

Notes to the Condensed Financial Statements

For the six months ended 31st December, 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Hong Kong Stock Exchange”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 30th June, 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRS(s)”), Hong Kong Accounting Standards (“HKAS(s)”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of jointly controlled entities and associates has been changed in accordance with HKAS 1 “Presentation of Financial Statements”. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Hotel property

Hong Kong Interpretation 2 “The Appropriate Accounting Policies for Hotel Properties” (“HK-Int 2”) clarifies the accounting policy for owner-operated hotel properties. In previous periods, the Group’s self-operated hotel property was carried at cost and was not subject to depreciation. HK-Int 2 requires owner-operated properties to be classified as property, plant and equipment in accordance with HKAS 16 “Property, Plant and Equipment”, and therefore be accounted for either using the cost model or the revaluation model. The Group has resolved to account for its hotel property using the cost model. In the absence of any specific transitional provisions in HK-Int 2, the new accounting policy has been applied retrospectively. Comparative figures have been restated.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of owner-occupied land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Comparative figures have been restated.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Investment properties

In previous periods, investment properties under Statement of Standard Accounting Practice 13 (“SSAP 13”) were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. In the current period, the Group has, for the first time, applied HKAS 40 “Investment property” and has elected to apply this standard retrospectively. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the period in which they arise. Comparative figures have been restated.

The adoption of HKAS 40 has also resulted in a change of classification of certain properties which were previously classified as investment properties according to SSAP 13. In previous periods, property with 15% or less by area or value that was occupied by the Group would normally be regarded as an investment property as a whole though part of it is not held for investment purposes. According to HKAS 40, if a portion of the properties could be sold separately, an entity accounts for the portions separately. In the current year, the Group applied HKAS 40 and has reclassified certain owner-occupied properties from investment properties to property, plant and equipment and prepaid land lease payments retrospectively. Comparative figures have been restated.

Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 “Income Taxes – Recovery of Revalued Non-Depreciable Assets” (“HKAS-Int 21”) which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS-Int 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated.

Financial Instruments

In the current period, the Group has applied HKAS 32 “Financial instruments: Disclosure and Presentation” and HKAS 39 “Financial instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the Group’s financial statements. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 30th June, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (“SSAP 24”). Under SSAP 24, investments in debt or equity securities are classified as “investment securities”, “other investments” or “held-to-maturity investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any) under SSAP 24. From 1st July, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair value recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method.

On 1st July, 2005, the Group classified and measured its debt and equity securities with an aggregate carrying amount of HK\$759,705,000 at that date in accordance with the transitional provisions of HKAS 39. The application of HKAS 39 in this respect has had no impact to the Group’s retained profits at 1st July, 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1st July, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. “Other financial liabilities” are carried at amortised cost using the effective interest method.

Prior to the application of HKAS 39, interest-free loans were stated at their nominal value. HKAS 39 requires that all financial assets and financial liabilities to be measured at fair value on initial recognition. Interest-free loans are measured at amortised cost using the effective interest method at subsequent balance sheet dates. The Group’s retained profits as at 1st July, 2005 have been increased by approximately HK\$61,617,000. Profit for the six months ended 31st December, 2005 has been decreased by approximately HK\$1,206,000.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Share-based payments

In the current period, the Group has applied HKFRS 2 “Share-based Payment” which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors’ and employees’ share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st July, 2005. In relation to share options granted before 1st July, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 and had vested before 1st July, 2005 in accordance with the relevant transitional provisions. Accordingly, the adoption of HKFRS 2 has not resulted in an impact to the results of the Group for the prior accounting period.

