

Notes to the Financial Statements

For the year ended 30th June, 2005

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The Group is principally engaged in investment in infrastructure projects, property development and investment, property agency and management, hotel investment and management, restaurant operations and food catering.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards (“HKAS”) and Hong Kong Financial Reporting Standards (“HKFRS”) (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 “Business Combinations”. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30th June, 2005. HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. HKFRS 3 did not have any impact on the Group’s financial statements for the year ended 30th June, 2005.

The Group has commenced considering the potential impact of the new HKFRSs and has so far concluded that the adoption of HKAS 16 “Property, Plant and Equipment”, HKAS 17 “Leases”, HKAS 28 “Investments in Associates”, HKAS 31 “Interests in Joint Ventures”, HKAS 40 “Investment Property” and HKFRS 2 “Share-based Payment” will have the following effects:

Hotel property

The hotel building and integral plant and equipment will be stated at cost less accumulated depreciation and impairment, if any. The underlying leasehold land on which the hotel is situated will be stated at cost and amortised over the lease term.

Investments in associates

When the financial statements of an associate are prepared as of a different reporting date from that of the Group, the difference between the reporting date of the associate and that of the Group shall be no more than three months. The effects of significant transactions occurring between the two dates must be adjusted for equity accounting purpose in the preparation of the Group’s financial statements.

Interests in jointly controlled entities

HKAS 31 “Interests in Joint Ventures” permits entities to use either the equity method of accounting or proportionate consolidation to account for its interests in jointly controlled entities.

Investment property

The Group’s investment properties will continue to be carried at fair value. All changes in fair value of investment properties will be reported in the income statement.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS *(continued)*

Share-based payments

Equity-settled share-based payments in relation to share options granted to employees are measured at fair value at the date of grant.

In accordance with the transitional provisions of HKFRS 2, this standard does not apply to share options granted on or before 7th November, 2002. However, for share options granted after 7th November, 2002 and vested on or after 1st January, 2005, such share options would be accounted for retrospectively in accordance with HKFRS 2.

The Group is in the process of making an assessment of the potential impact of the other new HKFRSs but is not yet in a position to determine the impact 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.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

The results of the subsidiaries, jointly controlled entities and associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill/negative goodwill

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, a jointly controlled entity or an associate at the date of acquisition.

Goodwill arising on acquisition is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. Goodwill arising on the acquisition of a jointly controlled entity or an associate is included within the carrying amount of the jointly controlled entity or associate.

Negative goodwill arising on acquisitions is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Goodwill/negative goodwill (continued)

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the year in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets. Negative goodwill arising on the acquisition of a jointly controlled entity or an associate is deducted from the carrying amount of that jointly controlled entity or associate.

Subsidiaries

In the Company's balance sheet, investments in subsidiaries are stated at cost less any identified impairment losses.

Jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control. Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The consolidated income statement includes the Group's share of the post-acquisition results of its jointly controlled entities for the year. In the consolidated balance sheet, interests in jointly controlled entities are stated at cost less amortisation and any identified impairment losses plus the Group's attributable share of the undistributed post-acquisition reserves of the jointly controlled entities. The cost of investments in jointly controlled entities comprises capital contributed, development expenditure incurred by the Group, financial expenses capitalised less interest income on advances to jointly controlled entities deferred to the extent of the Group's interest therein during the development stage of the projects undertaken by the jointly controlled entities.

The cost of investments, to the extent not borne by the jointly controlled entities, is amortised over the joint venture period on the same basis as that adopted by the relevant jointly controlled entity in respect of depreciation of its project cost, commencing from the date of operation of the project undertaken.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

Associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates calculated based on their financial statements made up to a date not more than six months before the balance sheet date. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Associates (continued)

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost less any identified impairment losses.

Other investment project

Development expenditure incurred under the terms of a concession agreement for the investment in a transport infrastructure project during its development stage is carried at cost less any identified impairment losses. Development expenditure includes construction costs, other incidental costs incurred and attributable borrowing costs.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, held-to-maturity debt securities that the Group has the expressed intention and ability to hold to maturity are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investment securities, which are securities held for an identified long term purpose, are measured at reporting dates at cost less any identified impairment losses.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less, where appropriate, depreciation and any identified impairment losses. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

It is the Group's practice to maintain its hotel property in a continual state of sound repairs and maintenance and to make improvements from time to time, accordingly the directors consider that depreciation is not necessary as the property maintains a residual value at least equal to its carrying amount. Repairs and maintenance expenditure is charged to the income statement when incurred.

Depreciation is provided to write off the cost of other property, plant and equipment in use over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

<i>Category of assets</i>	<i>Estimated useful lives</i>
Leasehold land	Over the term of the lease
Buildings	50 years or the remaining term of the land lease, whichever is shorter
Other assets	3 to 10 years

Development properties

Properties held for or under development are stated at cost less any identified impairment losses. The cost of properties comprises land cost, development expenditure, other attributable expenses and, where appropriate, borrowing costs capitalised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Properties for sale

Properties for sale are stated at the lower of cost, comprising land and development costs, and net realisable value.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

Operating leases

Operating leases are leases whereby substantially all the risks and rewards of ownership of the assets remain with the lessors. Rentals payable (receivable) under operating leases are charged (credited) to the income statement on a straight line basis over the terms of the respective leases.

Foreign currencies

Transactions denominated in foreign currencies are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes payable

Unsecured notes payable are separately disclosed and regarded as liabilities. The note issue expenses, which represent the discount on issue of notes and expenses incurred directly in connection with the issue, are deferred and amortised over the period of the notes so as to produce a constant periodic rate of charge on the carrying amount of the notes.

If any of the notes outstanding are repurchased by the Group prior to their maturity date, any gain or loss, representing the difference between the purchase price and the principal amount of the notes repurchased together with the related unamortised note issue expenses and outstanding interest thereon, is dealt with in the income statement. The Group's liability in respect of notes payable is presented net of the principal amount of notes repurchased.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as expenses when they fall due.

Revenue recognition

Lease of properties

Rental income in respect of properties under operating leases is recognised on a straight line basis over the respective lease term.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Property agency and management

Revenue from the provision of property agency and management services is recognised when the relevant services are provided.

Hotel investment and management

Revenue from hotel investment and management is recognised when the relevant services are provided.

Restaurant operations and food catering

Revenue from restaurant operations and food catering services is recognised when goods are delivered and services are provided.

Interest income

Interests from bank deposits, advances to jointly controlled entities undertaking infrastructure project investments, loans and other receivables are recognised on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income

Dividends from investments are recognised when the Group's rights to receive payment have been established.

Sales of investments

Proceeds from sales of investments are recognised when the relevant sale contract becomes unconditional.

4. TURNOVER

Turnover comprises income from infrastructure project investments, property letting, agency and management, hotel investment and management, restaurant operations and food catering, and is analysed as follows:

	2004 HK\$'000	2005 HK\$'000
Infrastructure project investments	50,370	52,473
Property letting, agency and management	291,385	289,696
Hotel investment and management	151,899	179,491
Restaurant operations and food catering	124,089	151,488
Other operations	35,594	4,884
	653,337	678,032

Note: The turnover from infrastructure project investments shown above includes interest from jointly controlled entities of approximately HK\$44 million (2004: HK\$40 million).

