve required for enterprises established in the PRC. According to the relevant PRC rules and regulations applicable to wholly foreign-owned enterprises, one of the Group's PRC subsidiaries is required to transfer at least 10% of its profit after taxation, as determined under PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the subsidiary's registered capital. The statutory reserve can be used to make good previous years losses, and not distributable to shareholders.

17 INVESTMENT PROPERTY REVALUATION RESERVE

	HK\$'000
At 1st July, 2001	13,209,198
Realised upon disposal of properties	(87,498)
At 31st December, 2001	<u>13,121,700</u>

18 RETAINED PROFITS

	HK\$'000
At 1st July, 2001	
- as originally stated	29,510,012
- prior period adjustment in respect of change in accounting policy for dividend recognition	947,177
- as restated	30,457,189
Retained profit for the period	1,100,865
Final dividend approved in respect of the previous year	(947,177)
At 31st December, 2001	<u>30,610,877</u>

Notes to the Interim Financial Statements (unaudited)

19 COMMITMENTS

(a) The Group had commitments not provided for in these financial statements as follows:

	At 31st December, 2001 HK\$'000	At 30th June, 2001 HK\$'000
(i) Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	1,270,795	1,202,569
(ii) Contracted obligations to fund the subsidiaries and associates established outside Hong Kong	2,817,955	2,824,073
(iii) Contracted obligations for funding property development project	5,507,000	5,507,000
(iv) Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	2,265,200	2,709,537
	<u>11,860,950</u>	<u>12,243,179</u>

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

	At 31st December, 2001 HK\$'000	At 30th June, 2001 HK\$'000
Within 1 year	7,537,611	7,893,758
After 1 year but within 2 years	1,862,126	1,488,276
After 2 years	2,461,213	2,861,145
	<u>11,860,950</u>	<u>12,243,179</u>

Notes to the Interim Financial Statements (unaudited)

19 COMMITMENTS (cont'd)

- (b) The Group's total future minimum lease payments under non-cancellable operating lease are payable as follows:

	At 31st December, 2001 HK\$'000	At 30th June, 2001 HK\$'000
Within 1 year	18,489	21,535
After 1 year but within 5 years	8,474	10,398
After 5 years	5,718	4,360
	<u>32,681</u>	<u>36,293</u>

20 CONTINGENT LIABILITIES

Contingent liabilities of the Group were as follows:

	At 31st December, 2001 HK\$'000	At 30th June, 2001 HK\$'000
(a) Guarantees given by the Group to financial institutions on behalf of purchasers of flats	251,261	151,314
(b) Guarantees given by the Company to banks to secure banking facilities of jointly controlled entities	3,376,271	3,380,529
	<u>3,627,532</u>	<u>3,531,843</u>

- (c) The Group has given guarantees to third parties in respect of contracted commitments of its subsidiaries to provide attributable portion of capital to joint property development project and funding of property development project. At 31st December, 2001, the Group had contingent liabilities of HK\$5,960,000,000 (at 30th June, 2001: HK\$5,960,000,000) in relation to the said guarantees.
- (d) Pursuant to the terms of Fixed Telecommunications Network Services licence granted to a subsidiary of the Group on 16th February, 2000, there were contingent liabilities in respect of performance bond guaranteed by a bank on behalf of the subsidiary of the Group amounting to HK\$19,000,000 as at 31st December, 2001 (at 30th June, 2001: HK\$19,000,000).

21 COMPARATIVE FIGURES

Due to the adoption of revised and new SSAPs during the current period, certain comparative figures have been reclassified or restated to conform with the current period's presentation.