A summary of the effects of the aforementioned changes in accounting policies is set out in note 3.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these new HKFRSs but is not yet in a position to determine the effects of these new HKFRSs on the results of operations and financial position of the Group. These new HKFRSs may result in changes in the future as to how the results and financial position of the Group are prepared and presented.

| | |
|--------------------------------|--|
| HKAS 1 (Amendment) | Capital disclosures ¹ |
| HKAS 19 (Amendment) | Actuarial gains and losses, group plans and disclosures ² |
| HKAS 21 (Amendment) | Net investment in a foreign operation ² |
| HKAS 39 (Amendment) | Cash flow hedge accounting of forecast intragroup transactions ² |
| HKAS 39 (Amendment) | The fair value option ² |
| HKAS 39 & HKFRS 4 (Amendments) | Financial guarantee contracts ² |
| HKFRS 6 | Exploration for and evaluation of mineral resources ² |
| HKFRS 7 | Financial instruments: Disclosures ¹ |
| HK(IFRIC) - INT 4 | Determining whether an arrangement contains a lease ² |
| HK(IFRIC) - INT 5 | Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds ² |
| HK(IFRIC) - INT 6 | Liabilities arising from participating in a specific market-waste electrical and electronic equipment ³ |
| HK(IFRIC) - INT 7 | Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴ |

1 Effective for annual periods beginning on or after 1st January, 2007.

2 Effective for annual periods beginning on or after 1st January, 2006.

3 Effective for annual periods beginning on or after 1st December, 2005.

4 Effective for annual periods beginning on or after 1st March, 2006.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 above on the results for the current and prior period are as follows:

| | <i>Six months ended</i> | |
|---|-------------------------|-------------------|
| | <i>31.12.2004</i> | <i>31.12.2005</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Depreciation and amortisation of | | |
| - hotel property | (4,636) | (4,636) |
| - property, plant and equipment reclassified from investment properties | (2,189) | (2,273) |
| Decrease in deferred taxes relating to depreciation and amortisation of hotel property and property, plant and equipment reclassified from investment properties | 867 | 867 |
| Gains (losses) arising from changes in fair value of investment properties of | | |
| - the Group | — | 168,162 |
| - an associate | — | (1,895) |
| Increase in deferred taxes relating to investment properties | — | (29,428) |
| Expenses in relation to share option granted to employees | — | (3,035) |
| Increase in interest income relating to interest-free loan to a jointly controlled entity | — | 21,131 |
| Decrease in share of profits of jointly controlled entities relating to their financial liabilities | — | (22,337) |
| Share of tax of jointly controlled entities and associates reclassified from (to): | | |
| - share of profits of jointly controlled entities | (24,969) | (58,582) |
| - share of profits of associates | (384) | (313) |
| - income tax expense | 25,353 | 58,895 |
| (Decrease) increase in profit for the period | (5,958) | 126,556 |

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Analysis of (decrease) increase in profit for the period by line items presented according to their function:

| | <i>Six months ended</i> | |
|--|-------------------------|-------------------|
| | <i>31.12.2004</i> | <i>31.12.2005</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Increase in turnover | — | 21,131 |
| Increase in cost of sales and services | (6,825) | (6,909) |
| Increase in administrative expenses | — | (3,035) |
| Increase in gain arising from changes in fair value of investment properties | — | 168,162 |
| Decrease in share of profits of | | |
| - jointly controlled entities | (24,969) | (80,919) |
| - associates | (384) | (2,208) |
| Decrease in income tax expense | 26,220 | 30,334 |
| (Decrease) increase in profit for the period | (5,958) | 126,556 |

The cumulative effects of the application of the new HKFRSs as at 30th June, 2005 and 1st July, 2005 are summarised below:

