

## Notes to the Condensed Interim Financial Statements (unaudited)

### 1 BASIS OF PREPARATION

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

The condensed 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 and basis of preparation used in the preparation of these condensed interim financial statements are the same as those used in the Group's audited financial statements for the year ended 30th June, 2002, except for the following new/revised SSAPs which are effective and have been adopted for the first time in preparation of the current period's condensed consolidated financial statements :

SSAP 1 (Revised)	:	"Presentation of financial statements"
SSAP 11 (Revised)	:	"Foreign currency translation"
SSAP 15 (Revised)	:	"Cash flow statements"
SSAP 25 (Revised)	:	"Interim financial reporting"
SSAP 34	:	"Employee benefits"

In accordance with SSAP 1 (Revised) "Presentation of financial statements", the consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity and in accordance with SSAP 15 (Revised) "Cash flow statements", the preparation of cash flow statement is modified as required.

The adoption of the SSAP 34 and SSAP 11 (Revised) have no significant impact on the Group's financial results except that certain associates of the Group have chosen to recognise the entire transitional liabilities arising from the change in accounting policy for the retirement scheme, pursuant to the transitional provisions prescribed in the accounting standard. As these changes in accounting policy have been applied retrospectively and thus have resulted in adjustments of HK\$76,987,000 to the interest in associates of the Group, adjustments of HK\$20,415,000 to the minority interest and adjustments of HK\$56,572,000 to the opening balance of retained profits as at 1st July, 2002. No restatement of other comparative information has been made.

## Notes to the Condensed Interim Financial Statements (unaudited)

### 2 SEGMENTAL INFORMATION

The analysis of the Group's revenue and results by business segment during the periods are as follows:

Business segments:

Property development	—	the development and sale of properties
Property leasing	—	the leasing of properties
Finance	—	the provision of financing
Building construction	—	the construction of building works
Infrastructure	—	the investment in infrastructure projects
Hotel operation	—	hotel operations and management
Department store operation	—	department store operations and management
Others	—	investment holding, project management, property management, agency services, provision of cleaning and security guard services and provision of information technology services

For the six months ended 31st December, 2002

	Property development	Property leasing	Finance	Building construction	Infrastructure	Hotel operation	Department store operation	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2,600,967	1,015,700	96,898	455,642	112,648	63,249	61,873	299,544	—	4,706,521
Other revenue	876	1,364	290	352	85	—	298	169,674	—	172,939
External revenue	2,601,843	1,017,064	97,188	455,994	112,733	63,249	62,171	469,218	—	4,879,460
Inter-segment revenue	—	74,630	1,416	749,454	—	—	—	12,946	(838,446)	—
Total revenue	2,601,843	1,091,694	98,604	1,205,448	112,733	63,249	62,171	482,164	(838,446)	4,879,460
Segment result	(75,586)	643,056	99,282	71,510	74,662	(2,786)	(544)	234,112	—	1,043,706
Inter-segment transactions	31,721	(54,913)	(1,416)	(52,342)	—	26,753	9,024	(6,672)	—	(47,845)
Contribution from operations	(43,865)	588,143	97,866	19,168	74,662	23,967	8,480	227,440	—	995,861
Bank interest income	—	—	—	—	—	—	—	—	—	20,718
Unallocated operating expenses net of income	—	—	—	—	—	—	—	—	—	(202,658)
Profit from operations	—	—	—	—	—	—	—	—	—	813,921
Finance costs	—	—	—	—	—	—	—	—	—	(71,969)
Non-operating expenses	—	—	—	—	—	—	—	—	—	(78,163)
Share of profits less losses of associates and jointly controlled entities	—	—	—	—	—	—	—	—	—	663,789
Taxation	—	—	—	—	—	—	—	—	—	707,585
Minority interests	—	—	—	—	—	—	—	—	—	(163,276)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	—	(198,076)
										1,010,022

Notes to the Condensed Interim Financial Statements (unaudited)

2 SEGMENTAL INFORMATION (cont'd)

For the six months ended 31st December, 2001

	Property development HK\$'000	Property leasing HK\$'000	Finance HK\$'000	Building construction HK\$'000	Infrastructure HK\$'000	Hotel operation HK\$'000	Department store operation HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated 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	—	—	—	376	—	—	527	—	1,334
External revenue	923,580	1,018,375	157,277	201,169	118,015	65,165	86,221	414,187	—	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	118,015	65,165	86,221	420,672	(54,737)	2,983,989
Segment result	44,290	655,981	169,560	13,115	81,340	22,668	(16,020)	179,822	—	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	81,340	23,600	(3,530)	174,582	—	1,146,354
Bank interest income										18,125
Unallocated operating expenses net of income										(228,832)
Profit from operations										935,647
Finance costs										(77,166)
Non-operating income										27,865
										886,346
Share of profits less losses of associates and jointly controlled entities										648,255
Taxation										(162,749)
Minority interests										(270,944)
Profit attributable to shareholders										1,100,908

