

## Notes to the accounts

### 1. Basis of preparation of the accounts

The unaudited consolidated accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended December 31, 2003.

### 2. Turnover and operating profits

#### a. Segment Information

##### i. Business segments

	Segment Revenue		Segment Results	
	30/06/2004 HK\$ Million	30/06/2003 HK\$ Million	30/06/2004 HK\$ Million	30/06/2003 HK\$ Million
Property investment	<b>2,241</b>	2,092	<b>1,554</b>	1,448
Hong Kong	<b>1,793</b>	1,805	<b>1,406</b>	1,430
China	<b>106</b>	90	<b>35</b>	28
Hotels	<b>342</b>	197	<b>113</b>	(10)
Communications, media and entertainment ("CME")	<b>1,931</b>	1,748	<b>223</b>	199
Pay television	<b>920</b>	844	<b>235</b>	210
Internet and multimedia	<b>232</b>	193	<b>(27)</b>	(48)
i-CABLE (before unallocated items)	<b>1,152</b>	1,037	<b>208</b>	162
Telecommunications	<b>674</b>	615	<b>11</b>	19
Others	<b>105</b>	96	<b>4</b>	18
Logistics	<b>1,515</b>	1,532	<b>831</b>	854
Terminals	<b>1,335</b>	1,367	<b>774</b>	820
Others	<b>180</b>	165	<b>57</b>	34
	<b>5,687</b>	5,372	<b>2,608</b>	2,501
Property development	<b>73</b>	102	<b>12</b>	(13)
Investment and others	<b>118</b>	114	<b>20</b>	15
Inter-segment revenue (Note)	<b>(139)</b>	(125)	<b>-</b>	-
	<b>5,739</b>	5,463	<b>2,640</b>	2,503
Unallocated income and expenses			<b>(120)</b>	(135)
Operating profit			<b>2,520</b>	2,368
Borrowing costs			<b>(131)</b>	(305)
Associates				
Property development			<b>113</b>	44
Terminals			<b>33</b>	8
Others			<b>-</b>	2
Profit before taxation			<b>2,535</b>	2,117

## 2. Turnover and operating profits (Continued)

### a. Segment Information (Continued)

#### i. Business segments (Continued)

Note: Inter-segment revenue eliminated on consolidation included:

	30/06/2004 HK\$ Million	30/06/2003 HK\$ Million
Property investment	40	49
CME	95	68
Logistics	1	6
Investment and others	3	2
	<u>139</u>	<u>125</u>

#### ii. Geographical segments

During the period, more than 90 per cent of the operations of the Group in terms of the above items was in Hong Kong.

### b. Operating profit is arrived at after:

	30/06/2004 HK\$ Million	30/06/2003 HK\$ Million
charging:–		
Depreciation		
– assets held for use under operating leases	40	40
– other assets	545	494
Amortisation of prepaid expenses and programming library	83	53
Amortisation of goodwill	25	11
Staff costs, including retirement scheme costs HK\$38 million (2003: HK\$45 million)	1,048	989
Auditors' remuneration		
Audit services	4	4
Other services	1	1
Cost of properties sold during the period	53	104
and crediting:–		
Rental income less direct outgoings, including contingent rentals HK\$73 million (2003: HK\$47 million)	1,517	1,516
Interest income	23	60
Dividend income from listed investments	38	31
Dividend income from unlisted investments	49	29
	<u>1,517</u>	<u>1,516</u>

### 3. Borrowing costs

	<b>30/06/2004</b> <b>HK\$ Million</b>	30/06/2003 HK\$ Million
Interest on:		
Bank loans and overdrafts	<b>41</b>	207
Other loans repayable within five years	<b>51</b>	75
Other borrowing costs	<b>51</b>	55
	<b>143</b>	337
Less: Amount capitalised	<b>(12)</b>	(32)
Net borrowing costs for the period	<b>131</b>	305

The Group's average borrowing cost for the period was 1.6% per annum (2003: 3.1% per annum).

