

Notes to the Interim Financial Statements (unaudited)

1 BASIS OF PREPARATION

The interim financial statements are unaudited and 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 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 the directors or approved by the 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 a prior year adjustment, resulting in an increasing of HK\$338,079,000 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 risks 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.

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1 BASIS OF PREPARATION (cont'd)

(c) Goodwill / Negative 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.

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.

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2 SEGMENTAL INFORMATION

The principal activities of the Group consisted of property development and investment, investment holding, infrastructure, department store operation, security guard services, hotel operation and information technology development.

The Group's revenue and segment result analysed by principal activity and geographical market, are as follows:

By principal activity:

For the six months ended 31st December, 2001

	Sale of Property HK\$'000	Property leasing HK\$'000	Hotel Operation HK\$'000	Depart- ment store HK\$'000	Security services HK\$'000	Infra- structure HK\$'000	Infor- mation tech- nology services HK\$'000	Others HK\$'000	Elimi- nations HK\$'000	Consoli- dated HK\$'000
Turnover	317	255,047	44,487	86,221	34,722	117,639	34,759	26,090	—	599,282
Other revenue	—	—	—	1,988	7	903	11,554	41,202	—	55,654
External revenue	317	255,047	44,487	88,209	34,729	118,542	46,313	67,292	—	654,936
Inter-segment revenue	—	30,842	—	—	1,488	—	—	693	(33,023)	—
Total revenue	317	285,889	44,487	88,209	36,217	118,542	46,313	67,985	(33,023)	654,936
Segment result	188	169,483	13,824	1,288	9,649	81,868	(31,628)	22,474	(18,327)	248,819
Surplus on revaluation of investment in securities										4,546
Unallocated corporate expenses										(16,961)
Profit from operations										236,404

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2 SEGMENTAL INFORMATION (cont'd)

For the six months ended 31st December, 2000

	Sale of Property HK\$'000	Property leasing HK\$'000	Hotel Operation HK\$'000	Depart- ment store HK\$'000	Security services HK\$'000	Infra- structure HK\$'000	Informa- tion tech- nology services HK\$'000	Others HK\$'000	Elimi- nations HK\$'000	Consoli- dated HK\$'000
Turnover	3,279	184,404	52,724	115,949	36,465	23,279	6,618	27,091	—	449,809
Other revenue	—	—	—	1,390	3	—	25,670	5,957	—	33,020
External revenue	3,279	184,404	52,724	117,339	36,468	23,279	32,288	33,048	—	482,829
Inter-segment revenue	—	38,106	—	—	1,153	—	—	—	(39,259)	—
Total revenue	<u>3,279</u>	<u>222,510</u>	<u>52,724</u>	<u>117,339</u>	<u>37,621</u>	<u>23,279</u>	<u>32,288</u>	<u>33,048</u>	<u>(39,259)</u>	<u>482,829</u>
Segment result	<u>1,784</u>	<u>154,783</u>	<u>1,643</u>	<u>9,765</u>	<u>12,312</u>	<u>9,792</u>	<u>(28,180)</u>	<u>76,499</u>	<u>(6,251)</u>	<u>232,147</u>
Profit on disposal of investments in securities										72,201
Deficit on revaluation of investment in securities										(129,735)
Unallocated corporate expenses										<u>(67,313)</u>
Profit from operations										<u>107,300</u>

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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	482,584	116,698	—	599,282
Other revenue	54,750	904	—	55,654
External revenue	537,334	117,602	—	654,936
Inter-segment revenue	33,023	—	(33,023)	—
Total revenue	570,357	117,602	(33,023)	654,936
Segment result	173,616	93,530	(18,327)	248,819
Surplus on revaluation of investments in securities				4,546
Unallocated corporate expenses				(16,961)
Profit from operations				236,404

For the six months ended 31st December, 2000

	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover	426,530	23,279	—	449,809
Other revenue	33,020	—	—	33,020
External revenue	459,550	23,279	—	482,829
Inter-segment revenue	39,259	—	(39,259)	—
Total revenue	498,809	23,279	(39,259)	482,829
Segment result	228,606	9,792	(6,251)	232,147
Profit on disposal of investments in securities				72,201
Deficit on revaluation of investments in securities				(129,735)
Unallocated corporate expenses				(67,313)
Profit from operations				107,300

Notes to the Interim Financial Statements (unaudited)

3 PROFIT BEFORE TAXATION

The consolidated profit from ordinary activities before taxation is arrived at after charging:

(a) Finance costs

	For the six months ended 31st December	
	2001 HK\$'000	2000 HK\$'000
Interest on borrowings	31,649	66,410
Finance lease	122	—
Other borrowing costs	5,788	16,193
	<u>37,559</u>	<u>82,603</u>

(b) Items other than those separately disclosed in Notes 2 and 3(a):

	For the six months ended 31st December	
	2001 HK\$'000	2000 HK\$'000
Amortisation and depreciation	44,107	5,435
Staff costs	114,223	90,453
Cost of sales		
— completed properties for sale	108	1,419
— inventories	64,806	26,650
	<u>64,806</u>	<u>26,650</u>

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4 TAXATION

(a) Taxation in the consolidated income statement represents:

	For the six months ended 31st December	
	2001 HK\$'000	2000 HK\$'000
The Group		
— Hong Kong	19,636	23,443
— Other regions in the PRC	3,033	—
	<u>22,669</u>	<u>23,443</u>
Share of tax on results of associates	65,415	57,713
Share of tax on results of jointly controlled entity (other regions of PRC)	—	2,251
	<u>88,084</u>	<u>83,407</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.

