

**Notes to the Condensed Interim Financial Statements (unaudited)****1 BASIS OF PREPARATION**

These condensed interim financial statements are unaudited, but have been reviewed by Deloitte Touche Tohmatsu in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") except that they have only reviewed the figures in respect of the six months ended 31st December, 2004, and did not review the comparatives for the six months ended 31st December, 2003. Deloitte Touche Tohmatsu's independent review report to the Board of Directors is included on page 40.

These condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the HKICPA and the disclosure requirements set out in Appendix 16 of The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited.

**2 POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS**

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the six months ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

**3 PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities and in accordance with accounting principles generally accepted in Hong Kong.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30th June, 2004, except as described below:

In the current period, the Group has adopted SSAP Interpretation 22 "The appropriate accounting policies for infrastructure facilities" issued by the HKICPA. The principal effect of the adoption of SSAP Interpretation 22 is in relation to the amortisation or depreciation methods in respect of infrastructure facilities, in particular toll road. In previous years, amortisation of toll highway operation rights and depreciation of bridges of the Group are provided for on the basis of a sinking fund method. By adoption of SSAP Interpretation 22, amortisation of toll highway operation rights and depreciation of bridges of the Group are provided for on the basis of a straight-line method.

In the absence of any specific transitional requirements in SSAP Interpretation 22, the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly. As a result of this change in policy, the opening balance on retained profits at 1st July, 2004 has been decreased by HK\$39,738,000 (1st July, 2003: HK\$44,197,000) representing the cumulative effect of the change in accounting policy on the results for periods prior to 1st July, 2004. The balance on the Group's property, plant and equipment, minority interests and deferred tax liabilities at 30th June, 2004 has been decreased by HK\$100,846,000, HK\$38,025,000 and HK\$23,083,000 respectively. The change has resulted in a decrease in the net profit for the period by HK\$10,166,000 (six months ended 31st December, 2003: increased by HK\$7,982,000).

**Notes to the Condensed Interim Financial Statements (unaudited)**
**4 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, securities investment and provision of information technology services

Segment information about these businesses is presented below:

**For the six months ended 31st December, 2004**

	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
<b>INCOME AND RESULTS</b>							
Turnover	296,143	60,470	64,800	152,851	124,697	–	698,961
Other operating income	2,986	–	755	979	1,757	–	6,477
External income	299,129	60,470	65,555	153,830	126,454	–	705,438
Inter-segment income	26,283	–	–	–	1,452	(27,735)	–
Total income	325,412	60,470	65,555	153,830	127,906	(27,735)	705,438

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

Segment results	181,820	7,435	4,429	107,243	(2,144)	–	298,783
Interest income	22	–	–	5,453	15,316	–	20,791
Unrealised holding gain on investments in securities	–	–	–	–	24,056	–	24,056
Unallocated corporate expenses							(15,214)
Profit from operations							328,416
Finance costs							(6,902)
Share of results of associates							801,974
Amortisation of goodwill							(30,422)
Negative goodwill released to income							4,313
Profit before taxation							1,097,379
Taxation							(189,177)
Profit before minority interests							908,202
Minority interests							(40,350)
Net profit for the period							867,852

**Notes to the Condensed Interim Financial Statements (unaudited)**
**4 SEGMENTAL INFORMATION (cont'd)**
**Business segments (cont'd)**

For the six months ended 31st December, 2003 (restated)

	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	285,836	40,986	62,470	98,450	113,832	-	601,574
Other operating income	1,163	-	375	6,566	35,204	-	43,308
External income	286,999	40,986	62,845	105,016	149,036	-	644,882
Inter-segment income	28,263	-	-	-	2,626	(30,889)	-
Total income	<u>315,262</u>	<u>40,986</u>	<u>62,845</u>	<u>105,016</u>	<u>151,662</u>	<u>(30,889)</u>	<u>644,882</u>

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

Segment results	<u>177,740</u>	<u>(1,814)</u>	<u>2,485</u>	<u>58,607</u>	<u>22,696</u>	<u>-</u>	259,714
Interest income	-	-	-	931	5,976	-	6,907
Gain on disposal of investments in securities	-	-	-	-	1,262	-	1,262
Unrealised holding gain on investments in securities	-	-	-	-	132,988	-	132,988
Gain on disposal of property, plant and equipment	-	-	-	104,332	(28,177)	-	76,155
Unallocated corporate expenses							<u>(6,719)</u>
Profit from operations							470,307
Finance costs							(9,344)
Share of results of associates							632,102
Amortisation of goodwill							(29,777)
Negative goodwill released to income							<u>4,500</u>
Profit before taxation							1,067,788
Taxation							<u>(179,742)</u>
Profit before minority interests							888,046
Minority interests							<u>(57,982)</u>
Net profit for the period							<u>830,064</u>