### 4. Share of profits less losses of associates

Share of profits of associates mainly included attributable profits on disposal of Sorrento and Bellagio residential units and terminals operation.

### 5. Taxation

- a. The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 17.5 per cent (2003: 17.5 per cent).
- b. Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

## 5. Taxation (Continued)

c. Taxation in the consolidated profit and loss account represents:

	30/06/2004 HK\$ Million	30/06/2003 HK\$ Million
<b>Current tax – Hong Kong profits tax</b>		
Tax for the period	339	377
Underprovision in respect of prior years	66	18
	<u>405</u>	<u>395</u>
<b>Current tax – overseas taxation</b>		
Tax for the period	1	–
Overprovision in respect of prior years	(9)	–
	<u>(8)</u>	<u>–</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	56	(25)
Effect of increase in tax rate on deferred tax	–	99
	<u>56</u>	<u>74</u>
Associates	12	1
	<u>465</u>	<u>470</u>

d. None of the taxation payable in the balance sheet is expected to be settled after more than one year.

## 6. Dividends

a. *Dividends attributable to the period*

	30/06/2004 HK\$ Million	30/06/2003 HK\$ Million
Proposed after the balance sheet date:–		
32.75 cents (2003: 12 cents) per share	802	294
Distribution in specie in the form of shares in i-CABLE Communications Limited (“i-CABLE Shares”) equivalent to 20.75 cents per share	–	508
	<u>802</u>	<u>802</u>

The above interim dividends were proposed after the balance sheet dates and have not been recognised as liabilities at the respective balance sheet dates.

## 6. Dividends (Continued)

### b. Dividends attributable to the previous financial year but approved during the period

	<b>30/06/2004</b> <b>HK\$ Million</b>	30/06/2003 HK\$ Million
Final dividend in respect of the previous financial year, approved during the period, of 28 cents (2003: 28 cents) per share	<b>685</b>	685

## 7. Earnings per share

The calculation of earnings per share is based on the earnings for the period of HK\$1,680 million (2003: HK\$1,309 million) and the weighted average of 2,447 million ordinary shares (2003: 2,447 million ordinary shares) in issue during the period.

The calculation of diluted earnings per share is based on earnings for the period of HK\$1,680 million (2003: HK\$1,309 million) and the weighted average of 2,447 million ordinary shares (2003: 2,447 million ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares.

The existence of unexercised options during the period ended June 30, 2004 has no dilutive effect on the calculation of diluted earnings per share for the period ended June 30, 2004.

## 8. Trade and other receivables

Included in this item are trade debtors (net of provision for bad and doubtful debts) with an ageing analysis as at June 30, 2004 as follows:

	<b>30/06/2004</b> <b>HK\$ Million</b>	31/12/2003 HK\$ Million
0 – 30 days	<b>340</b>	355
31 – 60 days	<b>212</b>	154
61 – 90 days	<b>47</b>	60
Over 90 days	<b>40</b>	64
	<b>639</b>	633

The Group has a defined credit policy. The general credit terms allowed range from 0 to 60 days, except for pre-sale proceeds of properties under development, which are due to receive upon completion of the properties under development.

## 9. Trade and other payables

Included in this item are trade creditors with an ageing analysis as at June 30, 2004 as follows:

	<b>30/06/2004</b> <b>HK\$ Million</b>	31/12/2003 HK\$ Million
0 – 30 days	<b>127</b>	284
31 – 60 days	<b>55</b>	66
61 – 90 days	<b>47</b>	54
Over 90 days	<b>215</b>	198
	<b>444</b>	602

## 10. Share capital

	<b>30/06/2004</b> <b>No. of share</b> <b>Million</b>	31/12/2003 No. of share Million	<b>30/06/2004</b> <b>HK\$ Million</b>	31/12/2003 HK\$ Million
Authorised				
Ordinary shares of HK\$1 each	<b>3,600</b>	3,600	<b>3,600</b>	3,600
Issued and fully paid				
Balance at January 1	<b>2,447</b>	2,447	<b>2,447</b>	2,447
Exercise of share options	–	–	–	–
Balance at June 30/December 31	<b>2,447</b>	2,447	<b>2,447</b>	2,447

