

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

1. GENERAL

The Company is a listed public limited liability company incorporated in Hong Kong. Its ultimate holding company is Tsim Sha Tsui Properties Limited, a public limited company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 44.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

Since 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKAS(s)") and Hong Kong Financial Reporting Standards ("HKFRS(s)") (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 Combination", which is applicable for business combinations for which the agreement date is on or after 1st January, 2005.

HKFRS 3 Business Combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations", which is applicable for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions of subsidiaries and associates prior to 1st January, 2005 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has continued amortising such goodwill till 30th June, 2005 and will discontinue amortising such goodwill from 1st July, 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses, if any, after initial recognition.

Discount on acquisition (previously known as negative goodwill)

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place.

In previous years, negative goodwill arising on acquisitions prior to 1st January, 2005 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to discount on acquisition previously presented as a deduction from assets, the Group has continued amortising such discount till 30th June, 2005 and will discontinue amortising and derecognise all discount on acquisition at 1st July, 2005 with a corresponding increase in retained profits.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

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

The Group has applied HKFRS 3 for the acquisition of subsidiaries and associates for which the agreement dates are on or after 1st January, 2005. As there was no goodwill or discount on acquisition arose from such acquisitions, HKFRS 3 did not have material impact on the Group for the year ended 30th June, 2005.

In the current year, the Group has early adopted the following new HKFRSs. The revised accounting policies are set out in Note 4.

HKAS 40	Investment Property
HKAS Interpretation 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

The Group has elected to use the fair value model to account for its investment properties which requires increase or decrease in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. In previous years, investment properties under Statement of Standard Accounting Practice 13 “Accounting for investment properties” (“SSAP 13”) issued by the HKICPA were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st July, 2004 onwards. The amount held in investment property revaluation reserve at 1st July, 2004 of HK\$6,080,911,290 has been transferred to the Group’s retained profits (see Note 3 for the financial impact).

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HKAS Interpretation 21 which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the properties at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated and the balance on the Group’s investment property revaluation reserve at 1st July, 2003 has been decreased by HK\$1,246,088,019 (see Note 3 for the financial impact).

For those new HKFRSs that the Group has not early adopted in the financial statements for the year ended 30th June, 2005, the Group is in the process of making an assessment of the potential impact of those new HKFRSs but is not yet in a position to determine whether those new HKFRSs would have an effect on the results of operations and financial position of the Group. Those new HKFRSs may result in change in the future as to how the results and financial position of the Group are prepared and presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

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

The effects of changes in the accounting policies mentioned in Note 2 on the results for current year are as follows:

For the year ended 30th June, 2005

	HKAS 40 HK\$	HKAS Interpretation 21 HK\$	Total effect HK\$
Increase in cost of sales	(8,975,036)	–	(8,975,036)
Increase in fair value of investment properties	1,828,505,571	–	1,828,505,571
Increase in results attributable to associates	1,311,145,426	–	1,311,145,426
Decrease in profit on disposal of a subsidiary	(43,440,390)	–	(43,440,390)
Increase in deferred tax on revaluation of investment properties for subsidiaries and associates	–	(312,239,610)	(312,239,610)
(Increase) decrease in minority interests	(72,600,000)	367,500	(72,232,500)
Increase (decrease) in net profit for the year	<u>3,014,635,571</u>	<u>(311,872,110)</u>	<u>2,702,763,461</u>

The cumulative effects of the early adoption of the new HKFRSs as at 30th June, 2004 and 1st July, 2004 are summarised below:

	As at 30th June, 2004 (originally stated) HK\$	Retrospective adjustments HKAS Interpretation 21 HK\$	As at 30th June, 2004 (restated) HK\$	Adjustments on 1st July, 2004 HKAS 40 HK\$	As at 1st July, 2004 (restated) HK\$
Balance sheet items					
Interests in associates	10,467,487,485	(558,810,606)	9,908,676,879	–	9,908,676,879
Deferred taxation	(40,123,952)	(1,372,966,745)	(1,413,090,697)	–	(1,413,090,697)
Other assets and liabilities	21,266,646,730	–	21,266,646,730	–	21,266,646,730
	<u>31,694,010,263</u>	<u>(1,931,777,351)</u>	<u>29,762,232,912</u>	<u>–</u>	<u>29,762,232,912</u>
Investment property revaluation reserve	(8,011,870,486)	1,930,959,196	(6,080,911,290)	6,080,911,290	–
Retained profits	(8,395,464,712)	–	(8,395,464,712)	(6,080,911,290)	(14,476,376,002)
Capital and other reserves	(15,286,442,843)	–	(15,286,442,843)	–	(15,286,442,843)
	(31,693,778,041)	1,930,959,196	(29,762,818,845)	–	(29,762,818,845)
Minority interests	(232,222)	818,155	585,933	–	585,933
	<u>(31,694,010,263)</u>	<u>1,931,777,351</u>	<u>(29,762,232,912)</u>	<u>–</u>	<u>(29,762,232,912)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

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

The financial effects of the early adoption of the new HKFRSs to the Group's equity at 1st July, 2003 are summarised below:

	As at 1st July, 2003 (originally stated) HK\$	Retrospective adjustment HKAS Interpretation 21 HK\$	As at 1st July, 2003 (restated) HK\$
Investment property revaluation reserve	(3,679,917,683)	1,246,088,019	(2,433,829,664)
Retained profits	(7,272,818,196)	–	(7,272,818,196)
Capital and other reserves	(13,280,345,713)	–	(13,280,345,713)
	<u>(24,233,081,592)</u>	<u>1,246,088,019</u>	<u>(22,986,993,573)</u>

4. 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 subsidiaries 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

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition. Goodwill arising on the acquisitions with agreement date prior to 1st January, 2005 is amortised on a straight line basis over its useful economic life.