## Notes to the Condensed Interim Financial Statements (unaudited)

## 2 SEGMENTAL INFORMATION (cont'd)

Geographical segments:

For the six months ended 31st December, 2002

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
Turnover	4,457,211	249,310	4,706,521
Other revenue	170,237	2,702	172,939
External revenue	<u>4,627,448</u>	<u>252,012</u>	<u>4,879,460</u>

For the six months ended 31st December, 2001

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
Turnover	2,530,593	452,062	2,982,655
Other revenue	431	903	1,334
External revenue	<u>2,531,024</u>	<u>452,965</u>	<u>2,983,989</u>

## 3 OTHER REVENUE AND OTHER NET INCOME

For the six months ended 31st December,  
2002  
2001  
HK\$'000 HK\$'000

Other revenue:		
Bank and other interest income	24,727	18,125
Others	168,930	14,356
	<u>193,657</u>	<u>32,481</u>
Other net income:		
Loss on disposal of investments in securities	(253)	—
(Loss)/profit on disposal of fixed assets	(497)	82,875
Others	10,533	4,198
	<u>9,783</u>	<u>87,073</u>

Notes to the Condensed Interim Financial Statements (unaudited)

4 OTHER OPERATING EXPENSES

	For the six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
Provisions on property projects	257,620	—
Bad debts written off	37,836	—
Others	8,233	8,789
	<u>303,689</u>	<u>8,789</u>

5 NON-OPERATING (EXPENSES)/INCOME

	For the six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
Unrealised holding (loss)/gain on investments in securities	(39,711)	4,546
Impairment loss on property, plant and equipment recognised	(14,318)	—
Amortisation of goodwill	(22,000)	—
Profit realised on dilution of interest in a subsidiary (Note)	—	34,456
Others	(2,134)	(11,137)
	<u>(78,163)</u>	<u>27,865</u>

Note: The gain arising on dilution of interest in a subsidiary was included in capital reserve and the amount to be released to the consolidated 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 Condensed Interim Financial Statements (unaudited)

### 6 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

(a) Finance costs:

	For the six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
Interest on borrowings	190,267	283,020
Other borrowing costs	56,471	95,807
	<u>246,738</u>	<u>378,827</u>
Less: Amount capitalised*		
- interest	(133,152)	(231,128)
- other borrowing costs	(41,617)	(70,533)
	<u>71,969</u>	<u>77,166</u>

\* The borrowing costs have been capitalised at rates ranging from 1.58% to 2.38% (2001: from 3.47% to 4.21%) per annum.

(b) Items other than those separately disclosed in notes 3 to 6(a):

	For the six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
Amortisation and depreciation	51,041	72,783
Less: Amount capitalised	(40)	(48)
	<u>51,001</u>	<u>72,735</u>
Staff cost**	404,637	375,540
Less: Amount capitalised	(15,206)	(19,191)
	<u>389,431</u>	<u>356,349</u>
Cost of sales		
- completed properties for sale	2,237,495	782,189
- inventories	99,660	92,794
	<u>2,337,155</u>	<u>874,983</u>

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

**Notes to the Condensed Interim Financial Statements (unaudited)**

**7 TAXATION**

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

	For the six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
The Group		
— Hong Kong	92,182	85,632
— Outside Hong Kong	2,250	2,326
Associates	68,365	71,955
Jointly controlled entities	479	2,836
	<u>163,276</u>	<u>162,749</u>

Provision for Hong Kong profits tax has been made at 16% (2001: 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.

## Notes to the Condensed Interim Financial Statements (unaudited)

**8 DIVIDENDS**

(a) Dividends attributable to the interim period:

	For the six months ended 31st December,	
	2002	2001
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end at HK\$0.35 per share (2001 : HK\$0.35 per share)	<u>602,749</u>	<u>602,749</u>

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end.