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

- Infrastructure project investments – investments in roads and highway 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

Year ended 30th June

	2004			2005		
	External HK\$'000	Inter- segment HK\$'000	Combined HK\$'000	External HK\$'000	Inter- segment HK\$'000	Combined HK\$'000
Infrastructure project investments	50,370	–	50,370	52,473	–	52,473
Property investment	291,385	21,864	313,249	289,696	23,328	313,024
Hotel investment	151,899	264	152,163	179,491	175	179,666
Restaurants and catering	124,089	545	124,634	151,488	–	151,488
Other operations	35,594	3,365	38,959	4,884	300	5,184
Eliminations	–	(26,038)	(26,038)	–	(23,803)	(23,803)
Total turnover	653,337	–	653,337	678,032	–	678,032

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

Segment results

Year ended 30th June

	2004				2005			
	Company and subsidiaries HK\$'000	Jointly controlled entities HK\$'000	Associates HK\$'000	Total HK\$'000	Company and subsidiaries HK\$'000	Jointly controlled entities HK\$'000	Associates HK\$'000	Total HK\$'000
Infrastructure project investments	(92,235)	891,660	–	799,425	(84,171)	1,052,339	–	968,168
Property investment	169,640	(317)	3,235	172,558	167,555	–	3,234	170,789
Property development	(28,702)	8,618	–	(20,084)	(24,930)	85,199	–	60,269
Hotel investment								
Operations	38,841	172	35,512	74,525	51,622	–	–	51,622
Gain on disposal of hotel property under development	16,388	–	–	16,388	–	–	–	–
Restaurants and catering	1,052	–	–	1,052	7,019	–	–	7,019
Other operations	(8,305)	–	625	(7,680)	(32,104)	–	654	(31,450)
Results from operations	96,679	900,133	39,372	1,036,184	84,991	1,137,538	3,888	1,226,417

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment results (continued)

Year ended 30th June

	2004 HK\$'000	2005 HK\$'000
Segment results		
Company and subsidiaries		
Results from operations	96,679	84,991
Gain on disposal of a power station project	580,415	449,216
Impairment losses on interest in an associate recognised	(11,386)	–
	665,708	534,207
Interest and other income	105,920	107,188
Exchange losses	(4,862)	(9,703)
Unallocated corporate and other expenses	(71,063)	(85,220)
Profit from operations	695,703	546,472
Gain on disposal of interests in		
Jointly controlled entities (note 11)	–	495,633
An associate	–	6,484
Gain on deemed disposal of interests in subsidiaries	483,847	–
Loss on cancellation of share purchase option	(70,000)	–
Finance costs	(233,637)	(92,182)
Share of profits of		
Jointly controlled entities	900,133	1,137,538
Associates	39,372	3,888
Profit before taxation	1,815,418	2,097,833
Income tax expense	(50,811)	(98,620)
Profit before minority interests	1,764,607	1,999,213
Minority interests	(310,617)	(336,802)
Net profit for the year	1,453,990	1,662,411

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Assets and Liabilities

At 30th June, 2005

	Segment assets HK\$'000	Interests in jointly controlled entities HK\$'000	Interests in associates HK\$'000	Consolidated total assets HK\$'000	Segment liabilities HK\$'000	Consolidated total liabilities HK\$'000
Infrastructure project investments	12,081	7,256,485	-	7,268,566	48,893	48,893
Property investment	6,500,117	-	14,164	6,514,281	127,271	127,271
Property development	1,225,071	479,532	-	1,704,603	117,377	117,377
Hotel investment	525,186	-	-	525,186	43,581	43,581
Restaurants and catering	22,539	-	-	22,539	18,494	18,494
Other operations	119,100	-	-	119,100	464,128	464,128
	8,404,094	7,736,017	14,164	16,154,275	819,744	819,744
Investments in securities				756,078		-
Other assets/liabilities				3,069,363		380,999
				19,979,716		1,200,743

At 30th June, 2004

	Segment assets HK\$'000	Interests in jointly controlled entities HK\$'000	Interests in associates HK\$'000	Consolidated total assets HK\$'000	Segment liabilities HK\$'000	Consolidated total liabilities HK\$'000
Infrastructure project investments	7,459	7,806,298	-	7,813,757	38,156	38,156
Property investment	5,925,151	-	15,201	5,940,352	119,341	119,341
Property development	909,590	377,176	-	1,286,766	28,250	28,250
Hotel investment	507,868	3,799	-	511,667	23,407	23,407
Restaurants and catering	21,195	-	-	21,195	11,938	11,938
Other operations	145,226	-	4,225	149,451	502,483	502,483
	7,516,489	8,187,273	19,426	15,723,188	723,575	723,575
Investments in securities				1,778,137		-
Defeasance deposits				1,587,990		-
Unsecured notes payable				-		1,473,844
Other assets/liabilities				2,098,653		1,706,095
				21,187,968		3,903,514

The Group's total assets less current liabilities and the Group's net current assets at 30th June, 2005 amounted to HK\$19,074,885,000 (2004: HK\$18,514,827,000) and HK\$3,060,437,000 (2004: HK\$1,996,079,000) respectively.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Other Information

	2004			2005		
	Capital additions HK\$'000	Depreciation and amortisation HK\$'000	Other non-cash expenses HK\$'000	Capital additions HK\$'000	Depreciation and amortisation HK\$'000	Other non-cash expenses HK\$'000
Infrastructure project investments	37	102,785	-	833	101,097	-
Property investment	41,298	5,225	-	278,095*	4,488	-
Property development	347	358	-	453	915	951
Hotel investment	16,096	4,901	151	6,428	6,490	179
Restaurants and catering	1,152	1,469	117	1,980	1,357	12
Other operations	555	743	-	7	698	-

* This amount mainly comprises of the premium paid for the modification of usage of property and the capital expenditures incurred for the Group's rental properties, including the hotel shopping arcade.

Geographical segments

The Group's property investment, hotel investment, restaurants and catering activities are mainly carried out in Hong Kong. All the infrastructure project investments are located in the Mainland China (the "PRC") and the property development activities are carried out in Hong Kong, the PRC and Macau. The following table provides an analysis of the Group's turnover by geographical markets:

	Turnover	
	2004 HK\$'000	2005 HK\$'000
Hong Kong	591,912	622,611
The PRC and Macau	61,425	55,421
	653,337	678,032

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments (continued)

The following is an analysis of the carrying amounts of assets and additions to investment properties and property, plant and equipment of the Group, analysed by the geographical areas in which the assets are located:

	<i>Assets</i>		<i>Additions to investment properties, property, plant and equipment</i>	
	<i>2004</i> <i>HK\$'000</i>	<i>2005</i> <i>HK\$'000</i>	<i>2004</i> <i>HK\$'000</i>	<i>2005</i> <i>HK\$'000</i>
Group segment assets				
Hong Kong	7,157,344	7,932,374	61,410	289,004
The PRC	232,081	345,509	347	436
Other regions	127,064	126,211	–	–
	7,516,489	8,404,094	61,757	289,440
Other assets (Note)	13,671,479	11,575,622	–	–
	21,187,968	19,979,716	61,757	289,440

Note: Other assets shown above include interests in jointly controlled entities engaging in infrastructure project investments in the PRC, investments in securities and bank deposits.

6. OTHER OPERATING INCOME

	<i>2004</i> <i>HK\$'000</i>	<i>2005</i> <i>HK\$'000</i>
Included in other operating income are:		
Interest from		
Defeasance and other bank deposits	70,905	66,021
Loans and other receivables	8,929	16,673
Yield on held-to-maturity debt securities (after deducting premium on acquisition of HK\$40,826,000 (2004: HK\$48,087,000) amortised)	23,172	24,494
Profit on sale of listed equity securities	2,517	–

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

7. OTHER OPERATING EXPENSES

	2004 HK\$'000	2005 HK\$'000
Included in other operating expenses are:		
Amortisation of cost of investments in jointly controlled entities	102,638	100,813
Charitable donations	4,495	10,386
Exchange losses	4,862	9,703

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 year. The power station was disposed of in the prior year 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\$279.7 million (2004: US\$221 million) have so far been received and recognised as income by the Group. However, the timing and ultimate receipt of the remaining instalments of US\$26.5 million (2004: US\$85.2 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. NET LOSSES ON PROPERTIES AND INVESTMENT

	2004 HK\$'000	2005 HK\$'000
Impairment losses recognised		
Properties in the PRC held for development	24,444	–
Interest in an associate	11,386	–
Gain on disposal of a development property	(16,388)	–
	19,442	–

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

10. PROFIT FROM OPERATIONS

	2004 HK\$'000	2005 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	4,531	3,933
Depreciation of property, plant and equipment	14,544	15,686
Rentals in respect of properties under operating leases	894	891
Staff costs (including directors' emoluments)	207,124	231,868
Rental income in respect of land and buildings under operating leases, less outgoings of HK\$118,821,000 (2004: HK\$111,282,000)	(171,726)	(164,558)

11. GAIN ON DISPOSAL OF INTERESTS IN JOINTLY CONTROLLED ENTITIES AND AN ASSOCIATE

	2004 HK\$'000	2005 HK\$'000
Gain on disposal of interests in		
Jointly controlled entities (Note)	–	495,633
An associate	–	6,484
	–	502,117

Note: The disposals of the Group's entire interests in the jointly controlled entities undertaking the highway and bridge project and the National Highway 105 project in Shunde, the PRC, were completed during the year, resulting in a gain on disposal of approximately HK\$496 million recognised by the Group. The consideration for the disposal of one of the jointly controlled entities and the amount due from this entity amounted to a total of HK\$823 million, of which HK\$583 million has been received by the Group. The remaining amount due from this entity of HK\$240 million is repayable by three annual instalments commencing from 31st December, 2005. Such amount is unsecured and carries interest at bank lending rate. However, the recoverability of the outstanding unsecured amount of HK\$240 million is dependent upon the financial position of the underlying entities which is uncertain. Accordingly, in determining the gain on disposal of this jointly controlled entity, the outstanding amount is regarded as impaired.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

12. GAIN ON DEEMED DISPOSAL OF INTERESTS IN SUBSIDIARIES

The gain on deemed disposal of interests in subsidiaries of the prior year arose from the listing of the shares in Hopewell Highway Infrastructure Limited (“HHI”), a subsidiary undertaking investments in highway projects in the PRC, on the Hong Kong Stock Exchange and the issuance of new shares by HHI to public investors, resulting in a reduction of the Company’s interest in HHI from 100% to 75%.

