

Notes to condensed interim accounts

1. Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 30 June 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised): Events after the balance sheet date

SSAP 26: Segment reporting

SSAP 30: Business combinations

SSAP 31: Impairment of assets

The adoption of these new SSAPs had no material effect on the Group's results.

(a) SSAP 9 (revised) Events after the balance sheet date

In accordance with the revised SSAP 9, "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date. The effect of this change has increased shareholders' funds at 31 December 2001 and 30 June 2001 by HK\$428.3 million and HK\$213.4 million respectively and the dividend was then recorded as a dividend paid in the next reporting period. Certain comparative figures have been reclassified to conform with the current period's presentation.

(b) SSAP 30 Business combinations

In accordance with the new SSAP 30 "Business combinations", goodwill on acquisitions occurring on or after 1 July 2001 is being reported in the balance sheet as a separate asset or, as applicable, included within investments in associated companies and joint ventures, and is amortised using the straight line method over its estimated useful life. This is a change in accounting policy as in previous years goodwill on acquisitions was written off directly to reserves in the year of acquisition. In accordance with a transitional provision under SSAP 30, no retrospective adjustment to the goodwill written off directly to reserves is required.

2. Segment information

Group turnover represents all revenues from rental, property sales, construction and engineering, hotel and restaurant operations, infrastructure operations, telecommunication services, department store operations, financial services, property management, security service, transportation and other services.

An analysis of the Group's revenue and results for the period by business and geographical segments is as follows:

| | Turnover | | Inter-segment sales | | Six months ended | |
|--|------------------|----------|---------------------|---------|------------------|-----------|
| | Six months ended | | Six months ended | | 31 December | |
| | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m |
| a. Business segment | | | | | | |
| Rental income | 841.4 | 978.9 | (81.3) | (92.5) | 760.1 | 886.4 |
| Property sales | 3,719.9 | 4,666.3 | – | – | 3,719.9 | 4,666.3 |
| Construction and engineering | 3,912.8 | 5,267.2 | (712.1) | (105.9) | 3,200.7 | 5,161.3 |
| Hotel and restaurant operations | 798.3 | 1,283.6 | (0.3) | – | 798.0 | 1,283.6 |
| Infrastructure operations | 328.9 | 394.7 | – | – | 328.9 | 394.7 |
| Telecommunication services | 1,345.3 | 1,492.6 | (3.6) | – | 1,341.7 | 1,492.6 |
| Others | 2,652.4 | 2,077.2 | (53.1) | (60.6) | 2,599.3 | 2,016.6 |
| Consolidated turnover | 13,599.0 | 16,160.5 | (850.4) | (259.0) | 12,748.6 | 15,901.5 |
| Rental income | | | | | 446.8 | 569.8 |
| Property sales | | | | | 2,073.5 | 452.5 |
| Construction and engineering | | | | | 199.9 | 306.2 |
| Hotel and restaurant operations | | | | | 119.3 | 335.4 |
| Infrastructure operations | | | | | 23.8 | 118.7 |
| Telecommunication services | | | | | (6.3) | (106.8) |
| Others | | | | | 171.9 | 74.9 |
| Segment results | | | | | 3,028.9 | 1,750.7 |
| Other (charge)/income | | | | | (882.9) | (45.7) |
| Unallocated corporate expenses | | | | | (153.1) | (131.7) |
| Operating profit before financing costs and income | | | | | 1,992.9 | 1,573.3 |
| Financing costs | | | | | (867.1) | (1,338.0) |
| Financing income | | | | | 282.5 | 442.2 |
| Operating profit | | | | | 1,408.3 | 677.5 |
| Share of results of | | | | | | |
| Associated companies | | | | | 112.6 | 254.9 |
| Jointly controlled entities | | | | | 62.5 | 280.7 |
| Profit before taxation | | | | | 1,583.4 | 1,213.1 |