Goodwill arising on acquisitions with agreement date on or after 1st January, 2005, represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate at the date of acquisition, is measured at cost less accumulated impairment losses, if any, after initial recognition. The goodwill will be tested for impairment at least annually.

Goodwill arising on acquisitions of an associate is included within the carrying amount of the associate.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Discount on acquisition (previously known as negative goodwill)

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition. Negative goodwill arising on acquisitions with agreement date prior to 1st January, 2005 is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted. 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 period 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 an associate is deducted from the carrying value of that associate.

For business combination with agreement date on or after 1st January, 2005, any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate at the date of acquisition over the cost of acquisition is recognised immediately in the profit or loss for the year.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the goodwill/less the negative goodwill in so far as it has not already been amortised or released to income, less any identified impairment loss.

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

Where the accounting dates of the associates are different from the Group's accounting date, their results accounted for in the Group's financial statements are based on their latest audited financial statements and/or management accounts made up to 30th June each year.

Investments in securities

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

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments in securities *(Continued)*

Where securities are held for trading purposes, unrealised gains and losses are included in the profit or loss for the year. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year.

Investment properties

Starting from 1st July, 2004, investment properties including property interests that are held under an operating lease, which are properties held to earn rentals and/or for capital appreciation, are stated at fair value at the balance sheet date. Increase or decrease in the fair value of investment properties are included in the net profit or loss for the year in which they arise.

Prior to 1st July, 2004, investment properties were stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties was credited or charged to the investment property revaluation reserve unless the balance of this reserve was insufficient to cover a deficit, in which case the excess of the revaluation deficit over the balance on the investment property revaluation reserve was charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus was credited to the income statement to the extent of the deficit previously charged.

Hotel property

Hotel property is stated at cost and no depreciation is provided on hotel property held on leases of more than twenty years. It is the Group's practice to maintain the properties in a continual state of sound repairs and maintenance, and accordingly, the Directors consider that depreciation is not necessary due to their high residual value. The related maintenance expenditure is dealt with in the income statement in the year of expenditure.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Computer system	20%
Furniture, fixtures and equipment	10% – 20%
Leasehold improvements	20%
Motor vehicles	20%
Plant and machinery	10% – 20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 loss is recognised as an expense immediately.

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.

Properties under development

Properties under development which are developed for sale are included in current assets at the lower of cost and estimated net realisable value.

Stocks of unsold properties

Stocks of unsold properties are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the unsold properties.

Hotel inventories

Hotel inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted average cost method.

Other non-current asset

Other non-current asset represents a club membership and is stated at cost less any identified impairment loss.

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the year in which they are incurred.

Deferred loan arrangement fees

Deferred loan arrangement fees are deferred and amortised to the income statement over the repayment term of the loan on a straight line basis to provide a constant periodic rate of charge.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Convertible bonds/notes

Convertible bonds/notes are stated at the aggregate of the net proceeds from the issue plus finance costs provided.

The net proceeds represent the amount received on the issue of the convertible bonds/notes after deduction of direct issue costs. Direct issue costs are amortised to the income statement on a straight line basis over the period from the date of issue to the date on which the bondholders/noteholders exercise their redemption option (the “bondholders’/noteholders’ redemption date”). If any of the convertible bonds/notes are purchased and cancelled, redeemed or converted prior to the bondholders’/noteholders’ redemption date, any remaining unamortised costs attributable to the convertible bonds/notes purchased will be written off immediately to the income statement.

Finance costs represent the premium, if any, that is to be paid to the bondholders/noteholders upon redemption on or before the bondholders’/noteholders’ redemption date. The estimated premium is provided for at a constant rate over the period when the bondholders’/noteholders’ redemption option is outstanding and is charged to the income statement. If any of the convertible bonds/notes are purchased and cancelled prior to the bondholders’/noteholders’ redemption date, any provision of such redemption premium in previous years in respect of the convertible bonds/notes purchased or converted will be taken to the income statement.

The gain or loss on purchase of convertible bonds/notes, representing the difference between the consideration paid and the nominal value of the convertible bonds/notes purchased, is recognised in the income statement.

Revenue and profit recognition

- (a) Revenue and profit on the sales of properties are recognised upon transfer of risk and reward of ownership.
- (b) Income from properties developed for sale is recognised on the execution of a binding sale agreement or when the relevant occupation permit is issued by the respective building authority, whichever is later. Payments received from the purchasers prior to this stage are recorded as deposits received on sales of properties and presented as current liabilities.
- (c) Sales of listed investments are recognised on a trade date basis.
- (d) Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.
- (e) Building management and service fee income is recognised on an appropriate basis over the relevant period in which the services are rendered.
- (f) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue and profit recognition *(Continued)*

- (g) Where properties are sold under deferred terms, the difference between the sales prices with and without such terms is treated as deferred interest income and is released to the income statement on a straight line basis over the repayment period commencing from the completion of the relevant sales agreements.
- (h) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.
- (i) Hotel income is recognised when services are provided.