## 11. Reserves

	Share premium HK\$ Million	Capital redemption reserves HK\$ Million	Investment properties revaluation reserves HK\$ Million	Investments revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
<b>a. Company and subsidiaries</b>							
Balance at January 1, 2004	7,742	7	32,109	229	(686)	10,469	49,870
Dividends approved in respect of the previous year	–	–	–	–	–	(685)	(685)
Transferred to the profit and loss account on disposal of non-trading investments	–	–	–	(22)	–	–	(22)
Revaluation deficit – non-trading investments	–	–	–	(71)	–	–	(71)
Profit for the period	–	–	–	–	–	1,546	1,546
Balance at June 30, 2004	<u>7,742</u>	<u>7</u>	<u>32,109</u>	<u>136</u>	<u>(686)</u>	<u>11,330</u>	<u>50,638</u>
<b>b. Associates</b>							
Balance at January 1, 2004	–	–	–	1	–	(690)	(689)
Profit for the period	–	–	–	–	–	134	134
Balance at June 30, 2004	<u>–</u>	<u>–</u>	<u>–</u>	<u>1</u>	<u>–</u>	<u>(556)</u>	<u>(555)</u>
Total reserves At June 30, 2004	<u>7,742</u>	<u>7</u>	<u>32,109</u>	<u>137</u>	<u>(686)</u>	<u>10,774</u>	<u>50,083</u>
At December 31, 2003	<u>7,742</u>	<u>7</u>	<u>32,109</u>	<u>230</u>	<u>(686)</u>	<u>9,779</u>	<u>49,181</u>

## 12. Material related party transactions

Except for the transactions noted below, the Company and the Group have not been a party to any material related party transactions during the period ended June 30, 2004:

- a.** Loans totalling HK\$1,874 million (31/12/2003: HK\$2,588 million) advanced by the Group to certain associates involved in the Sorrento and Bellagio property developments projects are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. Waivers were granted by the Stock Exchange in 1997 and 1994 from complying with the relevant connected transaction requirements. The net interest earned by the Group from these loans during the period is not material in the context of these accounts.
- b.** As disclosed in Note 13(b), the Company and a subsidiary, together with its principal shareholder and two of its subsidiaries, have jointly and severally guaranteed the performance and observance of the terms by a subsidiary of the associate under an agreement to develop the Sorrento property development project.

Such guarantees given by the Company constitute connected transactions as defined under the Listing Rules, but a waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.

## 13. Contingent liabilities

As at June 30, 2004:

- a.** There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdraft, short term loan and credit facilities, bonds and notes of up to HK\$26,096 million (31/12/2003: HK\$28,562 million).
- b.** The Company and a subsidiary together with its principal shareholder and two of its subsidiaries thereof, have jointly and severally guaranteed the performance and observance of the terms under an agreement for the Sorrento property development project by the subsidiary of an associate.
- c.** Forward exchange contracts amounting to HK\$5,616 million (31/12/2003: HK\$5,616 million).



## 14. Commitments

	<b>30/06/2004</b> <b>HK\$ Million</b>	31/12/2003 HK\$ Million
<b>a. Capital commitments</b>		
Planned capital expenditure:		
Authorised and contracted for	<b>1,508</b>	1,099
Authorised but not contracted for	<b>2,334</b>	1,419
	<b>3,842</b>	2,518
<b>b. Other commitments</b>		
Planned expenditure related to properties under development for sale in mainland China:		
Authorised and contracted for	<b>118</b>	62
Authorised but not contracted for	<b>1,656</b>	2,393
	<b>1,774</b>	2,455

## 15. Review of unaudited interim accounts

The unaudited interim accounts for the six months ended June 30, 2004 have been reviewed by the audit committee of the Company.