| | <i>As at</i> | <i>Effects of adoption of</i> | | | | | <i>As at</i> | <i>Effects of</i> | <i>As at</i> |
|--|----------------------------|-------------------------------|-----------------|-----------------|------------------|--------------------|------------------------|-------------------------|-----------------------|
| | <i>30th June, 2005</i> | <i>HK-Int 2</i> | <i>HKAS 1</i> | <i>HKAS 17</i> | <i>HKAS 40</i> | <i>HKAS-Int 21</i> | <i>30th June, 2005</i> | <i>adoption of</i> | <i>1st July, 2005</i> |
| | <i>(originally stated)</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>(restated)</i> | <i>HKAS 32 & 39</i> | <i>HK\$'000</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Balance sheet items | | | | | | | | | |
| Investment properties | 6,477,300 | — | — | — | (361,016) | — | 6,116,284 | — | 6,116,284 |
| Property, plant and equipment | 538,378 | (103,472) | — | (105,328) | 111,049 | — | 440,627 | — | 440,627 |
| Prepaid land lease payments | — | (26,332) | — | 769,067 | 55,109 | — | 797,844 | — | 797,844 |
| Properties for or under development | 1,125,532 | — | (260,398) | (663,739) | — | — | 201,395 | — | 201,395 |
| Interests in jointly controlled entities | 7,725,147 | — | — | — | — | — | 7,725,147 | 82,405 | 7,807,552 |
| Interests in associates | 14,164 | — | — | — | — | (4,021) | 10,143 | — | 10,143 |
| Properties for sale | 99,332 | — | 260,398 | — | — | — | 359,730 | — | 359,730 |
| Investments in securities | 759,705 | — | — | — | — | — | 759,705 | (759,705) | — |
| Held-to-maturity investments | — | — | — | — | — | — | — | 737,591 | 737,591 |
| Available-for-sale investments | — | — | — | — | — | — | — | 22,114 | 22,114 |
| Deferred tax liabilities | (64,815) | 22,716 | — | — | 889 | (539,281) | (580,491) | — | (580,491) |
| Total effects on assets and liabilities | | (107,088) | — | — | (193,969) | (543,302) | | 82,405 | |
| Retained profits | 2,478,720 | (107,088) | — | — | 2,260,604 | (543,302) | 4,088,934 | 61,617 | 4,150,551 |
| Investment property revaluation reserve | 2,454,573 | — | — | — | (2,454,573) | — | — | — | — |
| Minority interests | 2,468,602 | — | — | — | — | — | 2,468,602 | 20,788 | 2,489,390 |
| Total effect on equity | | (107,088) | — | — | (193,969) | (543,302) | | 82,405 | |

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The financial effects of the application of the new HKFRSs to the Group's equity at 30th June, 2004 and 1st July, 2004 are summarised below:

| | <i>As at</i> | <i>Effects of adoption of</i> | | | <i>As at</i> |
|--|------------------------|-------------------------------|-----------------|--------------------|-----------------------|
| | <i>30th June, 2004</i> | <i>HK-Int 2</i> | <i>HKAS 40</i> | <i>HKAS-Int 21</i> | <i>30th June,</i> |
| | <i>(originally</i> | | | | <i>2004 and</i> |
| | <i>stated)</i> | | | | <i>1st July, 2004</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>(restated)</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Retained profits | 1,561,260 | (99,439) | 1,959,749 | (495,018) | 2,926,552 |
| Investment property revaluation reserve | 2,131,845 | — | (2,131,845) | — | — |
| Total effect on equity | | (99,439) | (172,096) | (495,018) | |

4. TURNOVER AND SEGMENTS

Business Segments

The businesses based upon which the Group reports its primary segment information are as follows:

| | | |
|------------------------------------|---|---|
| Infrastructure project investments | - | investments in expressway projects |
| Property investment | - | property letting, agency and management |
| Property development | - | development of properties |
| Hotel investment | - | hotel ownership and management |
| Restaurants and catering | - | restaurant operations and food catering |

Segment information about these businesses is presented below.