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 income statement items that are never taxable or deductible.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries 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 assets 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 to 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign 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 year.

On consolidation, the assets and liabilities of the Group's foreign operations are translated at 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 reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits costs

Payments to the retirement benefits schemes are charged as an expense as they fall due.

5. TURNOVER

	2005 HK\$	2004 HK\$
Sales of properties held for sale	2,483,157,612	2,592,400,047
Gross rental income from properties	868,215,942	830,446,466
Building management and service fee income	417,884,427	421,210,100
Hotel operations	278,708,249	253,072,006
Interest income from loans receivable	24,154,396	54,277,759
Sales of investment properties	15,717,000	19,727,900
Dividend income		
listed investments	53,453,837	49,824,480
unlisted investments	9,450,339	9,282,031
	<u>4,150,741,802</u>	<u>4,230,240,789</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions – property, investments in securities, financing, hotel and building management and services. These operating divisions are the basis on which the Group reports its primary segment information as follows:

INCOME STATEMENT

For the year ended 30th June, 2005

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$
REVENUE							
Turnover							
Property rental	868,215,942	-	-	-	-	-	868,215,942
Property sales	2,498,874,612	-	-	-	-	-	2,498,874,612
Hotel operations	-	-	-	278,708,249	-	-	278,708,249
Management services	65,498,296	-	-	-	352,386,131	-	417,884,427
Share investment and dealing	-	62,904,176	-	-	-	-	62,904,176
Financing	-	-	24,154,396	-	-	-	24,154,396
	<u>3,432,588,850</u>	<u>62,904,176</u>	<u>24,154,396</u>	<u>278,708,249</u>	<u>352,386,131</u>	-	<u>4,150,741,802</u>
Other operating income	17,397,278	731,174	961,294	-	25,986,667	-	45,076,413
Inter-segment sales *	-	-	-	-	20,943,171	(20,943,171)	-
Total revenue	<u>3,449,986,128</u>	<u>63,635,350</u>	<u>25,115,690</u>	<u>278,708,249</u>	<u>399,315,969</u>	<u>(20,943,171)</u>	<u>4,195,818,215</u>
SEGMENT RESULT	<u>3,585,192,778</u>	<u>306,119,309</u>	<u>25,115,690</u>	<u>140,184,789</u>	<u>143,250,154</u>	-	<u>4,199,862,720</u>
Unallocated corporate expenses							(395,298,361)
Profit from operations							3,804,564,359
Net finance costs							(77,848,692)
Results attributable to associates	2,385,511,661	(23,340)	589,587	51,869,381	1,501,170	-	2,439,448,459
Profit on disposal of a subsidiary	57,000,000	-	-	-	-	-	57,000,000
Profit before taxation							6,223,164,126
Income tax expense							(709,964,389)
Profit before minority interests							5,513,199,737
Minority interests							(288,169,923)
Net profit for the year							<u>5,225,029,814</u>

* Inter-segment sales were charged at cost plus margin basis as agreed between both parties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET

At 30th June, 2005

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$
ASSETS						
Segment assets	32,007,064,003	2,180,454,921	1,472,716,847	1,654,710,196	1,458,164,290	38,773,110,257
Interests in associates	9,041,812,837	1,150,227	(3,654,521)	816,423,207	1,006,810,231	10,862,541,981
Amounts due from associates	1,283,200,495	13,920,021	55,121,983	–	63,838,468	1,416,080,967
Unallocated corporate assets						225,700,970
Consolidated total assets						<u>51,277,434,175</u>
LIABILITIES						
Segment liabilities	1,474,514,773	2,810,706	278,665,892	57,462,871	47,418,195	1,860,872,437
Amounts due to associates	251,528,752	459,603	300	–	11,832,926	263,821,581
Advance from associates	1,644,891,359	–	–	232,617,476	–	1,877,508,835
Borrowings						10,705,152,263
Unallocated corporate liabilities						1,900,882,074
Consolidated total liabilities						<u>16,608,237,190</u>

OTHER INFORMATION

For the year ended 30th June, 2005

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$
Amortisation of goodwill	308,611	–	–	12,645,817	–	12,954,428
Capital additions	812,561	–	–	6,002,407	16,552,599	23,367,567
Depreciation	601,668	698,505	–	9,192,290	8,486,474	18,978,937
Investment property additions	172,685,419	–	–	–	–	172,685,419

