

Notes to the Condensed Consolidated Financial Statements – unaudited

1. Basis of preparation

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2006 except as described below.

In the current period, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods either beginning on or after 1 December 2005, 1 January 2006, 1 March 2006, 1 May 2006 or 1 June 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting years are prepared and presented. Accordingly, no prior year adjustment is required.

At the date of authorisation of this financial report, the Group has not early applied the following new standard, amendment and interpretation that have been issued but are not yet effective. The Group anticipate that the application of new standard, amendment and interpretation will have no material impact on the financial report of the Group.

| | |
|--------------------|-------------------------------------------------------------|
| HKAS 1 (Amendment) | Capital disclosures ¹ |
| HKFRS 7 | Financial Instruments: Disclosures ¹ |
| HK(IFRIC) – Int 10 | Interim financial reporting and impairment ² |
| HK(IFRIC) – Int 11 | HKFRS 2: Group and treasury share transactions ³ |

1 Effective for annual periods beginning on or after 1 January 2007

2 Effective for annual periods beginning on or after 1 November 2006

3 Effective for annual periods beginning on or after 1 March 2007

Notes to the Condensed Consolidated Financial Statements – unaudited

3. Segment 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 |
| Infrastructure | : | infrastructure project investment |
| Security guard | : | provision of security guard services |
| Others | : | investment holding, sale of properties, provision of cleaning services, department store operations and management, retail business and provision of information technology services |

Segment information about these businesses is presented below:

For the six months ended 31 December 2006

| | Property leasing | Hotel operation | Infra- structure | Security guard service | Others | Eliminations | Consolidated |
|------------------------------------------------------------------------------------------------------|---------------------|--------------------|---------------------|------------------------------|-------------|--------------|--------------|
| | HK\$million | HK\$million | HK\$million | HK\$million | HK\$million | HK\$million | HK\$million |
| Income and Results | | | | | | | |
| Turnover | 192.7 | 51.8 | 72.9 | 36.1 | 153.5 | – | 507.0 |
| Other income | 0.4 | 0.1 | 0.4 | – | 5.6 | – | 6.5 |
| External income | 193.1 | 51.9 | 73.3 | 36.1 | 159.1 | – | 513.5 |
| Inter-segment income | 0.1 | – | – | – | 2.2 | (2.3) | – |
| Total income | 193.2 | 51.9 | 73.3 | 36.1 | 161.3 | (2.3) | 513.5 |
| Inter-segment sales were charged at prices determined by management with reference to market prices. | | | | | | | |
| Segment results | 134.2 | 20.9 | 43.2 | 2.3 | 3.7 | – | 204.3 |
| Interest income | | | | | | | 114.8 |
| Dividend income from listed investments | | | | | | | 1.0 |
| Profit for the period of disposal group | – | – | 5.8 | – | – | – | 5.8 |
| Fair value gain of investment properties | 219.3 | – | – | – | – | – | 219.3 |
| Unallocated corporate expenses | | | | | | | (11.0) |
| Finance costs | | | | | | | (2.1) |
| Share of results of associates | | | | | | | 1,516.4 |
| Profit before taxation | | | | | | | 2,048.5 |
| Taxation | | | | | | | (66.6) |
| Profit for the period | | | | | | | 1,981.9 |

Notes to the Condensed Consolidated Financial Statements – unaudited

3. Segment information (cont'd)

Business segments: (cont'd)

For the six months ended 31 December 2005

| | Property leasing HK\$'million | Hotel operation HK\$'million | Infra- structure HK\$'million | Security guard service HK\$'million | Others HK\$'million | Eliminations HK\$'million | Consolidated HK\$'million |
|----------------------|-------------------------------------|------------------------------------|-------------------------------------|----------------------------------------------|------------------------|------------------------------|------------------------------|
| Income and Results | | | | | | | |
| Turnover | 311.2 | 47.0 | 92.4 | 34.4 | 126.3 | – | 611.3 |
| Other income | 2.0 | – | 0.6 | – | 2.2 | – | 4.8 |
| External income | 313.2 | 47.0 | 93.0 | 34.4 | 128.5 | – | 616.1 |
| Inter-segment income | 21.3 | – | – | 0.1 | 3.0 | (24.4) | – |
| Total income | 334.5 | 47.0 | 93.0 | 34.5 | 131.5 | (24.4) | 616.1 |

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

| | | | | | | | |
|---------------------------------------------|-------|------|------|-----|---------|---|---------|
| Segment results | 184.5 | 17.5 | 51.7 | 2.3 | (155.2) | – | 100.8 |
| Interest income | | | | | | | 54.4 |
| Dividend income from listed investments | | | | | | | 1.0 |
| Fair value gain of investment properties | 674.6 | – | – | – | – | – | 674.6 |
| Unallocated corporate expenses | | | | | | | (12.5) |
| Finance costs | | | | | | | (6.1) |
| Share of results of associates | | | | | | | 1,094.6 |
| Profit before taxation | | | | | | | 1,906.8 |
| Taxation | | | | | | | (97.8) |
| Profit for the period | | | | | | | 1,809.0 |