13. FINANCE COSTS

	2004 HK\$'000	2005 HK\$'000
Interests on:		
Bank loans and overdrafts wholly repayable within five years	20,531	14,647
Notes wholly payable within five years	145,227	18,197
Other interest expense (note 23(c))	37,847	37,860
Total interest	203,605	70,704
Note issue expenses amortised	6,199	356
Loan arrangement fees and bank charges	23,833	21,122
	233,637	92,182

14. SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITIES

Included in the share of profits of jointly controlled entities is profit from disposal of development property by a jointly controlled entity amounted to HK\$83 million (2004: Nil).

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

15. INCOME TAX EXPENSE

	2004 HK\$'000	2005 HK\$'000
Hong Kong Profits Tax		
Current year	8,987	8,633
Overprovision in respect of prior years	(16,612)	–
	(7,625)	8,633
Taxation elsewhere		
Current year	2,106	8,306
	(5,519)	16,939
Deferred tax (note 37)	8,574	10,158
Tax attributable to the Company and its subsidiaries	3,055	27,097
Jointly controlled entities		
Taxation elsewhere	–	42,253
Deferred taxation	38,255	28,602
	38,255	70,855
Associates		
Hong Kong Profits Tax	515	554
Taxation elsewhere	8,986	114
	9,501	668
	50,811	98,620

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

Taxes on profits assessable elsewhere are calculated at the tax rates prevailing in the countries in which the Group operates.

Details of deferred taxation are set out in note 37.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

15. INCOME TAX EXPENSE (continued)

The income tax expense can be reconciled to the profit from ordinary activities before taxation per the income statement as follows:

	2004 HK\$'000	2005 HK\$'000
Profit from ordinary activities before taxation	1,815,418	2,097,833
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	317,698	367,121
Tax effect of expenses not deductible for tax purposes	88,113	52,331
Tax effect of income not taxable for tax purposes	(117,220)	(109,066)
Overprovision in respect of prior years	(16,612)	–
Tax effect of tax losses not recognised	5,359	6,535
Tax effect of utilisation of tax losses not previously recognised	(16,887)	(19,787)
Tax effect of utilisation of deductible temporary differences not previously recognised	(101,573)	(78,613)
Tax effect of share of results of jointly controlled entities and associates	(116,657)	(128,227)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(110)	730
Others	8,700	7,596
Income tax expense	50,811	98,620

16. DIVIDENDS

	2004 HK\$'000	2005 HK\$'000
Dividends paid		
Interim: HK12 cents (2004: HK10 cents) per share	88,408	107,768
Special interim: HK30 cents (2004: HK30 cents) per share	265,225	269,421
Final dividend on shares issued subsequent to approval of financial statements	270	300
Dividend proposed		
Final: HK38 cents (2004: HK30 cents) per share	268,631	341,229
	622,534	718,718

The final dividend of HK38 cents per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

The proposed final dividend is calculated based on the number of shares in issue at the date of approval of these financial statements.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

17. EARNINGS PER SHARE

	2004 HK\$'000	2005 HK\$'000
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		
Net profit for the year	1,453,990	1,662,411
Effect of dilutive potential ordinary shares of HHI (note 32)		
Adjustment to the Group's results arising from a dilution of HHI's earnings attributable to warrants and share options issued	(2,046)	(4,109)
Earnings for the purposes of diluted earnings per share	1,451,944	1,658,302
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	879,187,585	895,900,603
Effect of dilutive potential ordinary shares		
Share options	5,667,337	1,364,784
Weighted average number of ordinary shares for the purposes of diluted earnings per share	884,854,922	897,265,387

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

18. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

The emoluments paid or payable to the Company's directors are as follows:

	Year ended 30th June, 2005				Total HK\$'000
	Directors' fees HK\$'000	Basic salaries, allowances and benefits- in-kind HK\$'000	Performance related bonus HK\$'000	Contributions to provident fund schemes HK\$'000	
Sir Gordon Ying Sheung Wu	600	4,500	-	-	5,100
Mr. Eddie Ping Chang Ho	500	3,600	-	-	4,100
Mr. Josiah Chin Lai Kwok	200	3,000	-	12	3,212
Mr. Thomas Jefferson Wu	400	3,354	-	24	3,778
Mr. Henry Hin Moh Lee	200	1,000	-	-	1,200
Mr. Robert Van Jin Nien	200	1,430	-	12	1,642
Mr. Guy Man Guy Wu	200	-	-	-	200
Lady Ivy Sau Ping Kwok Wu	200	-	-	-	200
Ms. Linda Lai Chuen Loke	200	-	-	-	200
Mr. Albert Kam Yin Yeung	200	1,638	126	12	1,976
Mr. Colin Henry Weir	200	2,096	-	12	2,308
Mr. David Yau-gay Lui	200	-	-	-	200
Mr. Carmelo Ka Sze Lee	200	-	-	-	200
Mr. Andy Lee Ming Cheung	200	1,573	121	12	1,906
Mr. Eddie Wing Chuen Ho Junior	200	819	63	12	1,094
Mr. Lee Yick Nam	363	-	-	-	363
	4,263	23,010	310	96	27,679

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

18. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES (continued)

(a) Directors' emoluments (continued)

	Year ended 30th June, 2004				Total HK\$'000
	Directors' fees HK\$'000	Basic salaries, allowances and benefits- in-kind HK\$'000	Performance related bonus HK\$'000	Contributions to provident fund schemes HK\$'000	
Sir Gordon Ying Sheung Wu	330	4,250	-	-	4,580
Mr. Eddie Ping Chang Ho	130	3,400	-	-	3,530
Mr. Josiah Chin Lai Kwok	30	3,000	-	12	3,042
Mr. Thomas Jefferson Wu	130	3,136	-	23	3,289
Mr. Henry Hin Moh Lee	30	1,000	-	-	1,030
Mr. Robert Van Jin Nien	30	1,430	-	12	1,472
Mr. Guy Man Guy Wu	30	-	-	-	30
Lady Ivy Sau Ping Kwok Wu	30	-	-	-	30
Ms. Linda Lai Chuen Loke	30	-	-	-	30
Mr. Albert Kam Yin Yeung	30	1,602	-	12	1,644
Mr. Colin Henry Weir	30	2,062	-	12	2,104
Mr. David Yau-gay Lui	30	-	-	-	30
Mr. Carmelo Ka Sze Lee	30	-	-	-	30
Mr. Andy Lee Ming Cheung	29	1,499	1,000	11	2,539
Mr. Eddie Wing Chuen Ho Junior	27	746	-	11	784
Mr. Lawrence Sai Kit Miao	9	-	-	-	9
Mr. Chi Hung Chan	2	-	-	-	2
	957	22,125	1,000	93	24,175

Other than fees of HK\$763,000 (2004: HK\$99,000) paid or payable to the independent non-executive directors which have been included above, no remuneration was paid or is payable to such directors.

(b) Highest paid employees' emoluments

The five individuals in the Group with the highest emoluments are the directors of the Company and details of their emoluments have been disclosed above.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

19. INVESTMENT PROPERTIES

	<i>The Group</i>	
	2004	2005
	HK\$'000	HK\$'000
Investment properties at valuation		
At beginning of the year	5,655,400	5,890,800
Additions during the year	20,523	274,080
Reclassified from property, plant and equipment	–	13,692
Revaluation increase	214,877	298,728
At end of the year	5,890,800	6,477,300

The net book value of the Group's investment properties comprises:

	2004	2005
	HK\$'000	HK\$'000
Land and buildings in Hong Kong on		
Long leases	2,980,000	3,255,000
Medium-term leases	2,910,800	3,222,300
	5,890,800	6,477,300

The Group's investment properties were revalued on an open market value basis by FPD Savills (Hong Kong) Limited, an independent firm of professional property valuers. The increase in value of HK\$298,728,000 (2004: HK\$214,877,000) arising on revaluation has been dealt with in the investment property revaluation reserve (note 33).

