

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:

SSAP1 (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 the 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 has 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 \$76,987,000 to the interest in associates of the Group and the opening balance of retained profits as at 1st July, 2002. No restatement of other comparative information has been made.

2 SEGMENTAL INFORMATION

Business segments

The business upon which the Group reports its primary segment information is as follows:

Property leasing	—	property rental
Hotel operation	—	hotel operations and management
Department store	—	department store operations and management
Infrastructure	—	infrastructure project investment
Others	—	sale of properties, provision of cleaning and security guard services and provision of information technology services

Notes to the Condensed Interim Financial Statements (unaudited)

2 SEGMENTAL INFORMATION (cont'd)

Business segments (cont'd)

Segment information about these businesses is presented below:

For the six months ended 31st December, 2002

	Property leasing HK\$'000	Hotel operation HK\$'000	Department store HK\$'000	Infra- structure HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
INCOME AND RESULTS							
Turnover	275,365	44,544	61,873	112,648	106,369	—	600,799
Other operating income	1,301	—	298	85	36,749	—	38,433
External income	276,666	44,544	62,171	112,733	143,118	—	639,232
Inter-segment income	30,611	—	—	—	2,576	(33,187)	—
Total income	<u>307,277</u>	<u>44,544</u>	<u>62,171</u>	<u>112,733</u>	<u>145,694</u>	<u>(33,187)</u>	<u>639,232</u>

Inter-segment sales were charged at prices determined by management with reference to market prices.

Segment results	<u>156,383</u>	<u>(2,948)</u>	<u>(544)</u>	<u>74,662</u>	<u>16,169</u>	<u>—</u>	243,722
Interest income							17,002
Loss on disposal of investments in securities							(253)
Unrealised holding loss on investments in securities							(39,711)
Impairment loss on property, plant and equipment recognised							(14,318)
Unallocated corporate expenses							<u>(11,412)</u>
Profit from operations							195,030
Finance costs							(19,668)
Share of results of associates							747,738
Amortisation of goodwill							<u>(22,000)</u>
Profit before taxation							901,100
Taxation							<u>(85,457)</u>
Profit before minority interests							815,643
Minority interests							<u>(21,295)</u>
Net profit for the period							<u>794,348</u>

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2 SEGMENTAL INFORMATION (cont'd)

Business segments (cont'd)

For the six months ended 31st December, 2001

	Property leasing HK\$'000	Hotel operation HK\$'000	Department store HK\$'000	Infra- structure HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
INCOME AND RESULTS							
Turnover	255,047	44,487	86,221	117,639	95,888	—	599,282
Other operating income	—	—	1,988	376	37,127	—	39,491
External income	255,047	44,487	88,209	118,015	133,015	—	638,773
Inter-segment income	30,842	—	—	—	2,181	(33,023)	—
Total income	<u>285,889</u>	<u>44,487</u>	<u>88,209</u>	<u>118,015</u>	<u>135,196</u>	<u>(33,023)</u>	<u>638,773</u>

Inter-segment sales were charged at prices determined by management with reference to market prices.

Segment results	<u>169,483</u>	<u>(5,544)</u>	<u>1,288</u>	<u>81,340</u>	<u>(14,952)</u>	<u>1,041</u>	232,656
Interest income							16,163
Unrealised holding gain on investments in securities							4,546
Unallocated corporate expenses							<u>(16,961)</u>
Profit from operations							236,404
Finance costs							<u>(37,559)</u>
Share of results of associates							<u>674,748</u>
Profit before taxation							873,593
Taxation							<u>(88,084)</u>
Profit before minority interests							785,509
Minority interests							<u>(17,311)</u>
Net profit for the period							<u>768,198</u>

Notes to the Condensed Interim Financial Statements (unaudited)

2 SEGMENTAL INFORMATION (cont'd)

Geographical segments

The Group's sale of properties, property leasing, hotel operation, department store operation, security guard services and information technology services are carried out in Hong Kong. Infrastructure is carried out in other regions of the People's Republic of China ("PRC").