Segment turnover

| | <i>Six months ended 31.12.2004</i> | | | <i>Six months ended 31.12.2005</i> | | |
|------------------------------------|------------------------------------|-----------------|-----------------|------------------------------------|-----------------|-----------------|
| | <i>Inter-</i> | | <i>Turnover</i> | <i>Inter-</i> | | <i>Turnover</i> |
| | <i>External</i> | <i>segment</i> | | <i>External</i> | <i>segment</i> | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Infrastructure project investments | 25,974 | — | 25,974 | 56,055 | — | 56,055 |
| Property investment | 150,090 | 11,073 | 161,163 | 159,536 | 11,561 | 171,097 |
| Hotel investment | 93,261 | 87 | 93,348 | 97,493 | 54 | 97,547 |
| Restaurants and catering | 74,862 | 249 | 75,111 | 82,385 | — | 82,385 |
| Other operations | 4,873 | 135 | 5,008 | 574 | — | 574 |
| Eliminations | — | (11,544) | (11,544) | — | (11,615) | (11,615) |
| Total turnover | 349,060 | — | 349,060 | 396,043 | — | 396,043 |

Inter-segment revenue was charged at prices determined by management with reference to market prices.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

4. TURNOVER AND SEGMENTS (CONTINUED)

Business Segments (continued)

Segment results

| | Profit (loss) for the six months ended 31.12.2004 | | | | Profit (loss) for the six months ended 31.12.2005 | | | |
|---|--|-----------------------------------|------------------------|------------------------|--|-----------------------------------|------------|----------|
| | Company and subsidiaries | Jointly controlled entities | Associates | Total | Company and subsidiaries | Jointly controlled entities | Associates | Total |
| | HK\$'000 (restated) | HK\$'000 (restated) | HK\$'000 (restated) | HK\$'000 (restated) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Infrastructure project investments | (41,656) | 488,820 | — | 447,164 | (18,000) | 557,635 | — | 539,635 |
| Property investment | | | | | | | | |
| - Operations | 88,493 | — | 1,300 | 89,793 | 92,433 | — | (775) | 91,658 |
| - Gain arising from changes in fair value of investment properties | — | — | — | — | 168,162 | — | — | 168,162 |
| Property development | (4,130) | 76,358 | — | 72,228 | (10,832) | (1,994) | — | (12,826) |
| Hotel investment | 27,215 | — | — | 27,215 | 31,101 | — | — | 31,101 |
| Restaurants and catering | 3,602 | — | — | 3,602 | 7,277 | — | — | 7,277 |
| Other operations | (5,816) | — | 551 | (5,265) | 6,434 | — | 394 | 6,828 |
| Segment results | 67,708 | 565,178 | 1,851 | 634,737 | 276,575 | 555,641 | (381) | 831,835 |

| | Six months ended | |
|---|--------------------------------------|------------------------|
| | 31.12.2004 HK\$'000 (restated) | 31.12.2005 HK\$'000 |
| Segment results | | |
| Company and subsidiaries | 67,708 | 276,575 |
| Interest and other income | 44,799 | 73,998 |
| Exchange (losses) gains | (12,800) | 15,977 |
| Unallocated corporate expenses | (39,823) | (55,071) |
| | 59,884 | 311,479 |
| Gain on disposal of a subsidiary | — | 265,387 |
| Gain on disposal of a power station project | 404,450 | 44,818 |
| Reversal of impairment loss on an amount due from a former jointly controlled entity | — | 163,200 |
| Gain on disposal of interests in jointly controlled entities | 495,633 | — |
| Finance costs | (53,583) | (30,676) |
| Share of profits (losses) of | | |
| Jointly controlled entities | 565,178 | 555,641 |
| Associates | 1,851 | (381) |
| Profit before taxation | 1,473,413 | 1,309,468 |

The share of profits (losses) of jointly controlled entities and associates shown above includes share of tax of jointly controlled entities and associates of approximately HK\$58,582,000 (six months ended 31.12.2004: HK\$24,969,000) and HK\$313,000 (six months ended 31.12.2004: HK\$384,000) respectively.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

4. TURNOVER AND SEGMENTS (CONTINUED)

Geographical Segments

The following table provides an analysis of the Group's turnover by geographical market:

| | <i>Six months ended</i> | |
|----------------------------|-------------------------|-------------------|
| | <i>31.12.2004</i> | <i>31.12.2005</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong | 320,816 | 338,337 |
| Mainland China (the "PRC") | 28,244 | 57,706 |
| | 349,060 | 396,043 |