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

20. PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings in Hong Kong on medium-term leases</i>			<i>Total</i> HK\$'000
	<i>Hotel property</i>	<i>Other properties</i>	<i>Other assets</i>	
	HK\$'000	HK\$'000	HK\$'000	
THE GROUP				
COST				
At 1st July, 2004	474,872	29,012	292,871	796,755
Additions	–	–	15,360	15,360
Reclassified to investment properties	–	–	(13,692)	(13,692)
Disposals	–	–	(11,872)	(11,872)
At 30th June, 2005	474,872	29,012	282,667	786,551
DEPRECIATION				
At 1st July, 2004	–	9,004	235,303	244,307
Provided for the year	–	556	15,130	15,686
Eliminated on disposals	–	–	(11,820)	(11,820)
At 30th June, 2005	–	9,560	238,613	248,173
NET BOOK VALUES				
At 30th June, 2004	474,872	20,008	57,568	552,448
At 30th June, 2005	474,872	19,452	44,054	538,378

21. INTERESTS IN SUBSIDIARIES

	<i>The Company</i>	
	<i>2004</i> HK\$'000	<i>2005</i> HK\$'000
Unlisted shares		
At cost less impairment	26,252	24,568
At directors' 1972 valuation less amounts written off	3,245	3,245
	29,497	27,813
Amounts due from subsidiaries less allowances	12,744,643	13,396,525
	12,774,140	13,424,338

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms.

Details of the principal subsidiaries are set out in note 43.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

22. PROPERTIES FOR OR UNDER DEVELOPMENT

	<i>The Group</i>	
	2004 HK\$'000	2005 HK\$'000
COST		
At beginning of the year	1,308,336	932,135
Additions	71,994	313,411
Disposals	(448,195)	–
Reclassified to properties for sale under current assets (note 29)	–	(95,570)
At end of the year	932,135	1,149,976
IMPAIRMENT		
At beginning of the year	290,000	24,444
Provided for the year	24,444	–
Eliminated on disposals	(290,000)	–
At end of the year	24,444	24,444
NET BOOK VALUE	907,691	1,125,532

Included in the cost of properties for or under development is net interest capitalised totalling HK\$55.4 million (2004: HK\$55.4 million).

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<i>The Group</i>	
	2004 HK\$'000	2005 HK\$'000
Road and property projects in the PRC		
Unlisted investments, at cost	5,526,819	5,411,604
Share of post acquisition reserves	970,781	1,505,102
Loans to jointly controlled entities	1,652,723	782,225
Less: Accumulated amortisation	(344,025)	(442,446)
	7,806,298	7,256,485
Property development project in Macau		
Unlisted investment, at cost	4,850	4,850
Share of post acquisition reserves	(39,736)	47,104
Loan to the jointly controlled entity	412,062	427,578
	377,176	479,532
Other unlisted investments	3,799	–
	8,187,273	7,736,017
Less: Loans due within one year included in current assets	(12,878)	(10,870)
	8,174,395	7,725,147

Notes:

Details of the principal jointly controlled entities at the balance sheet date are as follows:

(a) **Phase I of the Guangzhou-Shenzhen-Zhuhai Superhighway (“GS Superhighway”)**

The GS Superhighway is undertaken by Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (“GS Superhighway JV”), a joint venture company established in the PRC. The operation period is 30 years from the GS Superhighway’s official opening date. The Group’s entitlement to the profit of the toll operations of the GS Superhighway is 50% for the initial ten years, 48% for the next ten years and 45% for the last ten years of the operation period. The Group is also entitled to a share of 80% of the rentals and other income, after deduction of operating and financial expenses, arising from the development of commercial centres and shop spaces along and underneath the GS Superhighway for a period of 30 years commencing on the date of completion of the GS Superhighway. At the end of the operation period, all the immovable assets and facilities of GS Superhighway JV will revert to the PRC partner without compensation.

GS Superhighway JV has also been granted the rights to develop parcels of land within certain interchanges of the GS Superhighway for sale or rental with certain land premium to be waived. Detailed terms of such grant have yet to be finalised.

The registered capital contributed and advances made to GS Superhighway JV by the Group totalling approximately HK\$811 million (2004: HK\$770 million) are unsecured, carry interest at commercial lending rates and are repayable out of the net cash surplus from the operations of GS Superhighway JV. The GS Superhighway was officially opened in July 1997.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

- (a) **Phase I of the Guangzhou-Shenzhen-Zhuhai Superhighway (“GS Superhighway”)** (continued)
Financial information regarding GS Superhighway JV is set out below:

<i>Operating results</i>	<i>Year ended 30th June,</i>	
	<i>2004</i>	<i>2005</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Toll revenue, net of business tax	2,399,639	2,825,666
Depreciation	283,785	326,411
Profit from ordinary activities before taxation	1,671,465	2,021,304
Profit from ordinary activities before taxation attributable to the Group	835,732	1,010,652

<i>Assets and liabilities</i>	<i>At 30th June,</i>	
	<i>2004</i>	<i>2005</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets		
Toll roads and other assets	11,381,192	11,167,329
Non-current liabilities		
Loans from joint venture partners	(135,022)	(177,948)
Bank borrowings	(7,723,741)	(7,306,040)
Other long-term liabilities	(203,466)	(203,466)
Registered capital contributed by a joint venture partner	(745,223)	(745,223)
Current assets	739,503	779,572
Current liabilities	(1,258,507)	(1,239,760)

- (b) **Phases II and III of the Guangzhou-Shenzhen-Zhuhai Superhighway (“Western Delta Route”)**
The Western Delta Route, comprising a major transportation route in western Pearl River Delta to be developed in three phases, is undertaken by Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (“West Route JV”), a joint venture company established in the PRC. The co-operation period of phase I of the project (“Phase I West”) is 30 years commencing from 17th September, 2003. The Group is entitled to 50% of the profits from the operation of West Route JV arising from Phase I West. At the end of the co-operation period, all the immovable assets and facilities in relation to Phase I West will revert to the PRC government without compensation. Phase I West was opened in April, 2004.

During the year, the Group entered into agreements for the development of Phase II of the Western Delta Route (“Phase II West”) to be undertaken by West Route JV. The co-operation period of Phase II West shall be 30 years commencing on the date on which the new business licence of West Route JV is issued. During the co-operation period, the Group is entitled to 50% of the profits from operation of West Route JV arising from Phase II West. At the end of the co-operation period, all the immovable assets and facilities in relation to Phase II West will revert to the PRC government without compensation. The aforementioned agreements are subject to approval by the relevant PRC government authorities.

Detailed terms for development of Phase III of the project have yet to be finalised.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

(c) Ring Road project in Guangzhou

The construction, operation and management of the Guangzhou East-South-West Ring Road are undertaken by Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV"), a joint venture company established in the PRC for this purpose. The operation period is 30 years commencing from January 2002.

The Group is entitled to 45% of the net cash surplus of Ring Road JV for the initial ten years of the operation period and thereafter the Group's net cash entitlement will be reduced to 37.5% for the subsequent ten years and 32.5% for the remaining ten years of the operation period. At the end of the operation period, all the immovable assets and facilities of Ring Road JV will revert to the PRC joint venture partner without compensation. The Guangzhou East-South-West Ring Road was officially opened in January 2002.

The advances made to Ring Road JV by the Group totalling approximately HK\$631 million (2004: HK\$753 million) are unsecured and interest free and are repayable out of the net cash surplus from the operations of Ring Road JV.

Ring Road JV has in the past raised bank loans to finance the development of its road project. The interests of such bank loans were reimbursed by the Hong Kong joint venture partners in accordance with their proportionate interest in the joint venture. During the year, interest reimbursed by the Group to Ring Road JV under such arrangement amounted to approximately HK\$38 million (2004: HK\$38 million).

(d) Property development project in Macau

The investment represents the Group's 50% interest in Nova Taipa-Urbanizacoes Limitada ("Nova Taipa"), a company incorporated and operating in Macau engaging principally in property development. The advances made to Nova Taipa by the Group are unsecured with no fixed repayment terms. Such amount to the extent of approximately HK\$428 million (2004: HK\$412 million) carries interest at 6% per annum with the remaining balance interest free.