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

## 4 SEGMENTAL INFORMATION (cont'd)

## Geographical segments

The Group's sale of properties, property leasing, hotel operation, department store operation, security guard services, securities investment 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, 2004

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
Turnover	546,110	152,851	698,961
Other operating income	5,498	979	6,477
External income	551,608	153,830	705,438

## For the six months ended 31st December, 2003

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
Turnover	501,969	99,605	601,574
Other operating income	37,228	6,080	43,308
External income	539,197	105,685	644,882

**Notes to the Condensed Interim Financial Statements (unaudited)**
**5 GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT**

	For the six months ended 31st December,	
	2004 HK\$'000	2003 HK\$'000
Gain on disposal of toll bridges	-	104,332
Loss on disposal of other property, plant and equipment	-	(28,177)
	<u>-</u>	<u>76,155</u>

The amount represented gain on disposal of toll bridges during the six months ended 31st December, 2003. On 10th March, 2004, the Group entered into two agreements with 天津市貸款道路建設車輛通行費征收辦公室 ("Tianjin Toll Collection Office"), a department of the Tianjin municipal government, pursuant to which the Group's toll collection right of certain toll bridges were transferred to Tianjin Toll Collection Office with effective from 1st June, 2003 at a total consideration of RMB283,748,000 (equivalent to approximately HK\$264,595,000) (the "Consideration").

The Consideration will be received by instalments at RMB28,100,000 (equivalent to HK\$26,203,000) per annum and RMB16,000,000 (equivalent to HK\$14,920,000) per annum for the period from 1st June, 2003 to 27th October, 2010 and from 28th October, 2010 to 20th July, 2015, respectively. Accordingly, the Group calculated the discounted value of the instalment receivables in the future using the prevailing interest rate for a similar financial instrument offered by an issuer in the PRC with a similar credit rating. Total discounted value of the instalment receivables in the future is HK\$175,946,000.

Notes to the Condensed Interim Financial Statements (unaudited)

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	For the six months ended 31st December,	
	2004	2003
	HK\$'000	HK\$'000
Interest on:		
– Bank loans and overdrafts	5,917	8,444
– Finance leases	–	4
– Other borrowings	985	896
	<u>6,902</u>	<u>9,344</u>

(b) Items other than those separately disclosed in Notes 4 and 6(a):

	For the six months ended 31st December,	
	2004	2003
	HK\$'000	(restated) HK\$'000
Amortisation and depreciation	41,755	41,942
Staff costs	128,049	105,098
Cost of sales		
– completed properties for sale	283	684
– inventories	60,788	62,796
	<u>60,788</u>	<u>62,796</u>

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

	For the six months ended 31st December,	
	2004	2003 (restated)
	HK\$'000	HK\$'000
The Group		
– Hong Kong	28,976	25,337
– PRC	16,354	6,799
	<u>45,330</u>	<u>32,136</u>
Deferred taxation	745	18,391
Share of tax on results of associates	143,102	129,215
	<u>189,177</u>	<u>179,742</u>

Provision for Hong Kong profits tax has been made at 17.5% 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.

**8 DIVIDEND**

	For the six months ended 31st December,	
	2004	2003
	HK\$'000	HK\$'000
Interim dividend at HK\$0.13 per share (2003: HK\$0.11 per share)	<u>366,253</u>	<u>309,906</u>

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

**9 EARNINGS PER SHARE**

The calculation of earnings per share is based on the net profit for the period of HK\$867,852,000 (2003 restated: HK\$830,064,000) and on 2,817,327,395 (2003: 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, 2004 and 31st December, 2003.

The adjustment to comparative basic earnings per share, arising from the changes in accounting policy shown in note 3 above, is as follows:

	Basic HK cents
Reconciliation of 2003 earnings per share:	
Reported figures before adjustments	29.2
Adjustment arising from change of accounting policy	<u>0.3</u>
Restated	<u><u>29.5</u></u>