2. Segment information (con't)

| | Six months ended 31 December | |
|------------------------------------|---------------------------------|---------------|
| | 2001 HK\$m | 2000 HK\$m |
| a. Business segment (con't) | | |
| Associated companies | | |
| Rental income | 26.2 | 34.6 |
| Property sales | (37.4) | 2.6 |
| Construction and engineering | 18.6 | 20.1 |
| Hotel and restaurant operations | (1.4) | (8.5) |
| Infrastructure operations | 109.7 | 238.3 |
| Telecommunication services | – | (41.5) |
| Others | (3.1) | 9.3 |
| Segment results | 112.6 | 254.9 |
| Jointly controlled entities | | |
| Rental income | 3.7 | 14.5 |
| Property sales | (263.1) | (15.2) |
| Construction and engineering | 8.7 | 4.5 |
| Hotel and restaurant operations | 11.6 | (7.2) |
| Telecommunication services | 336.6 | 331.7 |
| Others | (35.0) | (47.6) |
| Segment results | 62.5 | 280.7 |
| b. Geographical segment: | | |
| Hong Kong and Southeast Asia | 10,821.2 | 14,029.0 |
| Mainland China | 1,927.4 | 1,872.5 |
| Consolidated turnover | 12,748.6 | 15,901.5 |
| Hong Kong and Southeast Asia | 1,881.1 | 1,334.0 |
| Mainland China | 111.8 | 239.3 |
| Segment results | 1,992.9 | 1,573.3 |

Sales are based on the country in which the customers is located.

The turnover and operating profit before financing costs and income derived from the Group's activities in Southeast Asia comprised less than 10% of the Group's turnover and operating profit before financing costs and income.

| | Six Months ended 31 December | |
|--|---------------------------------|---------------|
| | 2001 HK\$m | 2000 HK\$m |
| 3. Other (charge)/income | | |
| Dilution loss on disposal of a subsidiary company | (75.3) | – |
| Loss on partial disposal of interests in subsidiary companies | – | (3.7) |
| Loss on disposal of: | | |
| Jointly controlled entities | (124.0) | – |
| Listed shares | (60.7) | – |
| Other investments | (13.7) | – |
| Fixed assets written off | (38.0) | – |
| Profit on disposal of: | | |
| Associated companies | 113.0 | 3.2 |
| Jointly controlled entities | 1.9 | – |
| Other investments | – | 52.8 |
| Subsidiary companies | 18.9 | – |
| Profit on repurchase of convertible bonds | – | 1.8 |
| Provision for advances to joint ventures | (544.3) | – |
| Provision for diminution in value of properties held for sale | (58.0) | – |
| Provision for investment in: | | |
| Listed shares | – | (99.8) |
| Unlisted shares | (128.2) | – |
| Write back provision for diminution in value of properties held for sale | 25.5 | – |
| | (882.9) | (45.7) |
| 4. Operating profit | | |
| Operating profit is stated after charging the following: | | |
| Cost of inventories sold | 1,775.2 | 5,155.4 |
| Depreciation | | |
| Leased fixed assets | 22.5 | 19.4 |
| Owned fixed assets | 590.5 | 510.8 |
| Fixed assets written off | 38.0 | – |
| Staff costs | 1,755.1 | 1,700.2 |

5. Taxation

| | Six months ended 31 December | |
|-----------------------------|---------------------------------|---------------|
| | 2001 HK\$m | 2000 HK\$m |
| Company and subsidiaries | | |
| Hong Kong profits tax | 173.0 | 169.3 |
| Overseas taxation | 4.3 | 25.0 |
| Deferred taxation | 15.0 | 3.1 |
| Associated companies | | |
| Hong Kong profits tax | 10.2 | 39.6 |
| Overseas taxation | 21.2 | 26.8 |
| Jointly controlled entities | | |
| Hong Kong profits tax | 7.4 | 13.5 |
| Overseas taxation | 31.5 | 30.1 |
| | 262.6 | 307.4 |

Hong Kong profits tax is provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the period. Tax on overseas profits has been calculated on the estimated taxable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$1,035.1 million (2000: of HK\$311.4 million) and the 2,134.0 million shares (2000: weighted average number of 2,114.2 million shares) in issue during the period. No dilution effect was resulted on the earnings per share for the current period and the same period last year after taking into account the potential dilutive effect of the conversion of the outstanding bonds.