24. INTERESTS IN ASSOCIATES

	<i>The Group</i>	
	<i>2004</i>	<i>2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	18,946	14,164
Amounts due from associates	480	-
	19,426	14,164

	<i>The Company</i>	
	<i>2004</i>	<i>2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares and investments, at cost	401	401

The amounts due from associates are unsecured and interest free with no fixed repayment terms.

Details of the principal associate are set out in note 44.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

25. OTHER INVESTMENT PROJECT

A subsidiary, Hopewell (Thailand) Limited (“HTL”), entered into a concession agreement with The Ministry of Transport and Communications of Thailand (“MOTC”) and The State Railway of Thailand (“SRT”) for the construction and operation of an elevated road and train system within the Bangkok Metropolitan area known as the Bangkok Elevated Road and Train System (“BERTS”) and for the development of commercial and residential properties along the concession area. The Group has received notices of termination of the concession agreement from MOTC and SRT which has been disputed by HTL. Details of the disputes are set out in note 41(b).

Full provision had been made by the Group against the cost of development incurred for the BERTS project in prior years amounted to HK\$5,313 million (2004: HK\$5,313 million).

26. INVESTMENTS IN SECURITIES

	<i>The Group</i>		<i>The Company</i>	
	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Held-to-maturity debt securities listed overseas (Note)	1,757,592	737,591	–	–
Investment securities				
Unlisted equity investments, at cost	88,776	92,403	3,000	3,000
Less: Impairment loss recognised	(68,231)	(70,289)	–	–
	20,545	22,114	3,000	3,000
	1,778,137	759,705	3,000	3,000
Carrying amount analysed for reporting purposes:				
Non-current	731,942	22,114	3,000	3,000
Current	1,046,195	737,591	–	–
	1,778,137	759,705	3,000	3,000

Note: During the year, held-to-maturity debt securities with aggregate carrying amounts of approximately HK\$1,116 million (2004: HK\$244 million) and HK\$162 million (2004: Nil) were respectively redeemed upon maturity and disposed of. The held-to-maturity debt securities carried interests ranging from 1.6% to 7.6% per annum. The market value of the held-to-maturity debt securities at the balance sheet date approximates the carrying amount of these securities.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

27. LONG-TERM RECEIVABLES

	<i>The Group</i>	
	2004 HK\$'000	2005 HK\$'000
Proceeds on disposal of a jointly controlled entity and property receivable	233,528	147,290
Interest on defeasance deposits receivable	139,005	–
	372,533	147,290
Less: Amounts due within one year included in trade and other receivables under current assets		
Proceeds on disposal of a jointly controlled entity and property receivable	(86,748)	(129,740)
Interest on defeasance deposits receivable	(139,005)	–
	146,780	17,550

28. INVENTORIES

	<i>The Group</i>	
	2004 HK\$'000	2005 HK\$'000
Hotel and restaurant inventories	8,871	9,333

The cost of inventories recognised as an expense during the year amounted to HK\$90,646,000 (2004: HK\$75,834,000).

29. PROPERTIES FOR SALE

	<i>The Group</i>	
	2004 HK\$'000	2005 HK\$'000
Properties		
Under development (note 22)	–	95,570
Completed	3,762	3,762
	3,762	99,332

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

30. 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>The Group</i>	
	<i>2004</i>	<i>2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Receivables aged		
0 – 30 days	13,574	16,301
31 – 60 days	3,446	4,353
Over 60 days	18,221	5,889
Interest on defeasance, bank and other deposits receivable	179,549	19,598
Proceeds on disposal of investment and property, plant and equipment receivable	357,179	152,586
Retentions receivable	17,238	314
Dividend from a jointly controlled entity receivable	365,400	323,016
	954,607	522,057

31. TRADE AND OTHER PAYABLES

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

	<i>The Group</i>	
	<i>2004</i>	<i>2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Payables due		
0 – 30 days	152,677	246,308
31 – 60 days	58,822	3,348
Over 60 days	146,784	148,215
Retentions payable	16,395	1,943
Development expenditure payable (Note)	382,078	359,808
	756,756	759,622

Note: The development expenditure payable mainly represents construction and plant costs incurred by subsidiaries of the Company in connection with an overseas infrastructure project, the development of which has been suspended.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

32. SHARE CAPITAL

	<i>Number of shares</i>		<i>Nominal value</i>	
	<i>2004</i> <i>'000</i>	<i>2005</i> <i>'000</i>	<i>2004</i> <i>HK\$'000</i>	<i>2005</i> <i>HK\$'000</i>
The Group and the Company				
Ordinary shares of HK\$2.50 each				
Authorised	1,200,000	1,200,000	3,000,000	3,000,000
Issued and fully paid				
At beginning of the year	875,982	884,082	2,189,955	2,210,205
Issued during the year	8,100	14,955	20,250	37,388
Repurchased during the year	–	(1,067)	–	(2,668)
At end of the year	884,082	897,970	2,210,205	2,244,925

During the year, the Company issued a total of 14,955,000 (2004: 8,100,000) ordinary shares of HK\$2.50 each for a total cash consideration of HK\$127,441,000 (2004: HK\$70,215,000) pursuant to the exercise of the share options granted by the Company. These shares rank pari passu in all respects with the other shares in issue.

During the year, the Company repurchased 1,067,000 ordinary shares of the Company on the Hong Kong Stock Exchange, all of which have been cancelled, as follows:

<i>Month</i>	<i>Number of ordinary shares of HK\$2.50 each '000</i>	<i>Purchase price</i>		<i>Total consideration paid HK\$'000</i>
		<i>Highest HK\$</i>	<i>Lowest HK\$</i>	
2005				
January	717	19.10	17.75	13,209
February	250	19.60	19.55	4,903
March	100	17.95	17.95	1,800
	1,067			19,912

These repurchases were effected by the directors pursuant to the mandate from the shareholders with a view to benefiting the shareholders as a whole by the enhancement of the earnings per share of the Company.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

32. SHARE CAPITAL (continued)

Share option schemes

(a) The Company

In 1994, the Company adopted a share option scheme (“HHL 1994 Scheme”) which was effective for a period of 10 years. Pursuant to an ordinary resolution passed on 21st October, 2003, a new share option scheme (“HHL 2003 Scheme”) was adopted with effect from 1st November, 2003 to replace the HHL 1994 Scheme. The principal purpose of these schemes are to provide incentives to directors and eligible employees. The Board is authorised under the share option scheme adopted to grant options to executive directors and employees of the Company or any of its subsidiaries and persons specified in the scheme document to subscribe for shares in the Company.

Under the HHL 1994 Scheme and HHL 2003 Scheme, options granted must be taken up within 28 days and 14 days respectively from the date of the offer letter upon the payment of HK\$1 per each grant of option, payable as consideration on acceptance, which is recognised in the income statement when received. Save as aforementioned, no credit or charge was recognised in the financial statements in respect of the value of options granted.

Upon termination of the HHL 1994 Scheme on 1st November, 2003, no further options may be granted thereunder. However, all options granted under the HHL 1994 Scheme shall continue to be subject to the provisions of this scheme.

The following table discloses details of share options which were granted by the Company at nominal consideration and movements in such holdings:

Date of grant	Subscription price per share HK\$	Outstanding at 1st July, 2003	Number of shares under options granted				Outstanding at 30th June, 2004	Closing prices at the date of exercise HK\$
			Granted	Exercised	Reclassified	Cancelled/ lapsed		
<i>Directors</i>								
HHL 1994 Scheme								
28th March, 2002	6.15	3,000,000	-	(2,000,000)	-	-	1,000,000	9.40, 11.95, 15.15
1st April, 2002	6.15	1,000,000	-	-	-	-	1,000,000	N/A
2nd April, 2002	6.15	1,000,000	-	-	(1,000,000)	-	-	N/A
3rd April, 2002	6.15	2,500,000	-	(100,000)	-	-	2,400,000	11.75
9th September, 2003	9.55	-	14,000,000	(6,000,000)	-	-	8,000,000	15.00
		7,500,000	14,000,000	(8,100,000)	(1,000,000)	-	12,400,000	
<i>Employees</i>								
HHL 1994 Scheme								
2nd April, 2002	6.15	800,000	-	-	1,000,000	-	1,800,000	
		8,300,000	14,000,000	(8,100,000)	-	-	14,200,000	

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

32. SHARE CAPITAL (continued)

Share option schemes (continued)

(a) The Company (continued)

Date of grant	Subscription price per share HK\$	Outstanding at 1st July, 2004	Number of shares under options granted			Outstanding at 30th June, 2005	Closing prices at the date of exercise HK\$
			Granted	Exercised	Cancelled/ lapsed		
<i>Directors</i>							
HHL 1994 Scheme							
28th March, 2002	6.15	1,000,000	-	(1,000,000)	-	-	16.05
1st April, 2002	6.15	1,000,000	-	(1,000,000)	-	-	16.80, 17.15
3rd April, 2002	6.15	2,400,000	-	(2,400,000)	-	-	16.40, 17.15
9th September, 2003	9.55	8,000,000	-	(8,000,000)	-	-	16.40
HHL 2003 Scheme							
8th September, 2004	17.10	-	2,700,000	(755,000)	-	1,945,000	18.35, 18.45, 18.15
		12,400,000	2,700,000	(13,155,000)	-	1,945,000	
<i>Employees</i>							
HHL 1994 Scheme							
2nd April, 2002	6.15	1,800,000	-	(1,800,000)	-	-	16.40, 17.15
		14,200,000	2,700,000	(14,955,000)	-	1,945,000	

The dates of grant of options referred to above represent the dates on which the options were accepted by the grantees.