**Notes to the Condensed Interim Financial Statements (unaudited)**
**10 FIXED ASSETS**

	Investment properties HK\$'000	Property, plant and equipment HK\$'000	Total HK\$'000
Costs or valuation			
At 1st July, 2004	4,110,284	2,436,720	6,547,004
Additions	–	16,654	16,654
Disposals	–	(11,417)	(11,417)
At 31st December, 2004	<u>4,110,284</u>	<u>2,441,957</u>	<u>6,552,241</u>
Depreciation, amortisation and impairment			
At 1st July, 2004 (restated)	–	555,883	555,883
Charge for the period	–	41,755	41,755
Written back on disposals	–	(10,451)	(10,451)
At 31st December, 2004	<u>–</u>	<u>587,187</u>	<u>587,187</u>
Net book values or valuation			
At 31st December, 2004	<u>4,110,284</u>	<u>1,854,770</u>	<u>5,965,054</u>
At 30th June, 2004	<u>4,110,284</u>	<u>1,880,837</u>	<u>5,991,121</u>

**Notes**

- (1) The Group's properties were reviewed as at 31st December, 2004 by the Group's internal valuer using relevant market indices. In the opinion of the Directors, all significant changes in the value of the Group's fixed assets during the period have been reflected in the condensed interim financial statements.
- (2) The Group's toll highway operation rights are pledged as securities for certain bank loans.

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

## 11 INVESTMENTS IN SECURITIES

	Held-to-maturity securities		Investment securities		Other investments		Total	
	31st	30th	31st	30th	31st	30th	31st	30th
	December,	June,	December,	June,	December,	June,	December,	June,
	2004	2004	2004	2004	2004	2004	2004	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities								
Listed in Hong Kong	-	-	-	-	190,037	165,980	190,037	165,980
Unlisted	-	-	7,558	7,558	30,181	30,181	37,739	37,739
	-	-	7,558	7,558	220,218	196,161	227,776	203,719
Debt securities								
Listed outside Hong Kong	11,465	11,699	-	-	-	-	11,465	11,699
Unlisted	-	41,096	-	-	-	-	-	41,096
	11,465	52,795	-	-	-	-	11,465	52,795
Market value of listed securities	11,505	11,936	-	-	190,037	165,980	201,542	177,916
Carrying amount analysed for reporting purposes as:								
Current	-	41,096	-	-	-	-	-	41,096
Non-current	11,465	11,699	7,558	7,558	220,218	196,161	239,241	215,418
	11,465	52,795	7,558	7,558	220,218	196,161	239,241	256,514

**Notes to the Condensed Interim Financial Statements (unaudited)**
**12 DEBTORS, DEPOSITS AND PREPAYMENTS**

The Group maintains a defined credit policy. Considerations 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 tenants. In respect of retailing, most of transactions are being on cash basis. Other trade debtors settle their accounts according to the payment terms as stated in contracts. An aged analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

The aged analysis of trade debtors (net of allowances for bad debts) is as follows:

	At 31st December, 2004 HK\$'000	At 30th June, 2004 HK\$'000
Under 1 month overdue	152,161	47,278
1 to 3 months overdue	32,491	19,695
More than 3 months overdue but less than 6 months overdue	11,046	4,267
Over 6 months overdue	5,680	7,167
	<u>201,378</u>	78,407
Prepayment, deposits and other receivables – current portion	<u>223,554</u>	<u>182,437</u>
	424,932	260,844
Prepayment, deposits and other receivables – non-current portion	<u>140,728</u>	<u>131,430</u>
	<u><u>565,660</u></u>	<u><u>392,274</u></u>

At 31st December, 2004, included in debtors, deposits and prepayments, other receivables of HK\$155,393,000 (30th June, 2004: HK\$169,540,000) represented the discounted instalment receivables in the future arising from the disposal of toll bridges during the year ended 30th June, 2004 as further detailed in note 5, out of which, HK\$14,665,000 (30th June, 2004: HK\$38,110,000) was classified as current assets.

**Notes to the Condensed Interim Financial Statements (unaudited)**
**13 CREDITORS AND ACCRUED EXPENSES**

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

	At 31st December, 2004 HK\$'000	At 30th June, 2004 HK\$'000
Due within 1 month or on demand	134,639	96,788
Due after 1 month but within 3 months	38,997	30,998
Due after 3 months but within 6 months	47	844
Due after 6 months	5,712	6,256
	<u>179,395</u>	<u>134,886</u>
Rental deposits and other payable	97,240	89,141
	<u>276,635</u>	<u>224,027</u>

**14 SHARE CAPITAL**

	Number of shares		Nominal value	
	At 31st December, 2004	At 30th June, 2004	At 31st December, 2004 HK\$'000	At 30th June, 2004 HK\$'000
Authorised				
Ordinary shares of HK\$0.20 each	<u>3,600,000,000</u>	<u>3,000,000,000</u>	<u>720,000</u>	<u>600,000</u>
Issued and fully paid				
Ordinary shares of HK\$0.20 each	<u>2,817,327,395</u>	<u>2,817,327,395</u>	<u>563,466</u>	<u>563,466</u>

Pursuant to an ordinary resolution passed at the annual general meeting held on 6th December, 2004, the authorised share capital of the Company was increased from HK\$600,000,000 to HK\$720,000,000 by the creation of 600,000,000 shares of HK\$0.2 each.