5. OTHER OPERATING INCOME

| | <i>Six months ended</i> | |
|---|-------------------------|-------------------|
| | <i>31.12.2004</i> | <i>31.12.2005</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(restated)</i> | |
| Other operating income includes: | | |
| Interest on bank deposits and loans receivable | 28,183 | 65,319 |
| Yield on held-to-maturity debt securities, after deducting premium on acquisition of HK\$3,914,000 (six months ended 31.12.2004: HK\$28,846,000) amortised | 16,379 | 3,822 |
| Exchange gain | — | 15,977 |

6. OTHER OPERATING EXPENSES

| | <i>Six months ended</i> | |
|---|-------------------------|-------------------|
| | <i>31.12.2004</i> | <i>31.12.2005</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Other operating expenses include: | | |
| Amortisation of cost of investments in jointly controlled entities | 48,590 | 55,509 |
| Exchange losses | 12,800 | — |

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

7. GAIN ON DISPOSAL OF A SUBSIDIARY

During the period, the Company entered into an agreement for the disposal of the Company's entire interest in and the Group's advances to a subsidiary, Hopewell Thailand Limited ("HTL"), whose primary business is the undertaking of the rail and road transport system project in Bangkok (the "BERTS Project"). The consideration for the disposal amounted to Thai Baht 500 million plus a sum equivalent to 20% of the excess over Thai Baht 2 billion if the total amount recoverable by HTL relating to its claims in connection with the BERTS Project exceeds Thai Baht 2 billion as specified in the agreement. However, the timing and ultimate receipt of the consideration could be materially affected by the occurrence of certain events relating to the successful recovery by HTL of its claims regarding the BERTS Project, which are uncertain. Accordingly, the consideration will only be recognised by the Group when payments are received. The gain on disposal of HTL amounting to approximately HK\$265 million recognised in the income statement for the current period represents the net liabilities of HTL discharged by the Group on disposal.

8. GAIN ON DISPOSAL OF A POWER STATION PROJECT

The amount represents the gain on disposal of the Tanjung Jati B Power Station in Indonesia recognised during the period. The power station was disposed of in 2003 for a cash consideration of US\$306.2 million which is payable by instalments over a period of 39 months from July 2003. Instalments totalling US\$285.6 million have so far been received and recognised as income by the Group of which US\$5.9 million was recognised during the current period. However, the timing and ultimate receipt of the remaining instalments of US\$20.6 million could be materially affected by the occurrence of certain events stipulated in the loan agreements and the finance lease agreements entered into by the purchasers, including, inter alia, force majeure events which would have a material adverse effect on the construction of the plant resulting in the cancellation by the lenders of the project loan facilities granted to the purchasers. Accordingly, the outstanding instalments will only be recognised by the Group when payments are received.

9. REVERSAL OF IMPAIRMENT LOSS ON AN AMOUNT DUE FROM A FORMER JOINTLY CONTROLLED ENTITY/GAIN ON DISPOSAL OF INTERESTS IN JOINTLY CONTROLLED ENTITIES

In the prior period, the Group disposed of its interests in the jointly controlled entities undertaking the highway and bridge project and the National Highway 105 project in Shunde, the PRC, which gave rise to a gain on disposal of approximately HK\$496 million recognised by the Group. In determining the gain on disposal, the outstanding amount due from one of the jointly controlled entities of approximately HK\$244 million was regarded as impaired. During the current period, such outstanding amount to the extent of approximately HK\$163 million was repaid by the jointly controlled entity to the Group and has been recognised in the income statement of the current period. The remaining outstanding amount due from this entity of approximately HK\$81 million, which is unsecured and carries interest at bank lending rate, is repayable on 31st December, 2007. However, the recoverability of the outstanding unsecured amount is dependent upon the financial position of the underlying entities which is uncertain, the remaining outstanding amount is still regarded as impaired.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