During the year, the Company granted options under the HHL 2003 Scheme at nominal consideration to certain directors to subscribe for a total of 2,700,000 shares in the Company.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

32. SHARE CAPITAL (continued)

Share option schemes (continued)

(a) *The Company* (continued)

The options granted on 9th September, 2003 are exercisable within a period of four and a half years from 9th March, 2004, the date after the expiry of 6 months from the date of grant. The share options granted during the current year are exercisable within a period of three years from the date of grant. The other options granted were exercisable in the following manner:

<i>Maximum proportion of options exercisable including the proportion of options previously exercised</i>	<i>Exercisable period</i>
1/3	From the expiry of 6 months from the date of grant of option up to 18 months from the date of grant
2/3	From the expiry of 18 months from the date of grant of option up to 30 months from the date of grant
3/3	From the expiry of 30 months from the date of grant of option up to 42 months from the date of grant

Save as disclosed above, no options were granted, exercised, cancelled or lapsed during either of the years presented.

(b) *HHI*

A share option scheme ("HHI Scheme") was adopted by HHI pursuant to the written resolutions of the shareholder of HHI passed on 16th July, 2003 and approved by the shareholders of the Company at an extraordinary general meeting held on 16th July, 2003. The HHI Scheme shall be valid and effective for a period of 10 years and the principal purpose of which is to provide incentives to directors and eligible employees. The Board of HHI is authorised to grant options under the HHI Scheme to executive directors and employees of the Company, HHI or any of its subsidiaries and persons specified in the scheme document to subscribe for shares in HHI.

Options granted must be taken up within 28 days from the date of the offer letter upon payment of HK\$1 per each grant of option, payable as consideration on acceptance, which is recognised in the income statement when received.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

32. SHARE CAPITAL (continued)

Share option schemes (continued)

(b) HHI (continued)

No options were granted under the HHI Scheme in the prior years. The following table discloses details of share options granted under the HHI Scheme by HHI during the year to its directors and employees, who are not directors of the Company, at nominal consideration and movements in such holdings:

Date of grant	Subscription price per share HK\$	Number of shares under options granted				Outstanding at 30th June, 2005	Closing prices at the date of exercise HK\$
		Outstanding at 1st July, 2004	Movements during the year		Cancelled/ lapsed		
			Granted	Exercised			
8th September, 2004	4.875	-	2,800,000	(400,000)	-	2,400,000	6.00
13th September, 2004	4.880	-	2,000,000	(2,000,000)	-	-	4.9, 5.15, 4.8
		-	4,800,000	(2,400,000)	-	2,400,000	

The options granted during the year are exercisable during the period of three years from the dates of grant of the options.

HHI Warrants

In connection with the listing of the shares in HHI in the prior year, HHI issued warrants to the Company's shareholders which entitle the holders thereof 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 on 6th August, 2003.

During the year, 5,392,715 (2004: 590,046) HHI warrants carrying an aggregate subscription price of HK\$22,541,549 (2004: HK\$2,466,392) were exercised by the warrant holders resulting in the issuance of 5,392,715 (2004: 590,046) ordinary shares in HHI. A total of 81,550,875 HHI warrants remained outstanding at the balance sheet date.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

33. SHARE PREMIUM AND RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Exchange translation reserve HK\$'000	PRC statutory reserves (Note) HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP									
At 1st July, 2003	8,508,890	-	83,010	1,916,968	9,432	56,464	157,677	730,761	11,463,202
Final dividend for year ended 30/6/2003 paid	-	-	-	-	-	-	(157,947)	-	(157,947)
Revaluation increase	-	-	-	214,877	-	-	-	-	214,877
Issue of shares	49,965	-	-	-	-	-	-	-	49,965
Share issue expenses	(38)	-	-	-	-	-	-	-	(38)
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	-	-	-	-	10,266	-	-	-	10,266
Share of reserves of jointly controlled entities and associates	-	-	-	-	(25,380)	-	-	-	(25,380)
Net profit for the year	-	-	-	-	-	-	-	1,453,990	1,453,990
Realised on deemed disposal of interests in subsidiaries	-	-	-	-	-	(14,116)	-	14,116	-
Transfers between reserves	-	-	-	-	-	15,073	-	(15,073)	-
Amounts set aside for dividend payments (note 16)	-	-	-	-	-	-	622,534	(622,534)	-
Interim dividend paid	-	-	-	-	-	-	(353,633)	-	(353,633)
At 30th June, 2004	8,558,817	-	83,010	2,131,845	(5,682)	57,421	268,631	1,561,260	12,655,302
Final dividend for year ended 30/6/2004 paid	-	-	-	-	-	-	(268,931)	-	(268,931)
Revaluation increase	-	-	-	298,728	-	-	-	-	298,728
Issue of shares	90,053	-	-	-	-	-	-	-	90,053
Share issue expenses	(52)	-	-	-	-	-	-	-	(52)
Repurchase of shares	-	2,668	-	-	-	-	-	(19,912)	(17,244)
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	-	-	-	-	1,485	-	-	-	1,485
Share of reserves of jointly controlled entities and associates	-	-	-	24,000	(5,956)	-	-	-	18,044
Realised on disposal of interests in jointly controlled entities	-	-	-	-	2,839	-	-	-	2,839
Net profit for the year	-	-	-	-	-	-	-	1,662,411	1,662,411
Transfers between reserves	-	-	-	-	-	6,321	-	(6,321)	-
Amounts set aside for dividend payments (note 16)	-	-	-	-	-	-	718,718	(718,718)	-
Interim dividend paid	-	-	-	-	-	-	(377,189)	-	(377,189)
At 30th June, 2005	8,648,818	2,668	83,010	2,454,573	(7,314)	63,742	341,229	2,478,720	14,065,446
Included above are the Group's share of the post-acquisition reserves of jointly controlled entities as follows:									
At 30th June, 2004	-	-	-	-	6,532	57,421	-	535,480	599,433
At 30th June, 2005	-	-	-	24,000	2,561	63,742	-	1,082,538	1,172,841
Included above are the Group's share of the post-acquisition reserves of associates as follows:									
At 30th June, 2004	-	-	-	22,975	-	-	-	2,695	25,670
At 30th June, 2005	-	-	-	22,975	-	-	-	483	23,458

Note: The PRC jointly controlled entities are required, under the local regulations, to provide for statutory reserves, comprising general and development funds, which are not distributable until the end of the joint venture periods.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

33. SHARE PREMIUM AND RESERVES (continued)

	<i>Share premium</i>	<i>Capital redemption reserve</i>	<i>Capital reserve</i>	<i>Dividend reserve</i>	<i>Retained profits</i>	<i>Total</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>
THE COMPANY						
At 1st July, 2003	8,508,890	–	9,872	157,677	707,283	9,383,722
Final dividend for year ended 30/6/2003 paid	–	–	–	(157,947)	–	(157,947)
Issue of shares	49,965	–	–	–	–	49,965
Share issue expenses	(38)	–	–	–	–	(38)
Net profit for the year	–	–	–	–	1,621,284	1,621,284
Amounts set aside for dividend payments (note 16)	–	–	–	622,534	(622,534)	–
Interim dividend paid	–	–	–	(353,633)	–	(353,633)
At 30th June, 2004	8,558,817	–	9,872	268,631	1,706,033	10,543,353
Final dividend for year ended 30/6/2004 paid	–	–	–	(268,931)	–	(268,931)
Issue of shares	90,053	–	–	–	–	90,053
Share issue expenses	(52)	–	–	–	–	(52)
Repurchase of shares	–	2,668	–	–	(19,912)	(17,244)
Net profit for the year	–	–	–	–	1,418,790	1,418,790
Amounts set aside for dividend payments (note 16)	–	–	–	718,718	(718,718)	–
Interim dividend paid	–	–	–	(377,189)	–	(377,189)
At 30th June, 2005	8,648,818	2,668	9,872	341,229	2,386,193	11,388,780