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

INCOME STATEMENT

For the year ended 30th June, 2004

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$
REVENUE							
Turnover							
Property rental	830,446,466	-	-	-	-	-	830,446,466
Property sales	2,612,127,947	-	-	-	-	-	2,612,127,947
Hotel operations	-	-	-	253,072,006	-	-	253,072,006
Management services	66,054,225	-	-	-	355,155,875	-	421,210,100
Share investment and dealing	-	59,106,511	-	-	-	-	59,106,511
Financing	-	-	54,277,759	-	-	-	54,277,759
	<u>3,508,628,638</u>	<u>59,106,511</u>	<u>54,277,759</u>	<u>253,072,006</u>	<u>355,155,875</u>	<u>-</u>	<u>4,230,240,789</u>
Other operating income	12,278,730	3,768,818	481,324	-	19,167,511	-	35,696,383
Inter-segment sales *	-	-	-	-	24,693,618	(24,693,618)	-
	<u>3,520,907,368</u>	<u>62,875,329</u>	<u>54,759,083</u>	<u>253,072,006</u>	<u>399,017,004</u>	<u>(24,693,618)</u>	<u>4,265,937,172</u>
Total revenue	<u>3,520,907,368</u>	<u>62,875,329</u>	<u>54,759,083</u>	<u>253,072,006</u>	<u>399,017,004</u>	<u>(24,693,618)</u>	<u>4,265,937,172</u>
SEGMENT RESULT	<u>1,123,056,933</u>	<u>124,502,009</u>	<u>54,759,083</u>	<u>120,590,142</u>	<u>145,681,172</u>	<u>-</u>	<u>1,568,589,339</u>
Unallocated corporate expenses							(344,679,005)
Profit from operations							1,223,910,334
Net finance costs							(74,626,117)
Results attributable to associates	465,822,625	(22,195)	(1,151,350)	43,365,281	2,124,794	-	510,139,155
Loss on disposal of associates	-	-	-	-	(7,558,625)	-	(7,558,625)
Profit before taxation							1,651,864,747
Income tax expense							(235,781,904)
Profit before minority interests							1,416,082,843
Minority interests							(7,256,218)
Net profit for the year							<u>1,408,826,625</u>

* Inter-segment sales were charged at cost plus margin basis as agreed between both parties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET

At 30th June, 2004

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$ (as restated)
ASSETS						
Segment assets	27,989,360,009	1,907,545,388	1,006,759,542	1,653,660,691	1,329,689,338	33,887,014,968
Interests in associates	9,176,437,121	3,873,567	(3,840,887)	775,240,936	(43,033,858)	9,908,676,879
Amounts due from associates	1,468,531,290	14,906,467	99,707,228	–	46,381,954	1,629,526,939
Unallocated corporate assets						180,398,723
Consolidated total assets						<u>45,605,617,509</u>
LIABILITIES						
Segment liabilities	5,322,108,241	20,058,772	52,810,654	40,900,127	57,003,826	5,492,881,620
Amounts due to associates	208,053,416	2,959,323	–	–	15,935,936	226,948,675
Advances from associates	1,711,014,623	–	–	230,653,990	–	1,941,668,613
Borrowings						6,651,252,792
Unallocated corporate liabilities						1,530,632,897
Consolidated total liabilities						<u>15,843,384,597</u>

OTHER INFORMATION

For the year ended 30th June, 2004

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$
Amortisation of goodwill	308,611	–	–	12,645,817	–	12,954,428
Capital additions	867,430	–	–	763,328	5,316,171	6,946,929
Depreciation	471,566	855,441	–	6,379,174	6,907,014	14,613,195
Hotel property additions	–	–	–	768,013	–	768,013
Impairment loss on investments in other securities	–	17,621,750	–	–	–	17,621,750
Investment property additions	3,375,364	–	–	–	–	3,375,364

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

Most of the activities of the Group are based in Hong Kong and more than 90% of the Group's turnover, profit before taxation, assets and liabilities are derived from activities in Hong Kong.

7. PROFIT FROM OPERATIONS

	2005 HK\$	2004 HK\$
Profit from operations has been arrived at after charging (crediting):		
Staff costs including Directors' remuneration	469,093,533	432,861,515
Retirement benefits scheme contributions	21,758,893	20,074,613
Total staff costs	<u>490,852,426</u>	<u>452,936,128</u>
Auditors' remuneration		
– audit services	1,800,176	1,570,454
– non audit services	765,000	245,000
Cost of hotel inventories recognised	29,634,804	34,060,821
Depreciation	18,978,937	14,613,195
(Profit) loss on disposal of investment properties	(467,207)	4,152,457
Loss on disposal of property, plant and equipment	609,209	1,495,281
Net exchange gain	<u>(228,163)</u>	<u>(296,621)</u>

8. FINANCE INCOME

	2005 HK\$	2004 HK\$
Interest income on:		
advances to associates	45,398,751	61,243,187
advances to investee companies	6,808,773	6,861,545
bank deposits	17,460,972	14,524,911
	<u>69,668,496</u>	<u>82,629,643</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

9. FINANCE COSTS

	2005 HK\$	2004 HK\$
Interest on:		
bank loans and overdrafts wholly repayable within five years	126,864,853	105,429,514
other loans wholly repayable within five years	35,828,529	46,854,001
convertible bonds/notes	23,810,764	21,718,750
Amortisation of issue costs of convertible bonds/notes	5,712,253	3,787,405
Amortisation of loan arrangement fees	3,758,197	9,081,698
Commitment fees	9,328,730	19,615,465
Provision for premium on redemption of convertible notes	–	8,423,671
Write-back of premium on redemption of convertible notes upon conversion	–	(27,010,685)
Write-off of unamortised issue costs of convertible notes upon conversion	–	25,420,895
Write-off of deferred loan arrangement fees upon early repayment of loans	–	1,240,556
	<u>205,303,326</u>	<u>214,561,270</u>
Less: Amounts capitalised to properties under development	<u>(57,786,138)</u>	<u>(57,305,510)</u>
	<u>147,517,188</u>	<u>157,255,760</u>