7. Fixed assets

| | Investment properties HK\$m | Hotel properties HK\$m | Land and building HK\$m | Toll roads, bridges and port facilities HK\$m | Other assets HK\$m | Assets under construction HK\$m | Total HK\$m |
|---|-----------------------------------|------------------------------|-------------------------------|--|--------------------------|--|----------------|
| Net book value as at 1 July 2001 | 16,927.3 | 9,954.0 | 3,247.9 | 5,974.4 | 4,697.0 | 5,282.3 | 46,082.9 |
| Translation difference | – | – | 12.6 | – | 2.1 | – | 14.7 |
| Disposal of subsidiary companies | (5.1) | (2,653.0) | (34.4) | – | (61.1) | – | (2,753.6) |
| Additions | 83.5 | – | 74.8 | 2.0 | 557.3 | 495.6 | 1,213.2 |
| Disposals | – | – | – | (77.3) | (58.3) | (20.2) | (155.8) |
| Reclassification | – | – | – | 200.5 | 14.3 | (214.8) | – |
| Depreciation, amortisation, impairment and other movements | – | – | (35.3) | (172.7) | (405.0) | – | (613.0) |
| Net book value at 31 December 2001 | 17,005.7 | 7,301.0 | 3,265.6 | 5,926.9 | 4,746.3 | 5,542.9 | 43,788.4 |

8. Debtors and prepayments

Debtors and prepayments include trade debtors, amounts advanced to investee companies, deposits and prepayments. The Group has various credit policies for different business operations depending on the requirements of the markets and business in which the subsidiary companies operate. Sales proceeds receivables from sale of properties and retention money receivables in respect of construction and engineering services are settled in accordance with the terms of respective contracts. Ageing analysis of trade debtors is as follows:

| | As at 31 December 2001 HK\$m | As at 30 June 2001 HK\$m |
|----------------------|---------------------------------------|-----------------------------------|
| – Current to 30 days | 2,922.5 | 2,296.6 |
| – 31 to 60 days | 277.8 | 354.4 |
| – Over 60 days | 2,881.3 | 2,214.5 |
| | 6,081.6 | 4,865.5 |

9. Creditors and accrued charges

Included in creditors and accrued charges are trade creditors with their ageing analysis as follows:

| | As at 31 December 2001 HK\$m | As at 30 June 2001 HK\$m |
|----------------------|---|-----------------------------------|
| – Current to 30 days | 4,081.3 | 3,335.1 |
| – 31 to 60 days | 218.9 | 483.8 |
| – Over 60 days | 2,463.1 | 2,085.2 |
| | 6,763.3 | 5,904.1 |

10. Share capital

| | As at 31 December 2001 No. of shares (million) | As at 31 December 2001 HK\$m | As at 30 June 2001 No. of shares (million) | As at 30 June 2001 HK\$m |
|--|---|---|--|-----------------------------------|
| Authorised: Shares of HK\$1.00 each Balance at beginning and end of the period | 2,500.0 | 2,500.0 | 2,500.0 | 2,500.0 |
| Issued and fully paid: Shares of HK\$1.00 each Balance at beginning of the period | 2,134.0 | 2,134.0 | 2,114.1 | 2,114.1 |
| Issued as scrip dividends | – | – | 19.8 | 19.8 |
| Conversion of bonds | – | – | 0.1 | 0.1 |
| Balance at end of the period | 2,134.0 | 2,134.0 | 2,134.0 | 2,134.0 |