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

For the six months ended 31st December, 2002

	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover	482,523	118,276	—	600,799
Other operating income	36,266	2,167	—	38,433
External income	518,789	120,443	—	639,232
Inter-segment income	33,187	—	(33,187)	—
Total income	551,976	120,443	(33,187)	639,232
Segment results	187,392	56,330	—	243,722

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 operating income	39,115	376	—	39,491
External income	521,699	117,074	—	638,773
Inter-segment income	33,023	—	(33,023)	—
Total income	554,722	117,074	(33,023)	638,773
Segment results	138,613	93,002	1,041	232,656

Notes to the Condensed 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,	
	2002	2001
	HK\$'000	HK\$'000
Interest on:		
— Bank loans and overdrafts	17,890	31,649
— Finance leases	45	122
— Other borrowings	1,733	5,788
	<u>19,668</u>	<u>37,559</u>

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

	For the six months ended 31st December,	
	2002	2001
	HK\$'000	HK\$'000
Amortisation and depreciation	35,451	44,107
Staff costs	103,413	114,223
Cost of sales		
— completed properties for sale	304	108
— inventories	63,999	64,806
	<u>63,999</u>	<u>64,806</u>

Notes to the Condensed Interim Financial Statements (unaudited)

4 TAXATION

(a) Taxation in the consolidated income statement represents:

	For the six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
The Group		
— Hong Kong	15,974	19,636
— Other regions in the PRC	6,256	3,033
	<u>22,230</u>	<u>22,669</u>
Share of tax on results of associates	63,227	65,415
	<u>85,457</u>	<u>88,084</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.

5 DIVIDENDS

	For the six months ended 31st December,	
	2002 HK\$'000	2001 HK\$'000
Interim dividend at HK\$0.11 per share (2001: HK\$0.11 per share)	309,906	309,906

6 EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the period of HK\$794,348,000 (2001: HK\$768,198,000) and on 2,817,327,395 (2001: 2,817,327,395) ordinary shares in issue during the period. Diluted earnings per share is not shown as there were no dilutive potential shares in existence for the six months ended 31st December, 2002 and 31st December, 2001.

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7 FIXED ASSETS

	Investment properties HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Costs or valuation			
At 1st July, 2002	4,215,740	2,631,371	6,847,111
Additions	—	11,372	11,372
Revaluation decrease	(261,465)	—	(261,465)
Disposals	—	(13,546)	(13,546)
At 31st December, 2002	<u>3,954,275</u>	<u>2,629,197</u>	<u>6,583,472</u>
Depreciation, amortisation and impairment			
At 1st July, 2002	—	393,767	393,767
Charge for the period	—	35,451	35,451
Written back on disposals	—	(12,595)	(12,595)
Impairment loss	—	14,318	14,318
At 31st December, 2002	<u>—</u>	<u>430,941</u>	<u>430,941</u>
Net book value or valuation			
At 31st December, 2002	<u>3,954,275</u>	<u>2,198,256</u>	<u>6,152,531</u>
At 30th June, 2002	<u>4,215,740</u>	<u>2,237,604</u>	<u>6,453,344</u>

Investment properties and hotel properties were revalued on 31st October, 2002 on an open market value basis by Messrs. DTZ Debenham Tie Leung Limited, a firm of independent professional property valuers. The deficit arising on revaluation of investment properties attributable to the Group has been debited to the investment property revaluation reserve. In the opinion of the directors, there is no significant change in the value of the Group's fixed assets at 31st December, 2002.

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8 DEBTORS, DEPOSITS AND PREPAYMENTS

The Group maintains a defined credit policy. 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. In respect of retailing, most of the transactions are being on cash basis. Other trade debtors settle their accounts according to the payment terms as stated in 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 allowances for bad debts) is as follows:

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Under 1 month overdue	17,424	29,284
1 to 3 months overdue	34,468	31,868
More than 3 months overdue but less than 6 months overdue	2,488	5,110
Over 6 months overdue	10,688	7,451
	<u>65,068</u>	<u>73,713</u>
Prepayments, deposits and other receivable	132,089	393,880
	<u>197,157</u>	<u>467,593</u>

9 CREDITORS AND ACCRUED EXPENSES

The ageing analysis of trade payables included in creditors and accrued expenses by due date is as follows:

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Due within 1 month or on demand	133,052	140,526
Due after 1 month but within 3 months	36,313	44,240
Due after 3 month but within 6 months	3,164	4,053
Due after 6 months	3,979	4,186
	<u>176,508</u>	<u>193,005</u>
Rental deposits and other payable	94,915	95,402
Total creditors and accrued expenses	<u>271,423</u>	<u>288,407</u>

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10 SHARE CAPITAL

	At 31st December, 2002 HK\$'000	At 30th June, 2002 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 (2001: 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 RESERVES

	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Capital reserve HK\$'000	Share premium account HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st July, 2001	2,969,661	527,432	12,909	6,158,568	338,079	8,679,539	18,686,188
Final dividend paid	—	—	—	—	(338,079)	—	(338,079)
Net profit for the period	—	—	—	—	—	768,198	768,198
Interim Dividend proposed	—	—	—	—	309,906	(309,906)	—
At 31st December, 2001	<u>2,969,661</u>	<u>527,432</u>	<u>12,909</u>	<u>6,158,568</u>	<u>309,906</u>	<u>9,137,831</u>	<u>19,116,307</u>
At 1st July, 2002							
As previously report	2,664,307	409,996	12,909	6,158,568	309,906	9,839,885	19,395,571
Prior period adjustment (Note 1)	—	—	—	—	—	(76,987)	(76,987)
As restated	2,664,307	409,996	12,909	6,158,568	309,906	9,762,898	19,318,584
Final dividend paid	—	—	—	—	(309,906)	—	(309,906)
Deficits on revaluation							
Company and subsidiaries	(258,048)	—	—	—	—	—	(258,048)
Associates	(800,277)	—	—	—	—	—	(800,277)
Net profit for the period	—	—	—	—	—	794,348	794,348
Realisation of revaluation reserve	(1,038)	(28,230)	—	—	—	—	(29,268)
Interim Dividend proposed	—	—	—	—	309,906	(309,906)	—
At 31st December, 2002	<u>1,604,944</u>	<u>381,766</u>	<u>12,909</u>	<u>6,158,568</u>	<u>309,906</u>	<u>10,247,340</u>	<u>18,715,433</u>

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12 COMMITMENTS

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Contracted commitments for the acquisition of property, plant and equipment and for property development and renovation expenditure	<u>14,579</u>	<u>14,579</u>
Contracted commitments for the acquisition of telecommunications network infrastructure	<u>4,165</u>	<u>—</u>
Contracted commitments for System development costs	<u>425</u>	<u>—</u>
System development costs approved by the directors but not yet contracted for	<u>—</u>	<u>1,447</u>

13 OPERATING LEASE COMMITMENTS

At 31st December, 2002, 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
Not later than one year	<u>88,329</u>	55,154
Later than one year and not later than five years	<u>154,208</u>	154,300
Later than five years	<u>172,363</u>	<u>256,374</u>
	<u>414,900</u>	<u>465,828</u>

Operating lease commitments represent rentals payable by the Group for retail shopping centre, telecommunication network facilities and certain of its office premises.

14 CONTINGENT LIABILITIES

There were contingent liabilities in respect of a performance bond guaranteed by a bank on behalf of a subsidiary of the Company amounting to HK\$12,000,000 (30th June, 2002: HK\$12,000,000). 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 and amended on 30th May, 2002.

Notes to the Condensed Interim Financial Statements (unaudited)

15 RELATED PARTY TRANSACTIONS

The Group entered into the following significant transactions with fellow subsidiaries:

	For the six months ended 31st December,	
	2002	2001
	HK\$'000	HK\$'000
Security guard service income	23,938	25,962
Agency commission paid	8,730	9,154
Building management fee paid	29,293	28,937
Interest expenses	1,325	3,998
Rental expenses	36,987	33,960

Note: Apart from the above interest-bearing advances with interest chargeable on the balances outstanding from time to time based on Hong Kong Inter-Bank Offer Rate or with interest at market rates, the other transactions were carried out at market prices or, where no market price was available, at cost plus a percentage profit mark-up.

16 COMPARATIVE FIGURES

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