Notes to the Condensed Consolidated Financial Statements – unaudited**3. Segment information (cont'd)***Geographical segments:*

The Group's sale of properties, property leasing, hotel operations, department store operations, investment holding, cleaning services, 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 31 December 2006 | | |
|-----------------|-------------------------------------------|---------------------|------------------------------|
| | Hong Kong HK\$ million | PRC HK\$ million | Consolidated HK\$ million |
| Turnover | 434.1 | 72.9 | 507.0 |
| Other income | 6.1 | 0.4 | 6.5 |
| External income | 440.2 | 73.3 | 513.5 |

| | For the six months ended 31 December 2005 | | |
|-----------------|-------------------------------------------|---------------------|------------------------------|
| | Hong Kong HK\$ million | PRC HK\$ million | Consolidated HK\$ million |
| Turnover | 518.9 | 92.4 | 611.3 |
| Other income | 4.2 | 0.6 | 4.8 |
| External income | 523.1 | 93.0 | 616.1 |

4. Impairment loss on goodwill arising from acquisition of additional interests in subsidiaries

During the six months ended 31 December 2005, after assessing the prospects of the various business segments of Henderson Cyber Limited ("Henderson Cyber"), a subsidiary of the Company, Henderson Land Development Company Limited, the immediate holding company of the Company, The Hong Kong and China Gas Company Limited ("Hong Kong China Gas"), an associate of the Company, Henderson Cyber and the Company jointly announced in August 2005 the privatisation of Henderson Cyber by Hong Kong China Gas and the Company, involving the cancellation and extinguishments of the relevant shares of Henderson Cyber at a price of HK\$0.42 in cash per share. The privatisation became effective on 8 December 2005. In view of the cash flow forecast and the expected synergies of the privatisation of Henderson Cyber, the directors considered that the goodwill arising on the extinguishment of the relevant shares of Henderson Cyber by acquisition of additional interest in Henderson Cyber by the Company amounting to HK\$161.8 million was proved to be impaired.

Notes to the Condensed Consolidated Financial Statements – unaudited

5. Finance costs

| | For the six months ended 31 December | |
|--------------------------------------------------------------|--------------------------------------|----------------------|
| | 2006 HK\$ million | 2005 HK\$ million |
| Interest on: | | |
| Bank loans and overdrafts wholly repayable within five years | 1.0 | 5.8 |
| Other borrowings wholly repayable within five years | 1.1 | 0.3 |
| | 2.1 | 6.1 |

6. Taxation

| | For the six months ended 31 December | |
|-------------------------------------------------|--------------------------------------|----------------------|
| | 2006 HK\$ million | 2005 HK\$ million |
| The charge comprises: | | |
| Current tax | | |
| Hong Kong | 23.3 | 30.7 |
| Other regions in the PRC | 7.6 | 8.6 |
| | 30.9 | 39.3 |
| Under(over)provision in prior years – Hong Kong | 1.5 | (17.5) |
| Deferred tax | | |
| Current period | 34.2 | 88.8 |
| Overprovision in prior years | – | (12.8) |
| | 34.2 | 76.0 |
| | 66.6 | 97.8 |

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Certain subsidiaries of the Group operating in the PRC are eligible for certain tax holidays and concessions and are exempted from PRC income taxes for both periods.

Notes to the Condensed Consolidated Financial Statements – unaudited**7. Profit for the period**

| | For the six months ended 31 December | |
|----------------------------------------------------------------------------------------------|--------------------------------------|----------------------|
| | 2006 HK\$ million | 2005 HK\$ million |
| Profit for the period has been arrived at after charging: | | |
| Amortisation of toll highway operation rights (included in administrative expenses) | 5.1 | 17.3 |
| Depreciation | 17.3 | 26.5 |
| | 22.4 | 43.8 |
| Cost of inventories recognised as an expense | 31.0 | 64.4 |
| Cost of properties recognised as an expense | 18.3 | 2.4 |
| Release of prepaid lease payments | 0.7 | 0.8 |
| Staff costs | 65.6 | 100.3 |
| Share of taxation attributable to associates (included in share of results of associates) | 269.6 | 142.2 |
| Written off of property, plant and equipment | 17.4 | – |

8. Gain on disposal of a subsidiary

During the six months ended 31 December 2006, the Group disposed of its entire interest in a subsidiary to Sunlight Real Estate Investment Trust for a cash consideration of HK\$38.8 million, resulting in a gain on disposal of HK\$4.7 million which is included in other income.