(b) Dividends attributable to the previous financial year, approved and paid during the interim period:

	For the six months ended 31st December,	
	2002	2001
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, at HK\$0.45 per share (2001 : HK\$0.55 per share)	<u>774,963</u>	<u>947,177</u>

**9 EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$1,010,022,000 (2001: HK\$1,100,908,000) and on 1,722,140,000 ordinary shares (2001: 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 Condensed Interim Financial Statements (unaudited)**

**10 FIXED ASSETS**

	Investment properties HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Cost or valuation			
At 1st July, 2002	27,734,592	11,301,016	39,035,608
Additions	14,203	328,524	342,727
Transfer	4,462,481	(4,462,481)	—
Reclassification	—	(277,878)	(277,878)
Disposals	(65,768)	(16,312)	(82,080)
Deficits on revaluation	(1,061,279)	—	(1,061,279)
At 31st December, 2002	<u>31,084,229</u>	<u>6,872,869</u>	<u>37,957,098</u>
Amortisation and depreciation			
At 1st July, 2002	—	803,786	803,786
Charge for the period	—	51,041	51,041
Written back on disposals	—	(14,990)	(14,990)
Impairment loss	—	14,318	14,318
At 31st December, 2002	<u>—</u>	<u>854,155</u>	<u>854,155</u>
Net book value or valuation			
At 31st December, 2002	<u>31,084,229</u>	<u>6,018,714</u>	<u>37,102,943</u>
At 30th June, 2002	<u>27,734,592</u>	<u>10,497,230</u>	<u>38,231,822</u>

**11 COMPLETED PROPERTIES FOR SALE**

Completed properties for sale include properties of HK\$3,545,478,000 (at 30th June, 2002: HK\$1,894,162,000) carried at net realisable value.

## Notes to the Condensed Interim Financial Statements (unaudited)

### 12 DEBTORS, PREPAYMENTS AND DEPOSITS

The Group maintains a defined credit policy. Considerations in respect of sold properties are payable by the purchaser pursuant to the terms of the sale and purchase agreement. Monthly rent in respect of leasing properties are payable in advance by tenants. Housing instalment and other trade debtors settle their accounts according to the payment terms as stated in the contracts. 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, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Under 1 month overdue	307,369	268,114
More than 1 month overdue but less than 3 months overdue	94,258	116,105
More than 3 months overdue but less than 6 months overdue	35,428	47,164
More than 6 months overdue	200,180	154,256
	<u>637,235</u>	<u>585,639</u>
Prepayments, deposits and other receivables	648,322	930,651
	<u>1,285,557</u>	<u>1,516,290</u>

### 13 INSTALMENTS RECEIVABLE

The ageing analysis of instalments receivable (net of provision for bad debts) is as follows:

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Under 1 month overdue	334,177	351,547
More than 1 month overdue but less than 3 months overdue	5,732	5,837
More than 3 months overdue but less than 6 months overdue	5,723	6,687
More than 6 months overdue	25,069	41,577
	<u>370,701</u>	<u>405,648</u>

Notes to the Condensed Interim Financial Statements (unaudited)

14 CASH AND CASH EQUIVALENTS

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Deposits with banks and other financial institutions	1,550,079	1,047,452
Cash at bank and in hand	310,557	304,520
	<u>1,860,636</u>	<u>1,351,972</u>

15 CREDITORS AND ACCRUED EXPENSES

The ageing analysis of trade creditors is as follows:

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Due within 1 month and on demand	288,940	354,032
Due after 1 month but within 3 months	274,704	116,273
Due after 3 months but within 6 months	226,099	185,833
Due after 6 months	716,514	588,999
	<u>1,506,257</u>	<u>1,245,137</u>
Other payables and accrued expenses	407,244	326,400
	<u>1,913,501</u>	<u>1,571,537</u>

16 SHARE CAPITAL

	Number of shares		Nominal value	
	At 31st December, 2002 '000	At 30th June, 2002 '000	At 31st December, 2002 HK\$'000	At 30th June, 2002 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>

## Notes to the Condensed Interim Financial Statements (unaudited)

## 17 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, 2002	181,236	1,446,702	20,200	(2,595)	2,441	1,647,984
Share of revaluation deficits in associates	(177,487)	—	—	—	—	(177,487)
At 31st December, 2002	<u>3,749</u>	<u>1,446,702</u>	<u>20,200</u>	<u>(2,595)</u>	<u>2,441</u>	<u>1,470,497</u>

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 of subsidiaries, associates and jointly controlled entities and foreign currency translation.

Other reserve represents statutory reserve set up 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.