10. FINANCE COSTS

| | <i>Six months ended</i> | |
|--|-------------------------|-------------------|
| | <i>31.12.2004</i> | <i>31.12.2005</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest on | | |
| Bank loans and overdrafts wholly repayable | | |
| within five years | 5,565 | 4,327 |
| Notes wholly payable within five years | 18,198 | — |
| Other loans wholly repayable within five years | 18,673 | 19,864 |
| | 42,436 | 24,191 |
| Other finance costs | | |
| Loan arrangement fees and related charges | 10,791 | 6,485 |
| Note issue expenses amortised | 356 | — |
| | 11,147 | 6,485 |
| | 53,583 | 30,676 |

11. INCOME TAX EXPENSE

| | <i>Six months ended</i> | |
|--|-------------------------|-------------------|
| | <i>31.12.2004</i> | <i>31.12.2005</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(restated)</i> | |
| Current tax | | |
| Hong Kong | 6,585 | 8,493 |
| Elsewhere | 5,839 | 729 |
| | 12,424 | 9,222 |
| Overprovision in prior years | | |
| Hong Kong | (2,652) | (1,306) |
| Elsewhere | (1,172) | (16,428) |
| | (3,824) | (17,734) |
| Deferred tax | 3,930 | 38,022 |
| Taxes attributable to the Company and subsidiaries | 12,530 | 29,510 |

Hong Kong Profits Tax is calculated at the rate of 17.5% (six months ended 31.12.2004: 17.5%) on the estimated assessable profits for the period. Taxes on profits assessable elsewhere are calculated at rates prevailing in the countries in which the Group operates.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

12. DIVIDENDS

| | <i>Six months ended</i> | |
|---|-------------------------|-------------------|
| | <i>31.12.2004</i> | <i>31.12.2005</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interim dividend declared | | |
| HK36 cents (year ended 30.6.2005: HK12 cents) per share | 107,768 | 323,447 |
| Special interim dividend declared | | |
| Nil (year ended 30.6.2005: HK30 cents) per share | 269,421 | — |
| Additional prior period's final dividend paid on shares issued subsequent to approval of financial statements | 300 | 188 |
| | 377,489 | 323,635 |

A final dividend of HK38 cents per share for the financial year ended 30th June, 2005 was paid to shareholders in October 2005.

The directors have declared that an interim dividend in respect of the financial year ending 30th June, 2006 of HK36 cents (year ended 30.6.2005: HK12 cents) per share shall be paid to the shareholders of the Company whose names appear on the Register of Members on 22nd March, 2006.

13. EARNINGS PER SHARE

| | <i>Six months ended</i> | |
|---|-------------------------|-------------------------|
| | <i>31.12.2004</i> | <i>31.12.2005</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(restated)</i> | |
| The calculation of the basic and diluted earnings per share is based on the following data: | | |
| Earnings for the purposes of basic earnings per share | | |
| Profit for the period attributable to equity holders of the Company | 1,261,777 | 1,117,544 |
| Effect of dilutive potential ordinary shares of HHI: | | |
| Adjustment to the Group's results arising from a dilution of HHI's earnings attributable to warrants issued | (2,172) | (2,458) |
| Earnings for the purposes of diluted earnings per share | 1,259,605 | 1,115,086 |
| | <i>Number of shares</i> | <i>Number of shares</i> |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 893,665,219 | 898,228,382 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 2,469,416 | 225,797 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 896,134,635 | 898,454,179 |

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

14. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS

The fair value of the Group's investment properties at 31st December, 2005 has been arrived at on the basis of open market value as valued by Savills (Hong Kong) Limited, an independent firm of professional property valuers not connected to the Group.