10. RESULTS ATTRIBUTABLE TO ASSOCIATES

	2005 HK\$	2004 HK\$
Results attributable to associates comprise:		
Share of profits of associates	2,447,274,489	517,965,185
Amortisation of goodwill arising on acquisition of associates	(12,954,428)	(12,954,428)
Release of negative goodwill arising on acquisition of an associate	<u>5,128,398</u>	<u>5,128,398</u>
	<u>2,439,448,459</u>	<u>510,139,155</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

11. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the eleven (2004: eight) directors were as follows:

2005

	Mr. Robert Ng Chee Siong HK\$	Mr. Albert Yeung Pak Hin HK\$	Mr. Raymond Tong Kwok Tung HK\$	Mr. Yu Wai Wai HK\$	Mr. Thomas Tang Wing Yung* HK\$	Mr. Daryl Ng Win Kong HK\$	Mr. Ronald Joseph Arculli HK\$	Mr. Paul Cheng Ming Fun HK\$	Dr. Allan Zeman HK\$	Mr. Adrian David Li Man-kiu HK\$	Dr. Fu Yuning HK\$	Total HK\$
Fees	30,000	-	40,000	20,000	5,000	5,000	180,000	165,000	150,000	45,000	15,000	655,000
Other emoluments												
Salaries and other benefits	1,208,880	2,285,075	3,681,360	2,340,292	892,243	117,549	-	-	-	-	-	10,525,399
Retirement benefits scheme contributions	12,000	26,691	12,000	36,000	4,500	2,100	-	-	-	-	-	93,291
Discretionary bonus (note)	-	360,000	302,245	255,000	2,300,000	-	-	-	-	-	-	3,217,245
Total emoluments	1,250,880	2,671,766	4,035,605	2,651,292	3,201,743	124,649	180,000	165,000	150,000	45,000	15,000	14,490,935

2004

	Mr. Robert Ng Chee Siong HK\$	Mr. Albert Yeung Pak Hin HK\$	Mr. Raymond Tong Kwok Tung HK\$	Mr. Yu Wai Wai HK\$	Mr. Ivan Lee Wank-hay HK\$	Mr. Lam Yu Yee HK\$	Mr. Ronald Joseph Arculli HK\$	Mr. Paul Cheng Ming Fun HK\$	Total HK\$
Fees	30,000	20,000	40,000	20,000	20,000	-	180,000	180,000	490,000
Other emoluments									
Salaries and other benefits	1,191,000	2,160,000	3,682,864	1,800,000	2,084,385	518,424	-	-	11,436,673
Retirement benefits scheme contributions	12,000	36,000	12,000	36,000	18,000	1,500	-	-	115,500
Discretionary bonus (note)	-	360,000	210,000	280,000	140,800	-	-	-	990,800
Total emoluments	1,233,000	2,576,000	3,944,864	2,136,000	2,263,185	519,924	180,000	180,000	13,032,973

* Mr. Thomas Tang Wing Yung was appointed as an Executive Director of the Company on 1st April, 2005. The total emolument paid to Mr. Thomas Tang Wing Yung as an employee and a Director of the Company amounted to HK\$5,387,649 for the year ended 30th June 2005.

Note: Discretionary bonus is determined primarily based on the performance of each director and the profitability of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2004: three) are Executive Directors of the Company, whose emoluments are included in Note 11 above. The emoluments of the remaining three (2004: two) individuals disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are as follows:

	2005 HK\$	2004 HK\$
Salaries and other emoluments (including basic salaries, housing allowances, other allowances and benefits in kind)	8,605,002	5,113,060
Retirement benefits scheme contributions	30,000	18,000
Discretionary bonus	167,365	–
	<u>8,802,367</u>	<u>5,131,060</u>

The emoluments were within the following bands:

	Number of individuals	
HK\$	2005	2004
2,000,001 – 2,500,000	–	1
2,500,001 – 3,000,000	<u>3</u>	<u>1</u>

For the years ended 30th June, 2005 and 2004, no emoluments were paid by the Group to these five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no Director waived any emoluments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

13. INCOME TAX EXPENSE

	2005 HK\$	2004 HK\$
The charge comprises:		
Taxation attributable to the Company and its subsidiaries		
Hong Kong Profits Tax		
Provision for the year	187,226,230	97,458,759
Under (over) provision in previous years	489,378	(415,276)
	<u>187,715,608</u>	<u>97,043,483</u>
Taxation in other jurisdictions		
Provision for the year	7,715,124	13,473,449
Overprovision in previous years	(18,432,357)	–
	<u>176,998,375</u>	<u>110,516,932</u>
Deferred taxation (Note 32)	<u>252,779,903</u>	<u>7,770,860</u>
Share of taxation attributable to associates		
Hong Kong Profits Tax	150,146,205	109,842,267
Deferred taxation	130,039,906	7,651,845
	<u>280,186,111</u>	<u>117,494,112</u>
	<u>709,964,389</u>	<u>235,781,904</u>

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year. Taxation in other jurisdictions is provided for in accordance with the respective local requirements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

13. INCOME TAX EXPENSE (Continued)

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005 HK\$	2004 HK\$
Profit before taxation	<u>6,223,164,126</u>	<u>1,651,864,747</u>
Tax at Hong Kong Profits Tax rate of 17.5%	1,089,053,722	289,076,331
Tax effect of results attributable to associates	(148,086,924)	26,850,204
Tax effect of expenses not deductible for tax purpose	12,069,549	8,946,405
Tax effect of income not taxable for tax purpose	(44,112,329)	(12,771,646)
Overprovision in previous years	(17,942,979)	(415,276)
Tax effect of tax losses not recognised	83,421,704	65,771,859
Tax effect of deferred tax assets not recognised	3,994,465	272,624
Utilisation of tax losses previously not recognised	(151,667,160)	(112,644,917)
Utilisation of deferred tax assets previously not recognised	(153,571,257)	(31,551,231)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>36,805,598</u>	<u>2,247,551</u>
Tax charge for the year	<u>709,964,389</u>	<u>235,781,904</u>

Details of deferred taxation are set out in Note 32.