11. Reserves

| | Capital redemption reserve HK\$m | Share premium HK\$m | Asset revaluation reserve HK\$m | Capital reserve HK\$m | General reserve HK\$m | Retained profits HK\$m | Total HK\$m |
|---|---|---------------------------|--|-----------------------------|-----------------------------|------------------------------|----------------|
| Balance as at 1.7.2000 as previously reported | 37.7 | 18,860.6 | 20,516.0 | 814.9 | 206.0 | 15,658.8 | 56,094.0 |
| Effect of adopting SSAP9 (revised) | - | - | - | - | - | 213.4 | 213.4 |
| Balance at 1.7.2000 as restated | 37.7 | 18,860.6 | 20,516.0 | 814.9 | 206.0 | 15,872.2 | 56,307.4 |
| Scrip dividends | - | 184.7 | - | - | - | - | 184.7 |
| Conversion of bonds | - | 2.3 | - | - | - | - | 2.3 |
| Share issue expenses | - | (0.2) | - | - | - | - | (0.2) |
| Investment and hotel properties revaluation surplus for the year | - | - | 98.8 | - | - | - | 98.8 |
| Share of revaluation (deficit)/surplus of associated companies | - | - | (85.8) | - | - | - | (85.8) |
| jointly controlled entities | - | - | 114.0 | - | - | - | 114.0 |
| Goodwill on acquisition of subsidiary companies | - | - | - | (87.4) | - | - | (87.4) |
| additional interests in jointly controlled entities | - | - | - | (11.9) | - | - | (11.9) |
| additional interests in subsidiary companies | - | - | - | (591.5) | - | - | (591.5) |
| an associated company | - | - | - | (37.0) | - | - | (37.0) |
| additional interests in associated companies | - | - | - | (16.7) | - | - | (16.7) |
| Capital reserve on acquisition of additional interests in subsidiary companies | - | - | - | 120.1 | - | - | 120.1 |
| additional interests in jointly controlled entities | - | - | - | 4.7 | - | - | 4.7 |
| associated companies | - | - | - | 83.9 | - | - | 83.9 |
| Release of capital reserve upon partial disposal of subsidiary companies | - | - | - | (20.6) | - | - | (20.6) |
| partial disposal of an associated company | - | - | - | (146.1) | - | - | (146.1) |
| liquidation of subsidiary companies | - | - | - | (5.0) | - | - | (5.0) |
| Release of goodwill upon disposal of subsidiary companies | - | - | - | 11.7 | - | - | 11.7 |
| disposal of associated companies | - | - | - | 240.5 | - | - | 240.5 |
| partial disposal of subsidiary companies | - | - | - | 8.1 | - | - | 8.1 |
| Share of capital reserve of associated companies | - | - | - | 108.0 | - | - | 108.0 |
| Investment revaluation deficit for the year | - | - | (1,139.4) | - | - | - | (1,139.4) |
| Investment revaluation deficit written back on disposal | - | - | 376.6 | - | - | - | 376.6 |
| Investment impairment loss charged to profit and loss account | - | - | 208.4 | - | - | - | 208.4 |
| Profit for the year | - | - | - | - | - | 220.5 | 220.5 |
| Transfer to general reserve | - | - | - | - | 332.5 | (332.5) | - |
| Translation difference | - | - | - | - | - | (8.4) | (8.4) |
| Dividends | - | - | - | - | - | (212.3) | (212.3) |
| Balance as at 30.6.2001, before proposed dividend | 37.7 | 19,047.4 | 20,088.6 | 475.7 | 538.5 | 15,539.5 | 55,727.4 |
| 2001 Final dividend proposed | - | - | - | - | - | (213.4) | (213.4) |
| Balance as at 30.6.2001, after proposed dividend | 37.7 | 19,047.4 | 20,088.6 | 475.7 | 538.5 | 15,326.1 | 55,514.0 |