Depreciation of property, plant and equipment and amortisation of prepaid land lease payments charged to the income statement are as follows:

| | <i>Six months ended</i> | |
|--|-------------------------|-------------------|
| | <i>31.12.2004</i> | <i>31.12.2005</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Amortisation of prepaid land lease payments | 3,437 | 4,041 |
| Less: Amortisation capitalised on properties under development | (1,824) | (2,428) |
| | 1,613 | 1,613 |
| Depreciation of property, plant and equipment | 13,566 | 11,786 |

15. INVESTMENTS IN SECURITIES

| | <i>30.6.2005</i> | <i>31.12.2005</i> |
|--|------------------|-------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Held-to-maturity debt securities (Note) | 737,591 | — |
| Unlisted equity securities | 22,114 | — |
| | 759,705 | — |
| Carrying amount analysed for reporting purposes: | | |
| Non-current | 22,114 | — |
| Current | 737,591 | — |
| | 759,705 | — |

Note:

During the period, held-to-maturity debt securities with an aggregate nominal value of approximately HK\$738 million was redeemed upon maturity.

16. AVAILABLE-FOR-SALE INVESTMENT

| | <i>30.6.2005</i> | <i>31.12.2005</i> |
|---------------------------------------|------------------|-------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Equity securities listed in Hong Kong | — | 57,447 |
| Unlisted equity securities | — | 19,161 |
| | — | 76,608 |

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

17. TRADE AND OTHER RECEIVABLES

Other than rentals receivable, which are payable upon presentation of invoices, the Group allows an average credit period of 15 to 60 days to its trade customers.

The following is an analysis of trade and other receivables outstanding at the balance sheet date:

| | <i>30.6.2005</i> | <i>31.12.2005</i> |
|---|------------------|-------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Receivables aged | | |
| 0 - 30 days | 16,301 | 23,001 |
| 31 - 60 days | 4,353 | 7,228 |
| Over 60 days | 5,889 | 5,980 |
| Interest on bank and other deposits receivable | 19,598 | 1,841 |
| Proceeds on disposal of investments and property, plant and equipment receivable | 152,586 | 129,019 |
| Retentions receivable | 314 | 314 |
| Dividend from a jointly controlled entity receivable | 323,016 | — |
| | 522,057 | 167,383 |

18. SHARE CAPITAL

| | <i>Number of shares</i> | | <i>Nominal value</i> | |
|----------------------------------|-------------------------|-------------------|----------------------|-------------------|
| | <i>30.6.2005</i> | <i>31.12.2005</i> | <i>30.6.2005</i> | <i>31.12.2005</i> |
| | <i>'000</i> | <i>'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Ordinary shares of HK\$2.50 each | | | | |
| Authorised | 1,200,000 | 1,200,000 | 3,000,000 | 3,000,000 |
| Issued and fully paid | 897,970 | 898,465 | 2,244,925 | 2,246,163 |

Share Options

(a) The Company

During the period, the Company granted options to certain directors to subscribe for a total of 2,500,000 ordinary shares in the Company at the subscription price of HK\$19.94 per share.

During the period, the Company issued 495,000 ordinary shares of HK\$17.1 each for a total cash consideration of HK\$8,464,500 pursuant to the exercise of the options previously granted.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

18. SHARE CAPITAL (CONTINUED)

Share Options (continued)

- (b) Hopewell Highway Infrastructure Limited (“HHI”)

No share option regarding HHI was granted or exercised during the period.

HHI Warrants

In connection with the listing of its shares on the Hong Kong Stock Exchange in 2003, HHI issued warrants to the Company's shareholders on the basis of one warrant for every 10 shares in the Company then held. The warrants entitle the holders to subscribe for shares in HHI at a subscription price of HK\$4.18 per share subject to adjustment during the three year period commencing 6th August, 2003.

During the period, 374,919 HHI warrants, carrying an aggregate subscription price of HK\$1,567,161, were exercised by the warrant holders resulting in the issuance of 374,919 ordinary shares in HHI. A total of 81,175,956 HHI warrants remained outstanding at the balance sheet date.