The Inland Revenue Department ("IRD") initiated tax inquiries for the years of assessment 1995/96 to 1998/99 on a wholly-owned subsidiary, Sing-Ho Finance Company Limited ("Sing-Ho Finance"). Notices of assessment for additional tax in an aggregate sum of approximately HK\$270,507,000 were issued to Sing-Ho Finance for the years under review and objections were properly lodged with the IRD by Sing-Ho Finance. The IRD also initiated a tax inquiry for the years of assessment 1998/99 to 2001/02 on another wholly-owned subsidiary, City Empire Limited ("City Empire"). Notices of assessment for additional tax of approximately HK\$263,438,000 were issued to City Empire for the years under review and objections were properly lodged with the IRD by City Empire. In the opinion of the Directors, in view of the tax inquiries are still at the stage of collation of evidence, the ultimate outcome of these tax inquiries cannot presently be determined with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

14. DIVIDENDS

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Final dividend paid for the year ended 30th June, 2004: HK7 cents (2003: HK2 cents) per share	301,421,608	77,726,686
Interim dividend paid for the year ended 30th June, 2005: HK8.5 cents (2004: HK5 cents) per share	368,206,098	208,453,423
	<u>669,627,706</u>	<u>286,180,109</u>

During the year, scrip dividends were offered in respect of the 2004 final and 2005 interim dividends. These scrip alternatives were accepted by the majority of shareholders, as follows:

	Interim <i>HK\$</i>	Final <i>HK\$</i>
Dividends:		
Cash	68,032,772	90,430,426
Scrip alternatives	300,173,326	210,991,182
	<u>368,206,098</u>	<u>301,421,608</u>

A final dividend of HK11.5 cents per share for the year ended 30th June, 2005 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2005 HK\$	2004 HK\$
Earnings for the purposes of basic earnings per share	5,225,029,814	1,408,826,625
Effect of dilutive potential ordinary shares: Reduction of finance costs, net of tax	<u>19,643,880</u>	<u>24,867,498</u>
Earnings for the purposes of diluted earnings per share	<u>5,244,673,694</u>	<u>1,433,694,123</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	4,322,903,984	3,988,279,742
Effect of dilutive potential ordinary shares: Convertible bonds/notes	<u>158,146,787</u>	<u>285,386,856</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>4,481,050,771</u>	<u>4,273,666,598</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

16. INVESTMENT PROPERTIES

	Investment properties in Hong Kong held under long leases <i>HK\$</i>	Investment properties in Hong Kong held under medium- term leases <i>HK\$</i>	Investment property in Singapore held under a long lease <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP				
VALUATION/FAIR VALUE				
At 1st July, 2003	883,000,000	12,074,815,500	335,091,650	13,292,907,150
Exchange realignment	–	–	9,339,350	9,339,350
Additions	–	3,167,506	207,858	3,375,364
Transfer from properties under development	–	71,340,167	72,862,859	144,203,026
Disposals	–	(22,432,617)	–	(22,432,617)
Surplus (deficit) on revaluation	124,000,000	3,359,249,564	(34,978,017)	3,448,271,547
At 30th June, 2004 and at 1st July, 2004	1,007,000,000	15,486,140,120	382,523,700	16,875,663,820
Exchange realignment	–	–	4,190,741	4,190,741
Acquisition of subsidiaries	–	70,600,000	–	70,600,000
Additions	410,000	100,916,934	758,485	102,085,419
Transfer from properties under development	–	99,384,779	–	99,384,779
Disposals	–	(15,249,793)	–	(15,249,793)
Disposal of a subsidiary	(83,000,000)	–	–	(83,000,000)
Increase (decrease) in fair value	147,590,000	1,726,007,320	(45,091,749)	1,828,505,571
At 30th June, 2005	1,072,000,000	17,467,799,360	342,381,177	18,882,180,537

The investment properties of the Group located in Hong Kong and in Singapore are stated at independent professional valuations on an open market value basis at 30th June, 2005 conducted by Chesterton Petty Limited and Knight Frank Pte. Ltd., Chartered Surveyors, respectively. Prior to 1st July, 2004, the net surplus arising on revaluation has been credited to the investment property revaluation reserve. Subsequent to 1st July, 2004, the net increase in fair value on revaluation for the year has been credited to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

17. HOTEL PROPERTY

	Hotel property in Singapore held under a long lease HK\$
THE GROUP COST	
At 1st July, 2004 and 30th June, 2005	<u>1,179,346,094</u>