## 18 INVESTMENT PROPERTY REVALUATION RESERVE

	HK\$'000
At 1st July, 2002	12,311,082
Deficits on revaluation	(916,893)
Share of revaluation deficits in associates	(610,919)
Share of revaluation deficits in a jointly controlled entity	(227,656)
Realised upon disposal of properties	(9,225)
At 31st December, 2002	<u>10,546,389</u>

**Notes to the Condensed Interim Financial Statements (unaudited)**

**19 RETAINED PROFITS**

	HK\$'000
At 1st July, 2002	
- as previously report	31,060,366
- prior period adjustment (Note 1)	(56,572)
- as restated	31,003,794
Retained profit for the period	1,010,022
Final dividend approved in respect of previous year (Note 8(b))	(774,963)
At 31st December, 2002	<u>31,238,853</u>

**20 COMMITMENTS**

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

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
(i) Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	382,972	1,022,341
(ii) Contracted obligations to fund the subsidiaries and associates established outside Hong Kong	2,760,602	2,825,018
(iii) Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	3,021,061	2,613,073
	<u>6,164,635</u>	<u>6,460,432</u>

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

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Within 1 year	1,695,159	2,090,614
After 1 year but within 2 years	1,794,519	1,296,315
After 2 years	2,674,957	3,073,503
	<u>6,164,635</u>	<u>6,460,432</u>

## Notes to the Condensed Interim Financial Statements (unaudited)

**20 COMMITMENTS (cont'd)**

- (b) The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Within 1 year	17,555	23,100
After 1 year but within 5 years	42,761	63,091
After 5 years	172,363	253,041
	<u>232,679</u>	<u>339,232</u>

**21 CONTINGENT LIABILITIES**

Contingent liabilities of the Group were as follows:

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
(a) Guarantees given by the Group to financial institutions on behalf of purchasers of flats	264,724	273,289
(b) Guarantees given by the Company to banks to secure banking facilities of an associate and jointly controlled entities	3,474,199	3,963,523
	<u>3,738,923</u>	<u>4,236,812</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, 2002, the Group had contingent liabilities of HK\$453 million (at 30th June, 2002: HK\$453 million) in relation to the said guarantees.
- (d) Pursuant to the terms of Fixed Telecommunications Network Services licence granted to the Group on 16th February, 2000 and amended on 30th May, 2002, there were contingent liabilities in respect of performance bond guaranteed by a bank on behalf of a subsidiary of the Group amounting to HK\$12 million as at 31st December, 2002 (at 30th June, 2002: HK\$12 million).

**Notes to the Condensed Interim Financial Statements (unaudited)**

**22 MATERIAL RELATED PARTY TRANSACTIONS**

(a) Transactions with fellow subsidiaries

Details of material related party transactions between the Group and Henderson Development Limited and its subsidiaries are as follows:

	For the six months ended 31st December,	
	2002	2001
	HK\$'000	HK\$'000
Loan arrangement fee (note i)	39,059	70,533
Building management service income (note iii)	17,643	21,323
Rental commission income (note iii)	6,812	7,288
Other interest expense (note i)	40,287	53,074
	<u>          </u>	<u>          </u>

(b) Transactions with associates and jointly controlled entities

Details of material related party transactions between the Group and its associates and jointly controlled entities are as follows:

	For the six months ended 31st December,	
	2002	2001
	HK\$'000	HK\$'000
Other interest income (note i)	21,085	27,934
Building construction income (note ii)	364,409	—
Acquisition of interest in property development (note iv)	380,529	—
	<u>          </u>	<u>          </u>

Notes:

- (i) Loan arrangement fee, interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Inter-Bank Offer Rate or prime rate.
- (ii) Building construction income represents cost reimbursements plus certain percentage thereon as service fees.
- (iii) These transactions were carried out on normal commercial terms and in the ordinary course of business.
- (iv) The consideration was paid for entitlement to 27% of the future net sales proceeds of the residential portion of the property development.

**Notes to the Condensed Interim Financial Statements (unaudited)****22 MATERIAL RELATED PARTY TRANSACTIONS (cont'd)****(c) Transactions with companies controlled by a director of the Company**

Mr. Lee Ka Kit, a director of the Company, through companies controlled or owned by him has separate interests in certain subsidiaries and associates of the Company or the Group and through which the Group holds its interest in certain development projects in the PRC. Mr. Lee through companies controlled or owned by him had provided finance in the form of advances to these subsidiaries and associates in accordance with the percentage of his equity interest in these companies. At 31st December, 2002, the advances made to these subsidiaries and associates through companies controlled or owned by Mr. Lee amounting to HK\$409,193,000 (at 30th June, 2002: HK\$410,158,000) and HK\$660,229,000 (at 30th June, 2002: HK\$646,116,000) respectively are unsecured. Interest payable by these subsidiaries and associates to companies controlled or owned by Mr. Lee under such arrangements during the period ended 31st December, 2002 are HK\$Nil (2001: HK\$Nil) and HK\$17,764,000 (2001: HK\$23,930,000) respectively.

**23 COMPARATIVE FIGURES**

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