9. Dividends

| | For the six months ended 31 December | |
|--------------------------------------------------------------------------------------|--------------------------------------|----------------------|
| | 2006 HK\$ million | 2005 HK\$ million |
| Final dividend paid in respect of 2006 of HK15 cents (2005: HK15 cents) per share | 457.1 | 422.6 |

The interim dividend of HK13 cents for the six months period ended 31 December 2006 per share has been proposed by the directors.

Notes to the Condensed Consolidated Financial Statements – unaudited

10. Earnings per share**(a) Reported earnings per share:**

The calculation of earnings per share attributable to the equity holders of the Company is based on the profit for the period of HK\$1,951.5 million (For the six months ended 31 December 2005: HK\$1,802.0 million) and on 3,047,327,395 (At 31 December 2005: 2,817,327,395) weighted average number of ordinary shares in issue during the period. Diluted earnings per share is not shown as there were no dilutive potential shares in existence during the six months ended 31 December 2006 and 31 December 2005.

(b) Adjusted earnings per share:

The calculation of adjusted earnings per share excluding fair value gain of investment properties net of deferred tax is based on the profit attributable to equity holders of the Company as follows:

| | For the six months ended 31 December | |
|------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------|
| | 2006 HK\$ million | 2005 HK\$ million |
| Profit attributable to equity holders of the Company | 1,951.5 | 1,802.0 |
| Effect of fair value gain of investment properties | (219.3) | (674.6) |
| Effect of deferred tax on fair value gain of investment properties | 38.4 | 75.2 |
| Effect of share of fair value gain of investment properties net of related deferred taxation of associates | (260.3) | (258.9) |
| Adjusted earnings for calculation of earnings per share | 1,510.3 | 943.7 |
| Adjusted earnings per share | HK\$0.50 | HK\$0.33 |

11. Investment properties and property, plant and equipment

The Group's investment properties were fair-valued on 31 December 2006 by an independent firm of professional surveyors, Messrs. DTZ Debenham Tie Leung Limited, on an open market value basis. The resulting increase in fair value of investment properties of HK\$219.3 million has been recognised in the consolidated income statement.

During the period, the Group had acquired investment properties, and property, plant and equipment at the aggregate amount of HK\$120.9 million.

Notes to the Condensed Consolidated Financial Statements – unaudited

12. Other assets

| | At 31 December 2006 HK\$ million | At 30 June 2006 HK\$ million |
|-----------------------------------------------------|----------------------------------------|------------------------------------|
| Held-to-maturity investments | 11.5 | 11.5 |
| Available-for-sale investments (<i>note a</i>) | 353.2 | 284.5 |
| Debtors, deposits and prepayments (<i>note b</i>) | 115.7 | 116.7 |
| | 480.4 | 412.7 |

(a) Available-for-sale investments

Available-for-sale investments as at 31 December 2006 comprise:

| | At 31 December 2006 HK\$ million | At 30 June 2006 HK\$ million |
|-----------------------------------|----------------------------------------|------------------------------------|
| Equity securities: | | |
| Listed in Hong Kong | 323.7 | 255.1 |
| Unlisted | 29.5 | 29.4 |
| | 353.2 | 284.5 |
| Market value of listed securities | 323.7 | 255.1 |

As at the balance sheet date, all available-for-sale investments are stated at fair value, except for those unlisted equity investments of which the fair values cannot be measured reliably. Fair values of listed investments have been determined by reference to bid prices quoted in active markets.

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Notes to the Condensed Consolidated Financial Statements – unaudited

12. Other assets (cont'd)

(b) 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 is payable in advance by tenants. In respect of retailing, most of the transactions are on a cash basis. Other trade debtors settle their accounts according to the payment terms as stated in the 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) of the Group is as follows:

| | At 31 December 2006 HK\$ million | At 30 June 2006 HK\$ million |
|----------------------------------------------------------------------|----------------------------------------|------------------------------------|
| Under 1 month overdue | 40.4 | 31.2 |
| 1 to 3 months overdue | 47.8 | 35.3 |
| More than 3 months overdue but less than 6 months overdue | 16.6 | 17.0 |
| Over 6 months overdue | 130.1 | 89.5 |
| Trade debtors | 234.9 | 173.0 |
| Deposits, prepayments and other receivables – current portion | 106.0 | 107.4 |
| | 340.9 | 280.4 |
| Deposits, prepayments and other receivables – non-current portion | 115.7 | 116.7 |
| | 456.6 | 397.1 |

At 31 December 2006, included in deposits, prepayments and other receivables was an amount of HK\$133.0 million (At 30 June 2006: HK\$140.4 million) representing the discounted instalments receivable in future arising from the disposal of toll bridges during the year ended 30 June 2004, out of which, HK\$17.3 million (At 30 June 2006: HK\$23.7 million) was classified as current assets.