11. Reserves (con't)

| | Capital redemption reserve HK\$m | Share premium HK\$m | Asset revaluation reserve HK\$m | Capital reserve HK\$m | General reserve HK\$m | Retained profits HK\$m | Total HK\$m |
|--|---|---------------------------|--|-----------------------------|-----------------------------|------------------------------|----------------|
| Balance at 1.7.2001 as previously reported | 37.7 | 19,047.4 | 20,088.6 | 475.7 | 538.5 | 15,112.7 | 55,300.6 |
| Effect of adopting SSAP 9 (revised) | - | - | - | - | - | 213.4 | 213.4 |
| Balance at 1.7. 2001 as restated | 37.7 | 19,047.4 | 20,088.6 | 475.7 | 538.5 | 15,326.1 | 55,514.0 |
| Investment impairment loss charged to profit and loss account | - | - | 3.9 | - | - | - | 3.9 |
| Disposal of hotel property | - | - | (2,501.6) | - | - | - | (2,501.6) |
| Release of capital reserve upon - disposal of an associated company | - | - | - | (44.5) | - | - | (44.5) |
| Release of goodwill upon - disposal of subsidiary companies | - | - | - | 156.2 | - | - | 156.2 |
| - partial disposal of an associated company | - | - | - | 1.1 | - | - | 1.1 |
| - disposal of an associated company | - | - | - | 10.9 | - | - | 10.9 |
| Investment revaluation deficit for the period | - | - | (103.0) | - | - | - | (103.0) |
| Investment deficit written back on disposal | - | - | 28.7 | - | - | - | 28.7 |
| Retained profit for the period | - | - | - | - | - | 1,035.1 | 1,035.1 |
| Transfer to general reserve | - | - | - | - | 19.5 | (19.5) | - |
| Translation difference | - | - | - | - | - | (31.4) | (31.4) |
| Balance at 31.12.2001, before proposed dividends | 37.7 | 19,047.4 | 17,516.6 | 599.4 | 558.0 | 16,310.3 | 54,069.4 |
| 2001 Final dividend proposed | - | - | - | - | - | (213.4) | (213.4) |
| 2002 Interim dividend proposed | - | - | - | - | - | (214.9) | (214.9) |
| Balance as at 31.12.2001, after proposed dividends | 37.7 | 19,047.4 | 17,516.6 | 599.4 | 558.0 | 15,882.0 | 53,641.1 |

12. Long term liabilities

| | As at 31 December 2001 HK\$m | As at 30 June 2001 HK\$m |
|---|---------------------------------------|-----------------------------------|
| Bank loans | | |
| Secured | 8,181.8 | 8,595.4 |
| Unsecured | 20,392.6 | 19,766.7 |
| Other secured loans wholly payable within five years | 250.0 | 250.0 |
| Other unsecured loans wholly payable within five years | 609.4 | 619.5 |
| Obligations under finance leases wholly payable within five years | 106.6 | 37.4 |
| | 29,540.4 | 29,269.0 |
| Convertible bonds | 4,063.5 | 5,026.3 |
| Debentures | 333.3 | 337.1 |
| Loans from minority shareholders | 3,056.9 | 2,881.5 |
| Deferred income | 635.4 | 643.9 |
| Long term accounts payable | 850.9 | 842.7 |
| | 38,480.4 | 39,000.5 |
| Amounts repayable within one year included in current liabilities | (10,387.9) | (9,029.6) |
| | 28,092.5 | 29,970.9 |

| | Obligations | | | | | Total HK\$m |
|---|-----------------------------------|-------------------------------------|------------------------------------|--------------------------------------|-------------------------------------|----------------|
| | Secured bank loans HK\$m | Unsecured bank loans HK\$m | Other secured loans HK\$m | Other unsecured loans HK\$m | under finance leases HK\$m | |
| The maturity of long term borrowings at 31 December 2001 is as follows: | | | | | | |
| Of less than one year | 1,652.0 | 8,454.5 | 250.0 | – | 31.4 | 10,387.9 |
| Of more than one year, but not exceeding two years | 1,605.8 | 5,593.5 | – | 351.0 | 54.5 | 7,604.8 |
| Of more than two years, but not exceeding five years | 4,611.9 | 6,344.6 | – | 200.0 | 20.7 | 11,177.2 |
| Of more than five years | 312.1 | – | – | 58.4 | – | 370.5 |
| | 8,181.8 | 20,392.6 | 250.0 | 609.4 | 106.6 | 29,540.4 |
| The maturity of long term borrowings at 30 June 2001 is as follows: | | | | | | |
| Of less than one year | 2,045.5 | 5,947.1 | – | 6.4 | 13.0 | 8,012.0 |
| Of more than one year, but not exceeding two years | 917.1 | 7,843.3 | 250.0 | 354.5 | 13.7 | 9,378.6 |
| Of more than two years, but not exceeding five years | 5,426.3 | 5,965.8 | – | 201.3 | 10.7 | 11,604.1 |
| Of more than five years | 206.5 | 10.5 | – | 57.3 | – | 274.3 |
| | 8,595.4 | 19,766.7 | 250.0 | 619.5 | 37.4 | 29,269.0 |