The Company's total distributable reserves at 30th June, 2005 represent retained profits and dividend reserve of HK\$2,386,193,000 (2004: HK\$1,706,033,000) and HK\$341,229,000 (2004: HK\$268,631,000) respectively.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

34. BANK AND OTHER BORROWINGS

	<i>The Group</i>	
	2004	2005
	HK\$'000	HK\$'000
Unsecured notes payable (Note a)		
Principal amount	1,474,200	–
Less: Unamortised note issue expenses	(356)	–
	1,473,844	–
Unsecured bank loans repayable (Note b)		
Within one year	233,555	–
Between two and five years	1,000,000	55,000
	1,233,555	55,000
	2,707,399	55,000
Less: Portion due within one year included in current liabilities		
Unsecured notes payable less unamortised note issue expenses	(1,473,844)	–
Unsecured bank loans	(233,555)	–
	(1,707,399)	–
	1,000,000	55,000

Notes:

- (a) The unsecured notes (“2004 Notes”), which were issued by a subsidiary, Guangzhou-Shenzhen Superhighway (Holdings) Ltd., carried interest at 9.875% per annum.

A covenant defeasance had been effected by the Group by placing a sum with the trustee of the notes sufficient for the repayment of the principal on the outstanding notes together with interest payable on the notes. The 2004 Notes were fully redeemed during the year on their maturity date.

- (b) The bank loans carry interest at commercial lending rates.

35. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured and interest free without fixed repayment terms. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

36. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates are unsecured and interest free without fixed repayment terms. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current.

37. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting periods.

	<i>Accelerated tax depreciation</i> HK\$'000	<i>Tax losses</i> HK\$'000	<i>Others</i> HK\$'000	<i>Total</i> HK\$'000
At 1st July, 2003	77,710	(38,888)	7,261	46,083
Charge (credit) to income statement	26,188	(18,369)	755	8,574
At 30th June, 2004	103,898	(57,257)	8,016	54,657
Charge (credit) to income statement	30,590	(19,531)	(901)	10,158
At 30th June, 2005	134,488	(76,788)	7,115	64,815

The deferred tax assets and liabilities have been offset for the purposes of balance sheet presentation.

At the balance sheet date, the Group had available unused tax losses and other deductible temporary differences of HK\$1,621 million (2004: HK\$1,571 million) and HK\$206 million (2004: HK\$670 million) respectively for offset against future profits. A deferred tax asset of HK\$77 million (2004: HK\$57 million) in respect of tax losses has been recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$1,180 million (2004: HK\$1,244 million) and the other deductible temporary differences of HK\$206 million (2004: HK\$670 million) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

In addition, the Group had potential deductible temporary differences in respect of the losses incurred on an overseas infrastructure project which has been unilaterally terminated. Since the grounds for termination are disputed, it is not practicable at this stage to quantify the amount of deductible temporary differences which have yet to be agreed with the local tax authority.

Temporary differences arising in connection with the interests in associates and jointly controlled entities are insignificant.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

38. DISPOSAL OF SUBSIDIARIES

	2004 HK\$'000	2005 HK\$'000
Net assets disposed:		
Properties under development	158,195	–
Trade and other receivables	4,519	–
Bank balances and cash	248	–
Trade and other payables	(12,299)	–
Long-term bank and other loans	(133,881)	–
	16,782	–
Gain on disposal of a development property (note 9)	16,388	–
	33,170	–
Sales consideration recognised	33,170	–
Net cash inflow arising on disposal:		
Cash consideration received	7,820	–
Bank balances and cash disposed of	(248)	–
	7,572	–

The subsidiaries disposed of during the year ended 30th June, 2004 did not contribute significantly to the Group's cash flows, turnover and profit from operations for the year.

39. PROJECT COMMITMENTS

(a) Road and highway projects in the PRC

Pursuant to the agreements as referred to in note 23(b) entered into with a PRC party for the investment in and the construction and operation of Phase II West, which is undertaken by West Route JV, the estimated total development cost of Phase II West is RMB4,900 million, of which RMB1,715 million is to be funded by an increase in the registered capital of West Route JV to be contributed by the Group and the PRC joint venture partner in equal shares. The outstanding registered capital of West Route JV to be contributed by the Group as at the balance sheet date amounted to approximately RMB858 million.

The total development cost for Phase III of the Western Delta Route, which will be developed by a joint venture company, is estimated to be in the region of RMB3,600 million, of which RMB1,260 million in total will be provided by the Group and the PRC joint venture partner in equal shares by way of contribution to the registered capital of the joint venture company undertaking the project. At 30th June, 2005, no contribution to the registered capital of the joint venture company had been made by the Group in this respect as the detailed terms for the development of this project have yet to be finalized.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

39. PROJECT COMMITMENTS (continued)

(b) 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. The development cost of the project is estimated to be in the region of RMB5,300 million. The project, which is at a preliminary planning stage, is subject to approval by the relevant PRC authority and no development expenditure in this respect has been contracted for up to 30th June, 2005.

(c) Property development

(i) Projects undertaken by the Group

	2004 HK\$'000	2005 HK\$'000
Authorised but not yet contracted for	344,147	193,166
Contracted but not provided for	24,140	161,428
	368,287	354,594

(ii) Project undertaken by a jointly controlled entity

	2004 HK\$'000	2005 HK\$'000
Group's share of property development expenditure		
Authorised but not yet contracted for	235,000	312,635
Contracted but not provided for	11,555	153,578
	246,555	466,213

The Group has agreed to provide funds to finance the development of the property project of this jointly controlled entity to the extent of HK\$300 million (2004: HK\$300 million).

(d) Property renovation

	2004 HK\$'000	2005 HK\$'000
Property renovation expenditure		
Contracted but not provided for	3,885	40,539

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

40. OPERATING LEASE COMMITMENTS

The Group as lessor

Rental income from investment properties earned during the year is approximately HK\$283 million (2004: HK\$283 million). At the balance sheet date, the investment properties of the Group with an aggregate carrying amount of approximately HK\$4,326 million (2004: HK\$4,187 million) were rented out under operating leases. These properties have committed tenants for the next one to three years without termination options granted to the tenants.

At the balance sheet date, the Group had contracted with tenants for the following future minimum payments under non-cancellable operating leases:

	<i>The Group</i>	
	<i>2004</i>	<i>2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	136,421	139,368
In the second to fifth years inclusive	120,943	117,398
	257,364	256,766

41. CONTINGENCIES

(a) Disposal of CEPA

In connection with the disposal by the Group of its interests in Consolidated Electric Power Asia Limited ("CEPA") in prior years, the Group entered into an agreement with the purchaser under which the purchaser and its affiliates agreed to release and discharge the Group from all claims whatsoever they may have against the Group arising under the sale agreement. The Group has also agreed to release and discharge the purchaser and its affiliates from all claims whatsoever the Group may have against them. In this connection, the Group has agreed to give certain performance undertakings and indemnities to the purchaser and its affiliates, for which provisions totalling approximately HK\$164 million had been made in the financial statements in prior years. The provisions represent management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under such agreement. The directors are of the opinion that the provisions are not expected to be payable within one year from the balance sheet date and accordingly, are classified as non-current.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

41. CONTINGENCIES (continued)

(b) Transport system in Thailand

The Ministry of Transport and Communications of Thailand (“MOTC”) has issued termination notices to Hopewell (Thailand) Limited (“HTL”) to terminate the concession agreement entered into with HTL and reserved the right to claim for any damages arising from such termination. MOTC has also issued a letter to seize all the concession payments made by HTL and the performance bond of approximately HK\$94 million (2004: HK\$95 million) issued by a bank on behalf of HTL which was secured by the pledge of the Group’s bank deposits of the same amount. However, the Government party has been unable to seize the bond since grounds for termination are disputed. In 1998, MOTC confirmed the termination of the concession agreement and stated that HTL will be informed of the amount of damages in future. On the other hand, HTL contended that the concession has been confiscated or expropriated by MOTC outside the terms of the concession agreement and is claiming against MOTC for damages of the revised sum of approximately Baht 60 billion arising from the termination of the concession agreement and demanded MOTC to release the aforesaid performance bond. During the year, HTL has commenced arbitration proceedings, however, the directors consider it impracticable at this stage to assess the outcome of the actions taken.