In addition, at 31 December 2006, included in debtors, deposits and prepayments is the current portion of prepaid lease payments of HK\$1.3 million (At 30 June 2006: HK\$1.3 million).

Notes to the Condensed Consolidated Financial Statements – unaudited**13. Amounts due from affiliates**

| | At 31 December 2006 HK\$ million | At 30 June 2006 HK\$ million |
|----------------------------------------|----------------------------------------|------------------------------------|
| Amounts due from associates | 49.9 | 46.1 |
| Amounts due from investee companies | 5.5 | 5.5 |
| Amounts due from minority shareholders | 126.9 | 90.8 |
| | 182.3 | 142.4 |

14. Creditors and accrued expenses

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

| | At 31 December 2006 HK\$ million | At 30 June 2006 HK\$ million |
|----------------------------------------|----------------------------------------|------------------------------------|
| Due within 1 month or on demand | 42.9 | 103.0 |
| Due after 1 month but within 3 months | 37.6 | 39.2 |
| Due after 3 months but within 6 months | 8.4 | 2.8 |
| Due after 6 months | 8.0 | 9.4 |
| Trade creditors | 96.9 | 154.4 |
| Rental deposits and other payables | 152.5 | 126.6 |
| Total creditors and accrued expenses | 249.4 | 281.0 |

15. Amounts due to affiliates

| | At 31 December 2006 HK\$ million | At 30 June 2006 HK\$ million |
|--------------------------------------|----------------------------------------|------------------------------------|
| Amounts due to associates | – | 0.8 |
| Amounts due to minority shareholders | 65.8 | 65.1 |
| | 65.8 | 65.9 |

Notes to the Condensed Consolidated Financial Statements – unaudited

16. Share capital

| | At 31 December 2006 HK\$ million | At 30 June 2006 HK\$ million |
|--------------------------------------------------------------------------------|----------------------------------------|------------------------------------|
| Authorised: | | |
| 5,000,000,000 (At 30 June 2006: 3,600,000,000) ordinary shares of HK\$0.2 each | 1,000.0 | 720.0 |
| Issued and fully paid: | | |
| 3,047,327,395 (At 30 June 2006: 3,047,327,395) ordinary shares of HK\$0.2 each | 609.5 | 609.5 |

Pursuant to an ordinary resolution passed at the annual general meeting held on 12 December 2006, the authorised share capital of the Company was increased from HK\$720 million to HK\$1,000 million by the creation of 1,400,000,000 additional new ordinary shares of HK\$0.20 each (with a total nominal value of HK\$280 million) ranking in all respects pari passu with the existing shares.

17. Disposal group

During the year ended 30 June 2006, the Company decided to dispose of its entire indirect interest of 24.98% in Ningbo Nickwell Highway Development Company Limited, Ningbo Wise Link Highway Development Company Limited and Ningbo Rayter Highway Development Company Limited (collectively known as the “Ningbo Subsidiaries”) to the minority shareholder of the Ningbo Subsidiaries. The Ningbo Subsidiaries were classified as a disposal group held for sale. On 29 March 2006, the Group entered into the agreement with the minority shareholder to dispose of its entire interest in the Ningbo Subsidiaries at a consideration of RMB70 million (approximately HK\$70 million), and the transaction was pending final settlement from the minority shareholder for completion as at 31 December 2006. The Group remains committed to its plan to sell the Ningbo Subsidiaries and expects the transaction to be completed on or before 30 June 2007. The profit for the period of the disposal group is HK\$5.8 million.

18. 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\$107.5 million (At 30 June 2006: HK\$125.7 million) was kept in other regions of the PRC and is subject to exchange control regulations.

Notes to the Condensed Consolidated Financial Statements – unaudited**19. Capital commitments**

| | At 31 December | At 30 June |
|---------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------|
| | 2006 | 2006 |
| | HK\$ million | HK\$ million |
| Contracted commitments for acquisition of property, plant and equipment and for property development and renovation expenditure | 47.2 | 34.2 |

20. Related party transactions

During the period, the Group entered into the following significant transactions with fellow subsidiaries:

| | For the six months ended 31 December | |
|------------------------------|---------------------------------------------|--------------|
| | 2006 | 2005 |
| | HK\$ million | HK\$ million |
| Building management fee paid | 3.0 | 3.1 |
| Interest expenses | 1.1 | 0.3 |
| Rental expenses | – | 44.3 |
| Maintenance fee | 5.3 | 1.2 |

Compensation of key management personnel

Except for certain of the directors and key management personnel who received their remuneration from the Company's immediate holding company for their services provided to the Group headed by the immediate holding company of which the Company is a member, no remuneration was paid to other directors and key management personnel of the Company. No apportionment has been made as the directors are of the opinion that it is impracticable to apportion this amount between their services to the Company's immediate holding company and each of that company's subsidiaries.