5 DIVIDENDS

	For the six months ended 31st December	
	2001 HK\$'000	2000 HK\$'000
Special dividend	—	507
Interim dividend at HK\$0.11 per share (2000: HK\$0.11 per share)	309,906	309,906
	<u>309,906</u>	<u>310,413</u>

6 EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$768,198,000 (2000: HK\$1,158,722,000) and on 2,817,327,395 ordinary shares (2000: 2,817,327,395 ordinary shares) in issue during the period. Diluted earnings per share is not shown as there were no dilutive potential share in existence for the six months ended 31st December, 2001 and 31st December, 2000.

Notes to the Interim Financial Statements (unaudited)

7 FIXED ASSETS

	Investment properties HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Costs or valuation			
At 1st July, 2001	4,272,688	2,751,267	7,023,955
Additions	—	24,502	24,502
Disposals	—	(22,726)	(22,726)
At 31st December, 2001	<u>4,272,688</u>	<u>2,753,043</u>	<u>7,025,731</u>
Amortisation and depreciation			
At 1st July, 2001	—	273,450	273,450
Charge for the period	—	44,107	44,107
Written back on disposals	—	(7,578)	(7,578)
At 31st December, 2001	<u>—</u>	<u>309,979</u>	<u>309,979</u>
Net book value or valuation			
At 31st December, 2001	<u>4,272,688</u>	<u>2,443,064</u>	<u>6,715,752</u>
At 30th June, 2001	<u>4,272,688</u>	<u>2,477,817</u>	<u>6,750,505</u>

The Group's investment properties and hotel properties were revalued on 30th June, 2001 on an open market value basis by Messrs. DTZ Debenham Tie Leung Limited, a firm of independent professional property valuers. In the opinion of the directors, there is no significant change in the value of the Group's fixed assets during the period.

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8 DEBTORS, DEPOSITS AND PREPAYMENTS

The Group maintains a defined credit policy. Rent in respect of leasing properties are paid by tenants in advance. In respect of retailing, most of transaction are being 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	28,128	32,646
1 to 3 months overdue	23,694	23,536
More than 3 months overdue but less than 6 months overdue	3,931	6,876
Over 6 months overdue	3,306	3,628
	<u>59,059</u>	<u>66,686</u>
Prepayments, deposits and other receivable	148,183	136,135
	<u>207,242</u>	<u>202,821</u>

9 CREDITORS AND ACCRUED EXPENSES

The analysis of trade payable included in Creditors and Accrued Expenses by due date are as follows:

	At 31st December, 2001 HK\$'000	At 30th June, 2001 HK\$'000
Due within 1 month or on demand	130,984	118,395
Due after 1 month but within 3 months	28,252	35,036
Due after 3 months but within 6 months	2,853	5,322
Due after 6 months	3,259	26,499
	<u>165,348</u>	<u>185,252</u>
Rental deposits and other payable	132,221	103,131
	<u>297,569</u>	<u>288,383</u>

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10 SHARE CAPITAL

	At 31st December, 2001 HK\$'000	At 30th June, 2001 HK\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.2 each	<u>600,000</u>	<u>600,000</u>
Issued and fully paid:		
2,817,327,395 (2000:2,817,327,395) ordinary shares of HK\$0.2 each	<u>563,466</u>	<u>563,466</u>

There was no movement in the share capital of the Company in either the current or the prior interim reporting period.

11 RETAINED PROFITS

	HK\$'000
At 1st July, 2001	
— as originally stated	8,679,539
— prior period adjustment in respect of change in accounting policy for dividend recognition	<u>338,079</u>
— as restated	9,017,618
Retained profit for the period	768,198
Final dividend approved in respect of the previous year	<u>(338,079)</u>
At 31st December, 2001	<u>9,447,737</u>

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12 COMMITMENTS AND CONTINGENT LIABILITIES

At 31st December, 2001, the Group had commitments and contingent liabilities not provided for in these financial statements as follows:

	At 31st December, 2001 HK\$'000	At 30th June, 2001 HK\$'000
(a) Contracted commitments for acquisition of property, plant and equipment, property development and renovation expenditure	<u>20,027</u>	<u>23,808</u>
(b) Total future minimum lease payments under non-cancellable operating leases in respect of telecommunication network facilities for each of the following periods		
— not later than one year	2,665	7,512
— later than one year and not later than five years	<u>25</u>	<u>98</u>
	<u>2,690</u>	<u>7,610</u>
(c) Total future minimum lease payments under non-cancellable operating leases in respect of rented premises for each of the following periods		
— not later than one year	23,170	32,612
— later than the one year and not later than five years	52,025	30,590
— later than five years	<u>11,380</u>	<u>4,361</u>
	<u>86,575</u>	<u>67,563</u>

In addition, there were contingent liabilities in respect of performance bond guaranteed by a bank on behalf of a subsidiary of the Group amounting to HK\$19,000,000 (30th June, 2001: HK\$19,000,000). The performance bond was provided in accordance with the terms of the fixed telecommunications network services licence granted to the Group on 16th February, 2000.

13 COMPARATIVE FIGURES

Due to the adoption of revised/new SSAPs during the current period, the presentation of the income statement has been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform with the current period's presentation.