(c) Other project

During the year, the legal action taken by a supplier against a subsidiary claiming, inter alia, compensation for alleged breach of contract of approximately HK\$33 million in connection with the construction of a road project in prior years was settled, resulting in no loss to the Group as the amount of settlement has been previously provided for.

(d) Guarantees

- (i) The bank loan facility of a jointly controlled entity of HK\$691 million (2004: HK\$698 million) utilised as at the balance sheet date is guaranteed by the Group.
- (ii) The credit facilities of the Company’s subsidiaries to the aggregate extent of HK\$5,579 million (2004: HK\$4,725 million), of which HK\$66 million (2004: HK\$1,246 million) was utilised at the balance sheet date, are guaranteed by the Company.

42. RETIREMENT BENEFIT SCHEME

The Group has established a Mandatory Provident Fund Scheme (the “MPF Scheme”) for its Hong Kong employees. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefit scheme contributions charged to the income statement represent contributions payable by the Group to the scheme at 5% of each of the employees’ monthly relevant income capped at HK\$20,000. At the balance sheet date, there were no forfeited contributions available to reduce future obligations. The contributions made by the Group to the MPF Scheme for the year are HK\$6,486,000 (2004: HK\$6,841,000).

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

43. PRINCIPAL SUBSIDIARIES

The following list contains only the details of the subsidiaries which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. Except as otherwise indicated, all the subsidiaries are private companies incorporated and are operating principally in the place of incorporation and all issued shares are ordinary shares. None of the subsidiaries had any loan capital outstanding during the year or at the end of the year.

Name of company	Paid up issued capital	Proportion of nominal value of issued ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
<i>Incorporated in Hong Kong:</i>				
Goldhill Investments Limited	2 shares of HK\$100 each and 60,600 non-voting deferred shares of HK\$100 each	–	100	Property investment
Hopewell China Development (Superhighway) Limited (ii)	2 shares of HK\$1 each and 4 non-voting deferred shares of HK\$1 each	–	72.91	Investment in super-highway project
Hopewell Construction Company, Limited	200,000 shares of HK\$100 each	–	100	Construction, project management and investment holding
HH Finance Limited	100,000 shares of HK\$10 each	100	–	Loan financing
HITEC Management Limited (formerly known as Primory Company Limited)	2 shares of HK\$1 each	–	100	Property management
Hopewell Food Industries Limited	1,000,000 shares of HK\$1 each	–	100	Restaurant operation
Hopewell Guangzhou-Zhuhai Superhighway Development Limited (ii)	2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each	–	74.78	Investment in super-highway project
Hopewell Housing Limited	30,000 shares of HK\$100 each	100	–	Property agents and investment holding
Hopewell Huang Gang Development Limited (ii)	2 shares of HK\$1 each	–	100	Property investment

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

43. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Paid up issued capital	Proportion of nominal value of issued ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
<i>Incorporated in Hong Kong: (continued)</i>				
Hopewell Property Management Company Limited	2 shares of HK\$100 each	100	–	Building and carpark management
Hopewell Shunde Roads Limited (ii)	2 shares of HK\$1 each	–	100	Investment in highway system project
Hopewell Slipform Engineering Limited	2,000,000 shares of HK\$1 each	–	100	Construction specialist sub-contractor
Hopewell 108 Limited	1,000 shares of HK\$100 each	–	100	Property investment
Hopewell Centre Management Limited (formerly known as Hopewell 109 Limited)	209,200 shares of HK\$100 each	100	–	Property management
Hopewell 110 Limited	10,000 shares of HK\$100 each	–	100	Property investment and development
International Trademart Company Limited	2 shares of HK\$1 each and 10,000 non-voting deferred shares of HK\$1 each	–	100	Property investment and operation of a trademart
Kowloon Panda Hotel Limited	2 shares of HK\$100 each and 20,000 non-voting deferred shares of HK\$100 each	–	100	Hotel ownership and operations
Lok Foo Company Limited	52,000 shares of HK\$100 each	100	–	Investment holding
Mega Hotels Management Limited	3,000,000 shares of HK\$1 each	–	100	Hotel management and investment holding
Panda Place Management Limited (formerly known as HH Secretarial Limited)	2 shares of HK\$1 each	–	100	Property management
Slipform Engineering Limited	1,000,001 shares of HK\$1 each	–	100	Construction, project consultant and investment holding

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

43. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Paid up issued capital	Proportion of nominal value of issued ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
<i>Incorporated in Hong Kong: (continued)</i>				
Wetherall Investments Limited	2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each	–	100	Property investment and investment holding
Yuba Company Limited	10,000 shares of HK\$1 each	–	100	Property investment
<i>Incorporated in Macau:</i>				
Slipform Engineering (Macau) Limited	500,000 shares of MOP 1 each	–	100	Construction
<i>Established in the PRC:</i>				
廣州市合和(花都)置業發展有限公司 (iii)	RMB99,200,000 (registered capital)	–	95	Property development
<i>Incorporated in the British Virgin Islands:</i>				
Anber Investments Limited	1 share of US\$1 each	–	100	Investment holding
Goldvista Properties Limited (i)	1 share of US\$1 each	–	100	Property investment
Guangzhou-Shenzhen Superhighway (Holdings) Ltd. (i)	20,000 shares of US\$1 each	–	100	Investment holding
Hopewell (Huadu) Estate Investment Company Limited (i)	1 share of US\$1 each	–	100	Investment holding
Hopewell Guangzhou Ring Road Limited (ii)	1 share of US\$1 each	–	74.78	Investment in highway system project
Kammer Investment Limited (i)	1 share of US\$1 each	100	–	Investment holding
Primax Investment Limited (i)	1 share of US\$1 each	100	–	Investment holding
Procelain Properties Ltd. (i)	1 share of US\$1 each	–	100	Property investment
Singway (B.V.I.) Company Limited (i)	1 share of US\$1 each	–	100	Property investment
Tubanan Power Limited (i)	100 shares of US\$1 each	–	100	Investment holding

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

43. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Paid up issued capital	Proportion of nominal value of issued ordinary capital held by the Company		Principal activities
		Directly	Indirectly	
		%	%	
<i>Incorporated in the Cayman Islands:</i>				
Delta Roads Limited (i)	46,422 shares of HK\$10 each	-	100	Investment holding
Hopewell Highway Infrastructure Limited (iv)	2,888,382,761 shares of HK\$0.1 each	-	74.78	Investment holding
<i>Incorporated in Thailand:</i>				
Hopewell (Thailand) Limited	1,500,000,000 shares of Baht 10 each	100	-	Investment in an elevated road and train system
<i>Incorporated in Indonesia:</i>				
P.T. Hi Power Tubanan I	179,125 shares of US\$100 each	-	80	Development of a power station project

Notes:

- (i) Operating principally in Hong Kong
- (ii) Operating principally in the PRC
- (iii) Sino foreign cooperative joint venture registered in the PRC
- (iv) Hopewell Highway Infrastructure Limited, a company listed on the Hong Kong Stock Exchange, is operating in Hong Kong and in the PRC through its subsidiaries and jointly controlled entities.

The non-voting deferred shares carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participation in any distribution on winding up.

Particulars of the subsidiaries, including those subsidiaries not listed above, will be annexed to the next annual return of the Company to be filed with The Registrar of Companies in accordance with the Companies Ordinance.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2005

44. PRINCIPAL ASSOCIATE

Particulars regarding the principal associate, which is incorporated and operating in Hong Kong, are as follows:

<i>Name of company</i>	<i>Proportion of nominal value of issued capital held by the Company %</i>	<i>Principal activities</i>
Granlai Company Limited	46	Property investment

This associate adopts 31st December as its financial year end date.

The directors are of the opinion that a complete list of all the associates will be of excessive length. Particulars of the associates, including those associates not listed above, will be annexed to the next annual return of the Company to be filed with The Registrar of Companies in accordance with the Companies Ordinance.

45. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 59 to 113 were approved and authorised for issue by the Board of Directors on 1st September, 2005.