13. Commitments

| | As at 31 December 2001 HK\$m | As at 30 June 2001 HK\$m |
|--|---|-----------------------------------|
| (a) Capital commitments | | |
| (i) Contracted but not provided for | | |
| Fixed assets | 666.4 | 472.5 |
| Jointly controlled entities | 439.2 | 675.9 |
| Other investments | 2.7 | 15.6 |
| | 1,108.3 | 1,164.0 |
| (ii) Authorised but not contracted for | | |
| Fixed assets | 288.3 | 440.1 |
| Jointly controlled entities | 1,415.6 | 1,615.7 |
| | 1,703.9 | 2,055.8 |
| (b) The Group's share of capital commitments committed by the jointly controlled entities not included above are as follows: | | |
| Contracted but not provided for | 186.0 | 509.0 |
| Authorised but not contracted for | 105.0 | 130.0 |
| | 291.0 | 639.0 |

- (c) The Company has given an undertaking ("Buy-back Undertaking") to New World China Land Limited ("NWCL") in a spin-off agreement for the listing of NWCL's shares on the Stock Exchange of Hong Kong. Pursuant to the Buy-back Undertaking, if NWCL is unable to obtain a land use right certificate for those properties of which the land use rights certificates are either subject to transfer restrictions or have not been obtained, within two years from 16 July 1999 the Company will, at the request of NWCL, on or before the date falling six months after the two year period repurchase those properties from NWCL. The amount to be paid by the Company is equivalent to the net asset value of these properties as at 31 March 1999 plus the amount of any additional investment in those properties made by NWCL subsequent to that date. During the period, NWCL has exercised its rights under the Buy-back Undertaking and a wholly owned subsidiary of the Company has purchased three properties from NWCL for a total consolidation of approximately HK\$401.0 million. The Buy-back Undertaking expired on 16 January 2002 and no further property has been purchased by the Company up to the expiry date.

13. Commitments (con't)

(d) Commitments under operating leases payable

| | As at 31 December 2001 HK\$m | As at 30 June 2001 HK\$m |
|---------------------------------------|---|-----------------------------------|
| Land and buildings | | |
| In the first year | 202.2 | 281.3 |
| In the second to fifth year inclusive | 391.0 | 441.6 |
| After the fifth year | 161.4 | 342.4 |
| | 754.6 | 1,065.3 |
| Other equipment | | |
| In the first year | 21.5 | 20.0 |
| In the second to fifth year inclusive | 29.8 | 39.6 |
| | 805.9 | 1,124.9 |

(e) As at 31 December 2001, the Group had issued performance guarantees amounting to approximately HK\$177.8 million (30 June 2001: HK\$166.2 million), in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by a subsidiary and certain jointly controlled entities of the Group. Pursuant to the terms of the performance guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

(f) Certain subsidiary companies and jointly controlled entities are parties to agreements with third parties pursuant to the joint development of Container Terminal 9 in Hong Kong, the related berth swap arrangement and the funding therefor. The Group's attributable share of capital commitments as at 31 December 2001 has been disclosed in (a) above.

One of the jointly controlled entities has obtained banking facilities to finance 60% of its share of development cost at Container Terminal 9 and reduced the funds to be injected by the Group accordingly. The Group has given guarantee in respect of the banking facilities and is included in note 14.

In the event of default of any of the other shareholders of the jointly controlled entities, independent third parties, the relevant subsidiary companies and jointly controlled entities will be required to provide additional funds for the project. The Group has given guarantees in respect of these obligations of the subsidiary companies and jointly controlled entities to provide additional funds. If the Group is required to fulfil its obligations under the guarantees, the maximum amount of the additional commitment assumed, in addition to the Group's share of the capital commitments as disclosed above, will be HK\$1,482.0 million (30 June 2001: HK\$1,482.0 million). A counter-guarantee has been given by an associated company to the Group during the period in respect of these guarantees with a maximum amount of approximately HK\$876.0 million (30 June 2001: nil).