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

## 15 RESERVES

	Investment property revaluation reserve	Other property revaluation reserve	Capital reserve	Share premium account	Dividend reserve	Retained profits (restated)	Total (restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP							
As 1st July, 2003							
As previously reported	1,444,834	370,524	12,909	6,158,568	309,906	10,389,213	18,685,954
Prior period adjustment (Note 3)	-	-	-	-	-	(44,197)	(44,197)
As restated	1,444,834	370,524	12,909	6,158,568	309,906	10,345,016	18,641,757
Final dividend paid	-	-	-	-	(309,906)	-	(309,906)
Surplus on revaluation, net of deferred tax							
Associates	13,254	-	-	-	-	-	13,254
Net profit for the period	-	-	-	-	-	830,064	830,064
Realisation of revaluation reserve	(1,157)	-	-	-	-	-	(1,157)
Interim Dividend proposed	-	-	-	-	309,906	(309,906)	-
At 31st December, 2003	1,456,931	370,524	12,909	6,158,568	309,906	10,865,174	19,174,012
Interim dividend paid	-	-	-	-	(309,906)	-	(309,906)
Surplus on revaluation, net of deferred tax							
Company and subsidiaries	160,933	14,000	-	-	-	-	174,933
Associates	184,104	-	-	-	-	-	184,104
Net profit for the period	-	-	-	-	-	999,068	999,068
Realisation of revaluation reserve	(789)	-	-	-	-	-	(789)
Final dividend proposed	-	-	-	-	338,079	(338,079)	-
At 30th June, 2004	1,801,179	384,524	12,909	6,158,568	338,079	11,526,163	20,221,422
Final dividend paid	-	-	-	-	(338,079)	-	(338,079)
Surplus on revaluation, net of deferred tax							
Associates	96,129	-	-	-	-	-	96,129
Net profit for the period	-	-	-	-	-	867,852	867,852
Realisation of revaluation reserve	(689)	-	-	-	-	-	(689)
Interim Dividend proposed	-	-	-	-	366,253	(366,253)	-
At 31st December, 2004	<u>1,896,619</u>	<u>384,524</u>	<u>12,909</u>	<u>6,158,568</u>	<u>366,253</u>	<u>12,027,762</u>	<u>20,846,635</u>

Notes to the Condensed Interim Financial Statements (unaudited)

16 PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Of the pledged bank deposits and bank balances and cash items, a total sum being the equivalent of HK\$62,668,000 (30th June, 2004: HK\$71,182,000) was kept in other regions of the PRC and is subject to exchange control regulations.

17 CAPITAL COMMITMENTS

	At 31st December, 2004 HK\$'000	At 30th June, 2004 HK\$'000
Contracted commitments for the acquisition of property, plant and equipment and for property development and renovation expenditure	14,579	14,579
Contracted commitments for system development costs	390	850

18 OPERATING LEASE COMMITMENTS

At 31st December, 2004, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31st December, 2004 HK\$'000	At 30th June, 2004 HK\$'000
Not later than one year	33,989	56,466
Later than one year and not later than five years	19,425	33,367
	<u>53,414</u>	<u>89,833</u>

Operating lease commitments represent rentals payable by the Group for retail shopping centre, telecommunications network facilities and certain of its office premises. The leases for retail shopping centre and office premises are negotiated for terms of six months to ten years at fixed rental. Some of leases for telecommunications network facilities are with no specific terms while the remaining leases typically run for an initial period of three months to four years, with an option to renew the lease upon the expiry of the initial lease term. None of the leases for telecommunications network facilities includes contingent rentals.

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

**19 RELATED PARTY TRANSACTIONS**

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

	For the six months ended 31st December,	
	2004 HK\$'000	2003 HK\$'000
Agency commission paid	9,624	8,693
Building management fee paid	27,669	26,696
Interest expenses	184	99
Rental expenses	41,276	38,187
Security guard service income	27,984	22,290

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 and building management fee which represents cost reimbursements plus certain percentage thereon as service fees, the other transactions represent cost reimbursements.

**20 COMPARATIVE FIGURES**

Certain comparative figures have been adjusted as a result of the change in accounting policy, details of which are set out in note 3.