18. PROPERTY, PLANT AND EQUIPMENT

	Computer system HK\$	Furniture, fixtures and equipment HK\$	Leasehold improvements HK\$	Motor vehicles HK\$	Plant and machinery HK\$	Total HK\$
THE GROUP COST						
At 1st July, 2004	31,342,566	73,722,026	19,467,507	13,296,150	7,059,970	144,888,219
Additions	5,672,870	6,855,850	7,732,588	2,458,565	647,694	23,367,567
Disposals	(219,376)	(656,223)	(1,487,414)	(2,299,610)	–	(4,662,623)
At 30th June, 2005	<u>36,796,060</u>	<u>79,921,653</u>	<u>25,712,681</u>	<u>13,455,105</u>	<u>7,707,664</u>	<u>163,593,163</u>
DEPRECIATION						
At 1st July, 2004	22,010,008	28,107,208	17,584,871	8,787,892	5,751,954	82,241,933
Provided for the year	5,819,453	8,501,595	2,479,941	1,286,367	891,581	18,978,937
Eliminated on disposals	(185,959)	(341,746)	(1,116,988)	(1,814,440)	–	(3,459,133)
At 30th June, 2005	<u>27,643,502</u>	<u>36,267,057</u>	<u>18,947,824</u>	<u>8,259,819</u>	<u>6,643,535</u>	<u>97,761,737</u>
NET BOOK VALUES						
At 30th June, 2005	<u>9,152,558</u>	<u>43,654,596</u>	<u>6,764,857</u>	<u>5,195,286</u>	<u>1,064,129</u>	<u>65,831,426</u>
At 30th June, 2004	<u>9,332,558</u>	<u>45,614,818</u>	<u>1,882,636</u>	<u>4,508,258</u>	<u>1,308,016</u>	<u>62,646,286</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005 HK\$	2004 HK\$
At cost, less impairment losses recognised	49,716,776	80,137,850
Advances to subsidiaries, less allowances	25,832,602,713	23,694,005,740
	<u>25,882,319,489</u>	<u>23,774,143,590</u>

The advances to subsidiaries are unsecured and have no fixed repayment terms. At 30th June, 2005, of the advances, HK\$17,129,998,571 (2004: HK\$15,530,371,016) bears interest at cost of funds plus margin basis and the remaining balance is interest-free. In the opinion of the Directors, the Company will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

The carrying amount of the investments in subsidiaries is reduced to their recoverable amounts which are determined by reference to the carrying value of the underlying assets of the respective subsidiaries.

Particulars of the Company's principal subsidiaries at 30th June, 2005 are set out in Note 44.

20. INTERESTS IN ASSOCIATES

	THE COMPANY		THE GROUP	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$ (as restated)
Unlisted shares, at cost	515,741,342	516,687,714	–	–
Share of net assets	–	–	3,659,741,603	1,959,159,136
Goodwill (Note)	–	–	142,498,716	155,453,144
Negative goodwill (Note)	–	–	(84,618,548)	(89,746,946)
	<u>515,741,342</u>	<u>516,687,714</u>	<u>3,717,621,771</u>	<u>2,024,865,334</u>
Advances to associates, less allowances	2,840,000	2,840,000	7,144,920,210	7,883,811,545
	<u>518,581,342</u>	<u>519,527,714</u>	<u>10,862,541,981</u>	<u>9,908,676,879</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

20. INTERESTS IN ASSOCIATES (Continued)

Note:

	THE GROUP	
	Goodwill	Negative goodwill
	HK\$	HK\$
GROSS AMOUNTS		
At 1st July, 2004 and at 30th June, 2005	<u>259,088,568</u>	<u>(102,567,940)</u>
AMORTISATION		
At 1st July, 2004	103,635,424	(12,820,994)
Charged (released) for the year	<u>12,954,428</u>	<u>(5,128,398)</u>
At 30th June, 2005	<u>116,589,852</u>	<u>(17,949,392)</u>
CARRYING AMOUNTS		
At 30th June, 2005	<u>142,498,716</u>	<u>(84,618,548)</u>
At 30th June, 2004	<u>155,453,144</u>	<u>(89,746,946)</u>

The amortisation period adopted for goodwill and negative goodwill is twenty years.

The investment properties of the Group's principal associates are stated at independent professional valuations on an open market value basis at 30th June, 2005 conducted by Chesterton Petty Limited and Debenham Tie Leung, Chartered Surveyors. The carrying value of the interests in associates shown above includes the Group's attributable share of the revaluation surplus.

The advances to associates are unsecured and have no fixed repayment terms. At 30th June, 2005, of the Group's advances to associates of the Group, HK\$1,828,701,732 (2004: HK\$1,787,233,502) bears interest at cost of funds plus margin basis and the remaining balance is interest-free. The advances to associates of the Company are interest-free. In the opinion of the Directors, the Group will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

The amounts due from associates of the Group and the Company grouped under current assets are unsecured and repayable on demand. At 30th June, 2005, of the amounts due from associates of the Group, HK\$246,881,224 (2004: HK\$451,511,280) bears interest at cost of funds plus margin basis and the remaining balance is interest-free.

The amounts due to associates of the Group and the Company grouped under current liabilities are unsecured and due within one year. At 30th June, 2005, the amount is interest-free whereas at 30th June, 2004, of the amounts due to associates of the Group, HK\$204,500,000 bore interest at cost of funds plus margin basis and the remaining balance was interest-free.