14. Contingent liabilities

| | As at 31 December 2001 HK\$m | As at 30 June 2001 HK\$m |
|---|---|-----------------------------------|
| Guarantees for | | |
| Performance bonds in respect of construction contracts undertaken by the Group | 1,355.1 | 1,557.7 |
| Other performance bonds | 445.9 | 344.7 |
| Guarantees for credit facilities granted to | | |
| Associated companies | 195.5 | 686.1 |
| Investee companies included under other investments | 308.0 | 9.4 |
| Jointly controlled entities | 3,083.3 | 4,202.9 |
| Indemnity to non-wholly owned subsidiary companies for PRC tax liabilities | 2,298.7 | 2,305.3 |
| | 7,686.5 | 9,106.1 |

15. Related party transactions

The following is a summary of significant related party transactions during the period carried out in the normal course of the Group's business:

| | Six months ended 31 December | |
|--|---|---------------|
| | 2001 HK\$m | 2000 HK\$m |
| Transaction with affiliated companies | | |
| Provision of contracting work service | 426.4 | 956.2 |
| Interest income | 138.1 | 121.8 |
| Management fee income | 18.7 | 19.5 |
| Transaction with other related parties | | |
| Rental income | 15.4 | 15.3 |

These related party transactions were conducted in accordance with the terms as disclosed in the last annual report.

16. Practice note 19 of the listing rules – Supplementary information

In accordance with the requirements under part 3.3 of Practice Note 19 of the Listing Rules, the Directors of the Company reported below the details of advances to, and guarantees given for the benefit of, its associated companies and jointly controlled entities (collectively as “affiliated companies”) as at 31 December 2001.

In aggregate the Group had advanced an amount of HK\$19,709.7 million (30 June 2001: HK\$19,760.2 million) to affiliated companies, guaranteed bank loans and other credit facilities for the benefit of the affiliated companies in the amount of HK\$3,586.8 million (30 June 2001: HK\$4,889.0 million) and contracted to further provide an aggregated amount of HK\$2,143.0 million (30 June 2001: HK\$3,299.6 million) in capital and loans to affiliated companies. The advances are unsecured, repayable on demand and are interest free except for aggregate amount of HK\$3,404.3 million (30 June 2001: HK\$3,787.2 million) which bear interest at variable rates ranging from 1.25% above Hong Kong Interbank offered rate to 1.25% above the Hong Kong prime rate per annum, HK\$5,400.2 million (30 June 2001: HK\$4,996.3 million) which bear interest at fixed rates ranging from 4% to 15% per annum and HK\$19.0 million (30 June 2001: HK\$19.0 million) which bear interest at fixed rates per annum and was subordinated. Contracted capital and loan contributions to affiliated companies would be funded by proceeds from internal resources and bank and other borrowings of the Group.

The above financial assistance given to the affiliated companies, in aggregate, represented 45.3% (30 June 2001: 48.5%) of the consolidated net assets of the Group as at 31 December 2001. No single entity received financial assistance from the Group which exceeds 25% of the consolidated net assets of the Group.

In addition, in accordance with the requirements under paragraph 3.10 of Practice Note 19 of the Listing Rules, the Company is required to include in its interim report a proforma combined balance sheet of its affiliated companies which would include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. The Company has numerous affiliated companies and the Directors are of the opinion that it is not practical nor meaningful to prepare a proforma combined balance sheet and such information may be misleading. The Company made an application to, and received a waiver from, the Stock Exchange to provide the following statement as an alternative.

As at 31 December 2001, the combined indebtedness, capital commitments and contingent liabilities as reported by such affiliated companies (including amounts owing to the Group) amounted to approximately HK\$57,774.5 million (30 June 2001: HK\$59,061.6 million), HK\$2,450.1 million (30 June 2001: HK\$2,282.2 million) and HK\$2,787.4. (30 June 2001: HK\$2,814.5 million) respectively.

17. Comparative figures

Certain comparative figures have been reclassified to conform with the current period presentation.