19. BANK BORROWINGS

| | <i>30.6.2005</i> | <i>31.12.2005</i> |
|---|------------------|-------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Unsecured bank loans repayable between two and five years | 55,000 | 55,000 |

20. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables outstanding at the balance sheet date:

| | <i>30.6.2005</i> | <i>31.12.2005</i> |
|--|------------------|-------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Payables due | | |
| 0 - 30 days | 246,308 | 119,251 |
| 31 - 60 days | 3,348 | 9,027 |
| Over 60 days | 148,215 | 150,831 |
| Retentions payable | 1,943 | 1,026 |
| Development expenditure payable (Note) | 359,808 | — |
| | 759,622 | 280,135 |

Note:

The development expenditure payable at 30th June, 2005 represents construction and plant costs incurred by the Group in connection with the its overseas infrastructure project, the development of which has been suspended. Such development expenditure payable has been discharged following the disposal of the subsidiary undertaking the infrastructure project during the period.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

21. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31st December, 2005 amounted to approximately HK\$19,777 million (30.6.2005: HK\$18,746 million).

The net current assets of the Group at 31st December, 2005 amounted to approximately HK\$3,445 million (30.6.2005: HK\$3,328 million).

22. DISPOSAL OF SUBSIDIARIES

| | <i>Six months ended</i> | |
|----------------------------------|-------------------------|-------------------|
| | <i>31.12.2004</i> | <i>31.12.2005</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net assets disposed of: | | |
| Property, plant and equipment | — | 437 |
| Pledged deposits | — | 94,263 |
| Trade and other receivables | — | 1,127 |
| Deposits and prepayments | — | 431 |
| Trade and other payables | — | (360,553) |
| | — | (264,295) |
| Minority interests released | — | (1,092) |
| Gain on disposal of subsidiaries | — | 265,387 |
| | — | — |

The subsidiaries disposed of during the period did not contribute significantly to the Group's cash flows, turnover or profit before taxation for the period.

23. PROJECT COMMITMENTS

(a) Property development

| | <i>30.6.2005</i> | <i>31.12.2005</i> |
|--|------------------|-------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (i) Projects undertaken by the Group | | |
| Authorised but not yet contracted for | 193,166 | 390,761 |
| Contracted for but not provided | 161,428 | 97,337 |
| | 354,594 | 488,098 |
| (ii) Project undertaken by a jointly controlled entity | | |
| Group's share of property development expenditure | | |
| Authorised but not yet contracted for | 312,635 | 45,321 |
| Contracted for but not provided | 153,578 | 233,280 |
| | 466,213 | 278,601 |

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

23. PROJECT COMMITMENTS (CONTINUED)

(b) Property renovation

| | 30.6.2005 HK\$'000 | 31.12.2005 HK\$'000 |
|---------------------------------------|-----------------------|------------------------|
| Property renovation expenditure | | |
| Authorised but not yet contracted for | — | 29,600 |
| Contracted for but not provided | 40,539 | 50,322 |
| | 40,539 | 79,922 |

(c) Power station project

The Group had entered into a co-operation agreement with a PRC enterprise for the joint development of a 2X600 MW power station in Guangdong Province of the PRC which is undertaken by a joint venture to be established for that purpose. The development cost of the project is estimated to be in the region of RMB5,400 million. The project, which is at a preliminary planning stage, is subject to approval by the relevant PRC authority. At the balance sheet date, development expenditure contracted for in respect of the development of the power station amounted to approximately RMB1,300 million.

At the balance sheet date, the Group has funded the development of the power station project amounted to approximately HK\$68 million (30.6.2005: Nil).

Save as disclosed herein, there have been no material changes in the Group's project commitments since 30th June, 2005.

24. CONTINGENT LIABILITIES

As detailed in note 7, the Company disposed of its entire interest in HTL during the period. As a result of the disposal, the various claims and disputes arising from the BERTS project undertaken by HTL are no longer contingent liabilities of the Group.

Save as herein disclosed, there have been no material changes in contingent liabilities of the Group since 30th June, 2005.