Particulars of the principal associates at 30th June, 2005 are set out in Note 45.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

20. INTERESTS IN ASSOCIATES (Continued)

Information in respect of the operating results and financial position of the Group's significant associates, which have been extracted from the audited consolidated financial statements of Million Success Limited and the audited financial statements of Greenroll Limited and Grace Sign Limited which have been adjusted to conform with the Group's accounting policies, are summarised as follows:

	Million Success Limited		Greenroll Limited		Grace Sign Limited	
	2005 HK\$	2004 HK\$ (as restated)	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Results for the year						
Turnover	191,055,174	195,263,792	544,877,000	480,127,000	1,625,610,800	4,599,470,380
Profit from ordinary activities before taxation	968,046,896	106,273,741	197,956,000	169,609,000	850,317,752	1,684,537,325
Profit from ordinary activities before taxation attributable to the Group	242,011,724	26,568,435	59,386,800	50,882,700	255,095,326	505,361,198
Financial position						
Non-current assets	11,816,825,956	10,962,243,344	3,392,776,000	3,375,862,000	–	–
Current assets	296,027,134	307,432,628	216,907,000	177,175,000	1,385,162,118	2,228,382,721
Current liabilities	(223,010,004)	(219,176,404)	(204,807,000)	(158,400,000)	(553,655,163)	(479,644,806)
	73,017,130	88,256,224	12,100,000	18,775,000	831,506,955	1,748,737,915
Non-current liabilities	(6,417,713,101)	(6,656,792,791)	(865,083,480)	(1,017,176,780)	–	(359,205,636)
Net assets	5,472,129,985	4,393,706,777	2,539,792,520	2,377,460,220	831,506,955	1,389,532,279
Net assets attributable to the Group	1,368,032,496	1,098,426,694	761,937,756	713,238,066	249,452,087	416,859,684

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

20. INTERESTS IN ASSOCIATES (Continued)

The IRD initiated tax inquiries for the years of assessment 1994/95 to 2002/03 on a wholly-owned subsidiary, Wide Harvest Investment Limited (“WHI”), of the Group’s associate, Million Success Limited (“MSL”) and for the years of assessment 1994/95 to 1998/99 on a wholly-owned subsidiary, Murdoch Investments Inc. (“MII”), of the Group’s associate, Erleigh Investment Limited. Notices of assessment for additional tax in the aggregate amounts of approximately HK\$396,088,000 and HK\$54,397,000 were issued to WHI and MII for the years under review, respectively, and objections were properly lodged with the IRD by WHI and MII. The effective share of the amount attributable to the Group as at 30th June, 2005 is estimated to be approximately HK\$99,022,000 and HK\$24,479,000, respectively. In view of the tax inquiries are still at the stage of collation of evidence, the management of WHI and of MII are of the opinion that the ultimate outcome of the tax inquiries cannot presently be determined with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made in the financial statements of WHI and MII.

The Directors of the Company have taken note of the above matters and have made due inquiries. Nothing has come to the attention of the Board of Directors of the Company which indicates that there has been material subsequent development or change in status in respect of the above matters.

21. INVESTMENTS IN SECURITIES

THE COMPANY

	Trading securities		Other securities		Total	
	2005	2004	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Equity securities:						
Listed	572,753,353	439,365,162	928,289,655	857,926,311	1,501,043,008	1,297,291,473
Unlisted	–	–	19,949,305	19,949,305	19,949,305	19,949,305
	572,753,353	439,365,162	948,238,960	877,875,616	1,520,992,313	1,317,240,778
Total:						
Listed						
Hong Kong	572,674,360	439,323,176	558,397,286	499,563,742	1,131,071,646	938,886,918
Elsewhere	78,993	41,986	369,892,369	358,362,569	369,971,362	358,404,555
Unlisted	–	–	19,949,305	19,949,305	19,949,305	19,949,305
	572,753,353	439,365,162	948,238,960	877,875,616	1,520,992,313	1,317,240,778
Market value of listed securities	572,753,353	439,365,162	928,289,655	857,926,311	1,501,043,008	1,297,291,473
Carrying value analysed for reporting purposes as:						
Current	572,753,353	439,365,162	–	–	572,753,353	439,365,162
Non-current	–	–	948,238,960	877,875,616	948,238,960	877,875,616
	572,753,353	439,365,162	948,238,960	877,875,616	1,520,992,313	1,317,240,778

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

21. INVESTMENTS IN SECURITIES (Continued)

THE GROUP

	Trading securities		Other securities		Total	
	2005	2004	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Equity securities:						
Listed	575,025,853	441,090,161	1,500,534,271	1,366,968,602	2,075,560,124	1,808,058,763
Unlisted	–	–	40,525,829	40,663,618	40,525,829	40,663,618
	<u>575,025,853</u>	<u>441,090,161</u>	<u>1,541,060,100</u>	<u>1,407,632,220</u>	<u>2,116,085,953</u>	<u>1,848,722,381</u>
Total:						
Listed						
Hong Kong	574,946,860	441,048,176	1,047,237,349	923,142,642	1,622,184,209	1,364,190,818
Elsewhere	78,993	41,985	453,296,922	443,825,960	453,375,915	443,867,945
Unlisted	–	–	40,525,829	40,663,618	40,525,829	40,663,618
	<u>575,025,853</u>	<u>441,090,161</u>	<u>1,541,060,100</u>	<u>1,407,632,220</u>	<u>2,116,085,953</u>	<u>1,848,722,381</u>
Market value of listed securities	<u>575,025,853</u>	<u>441,090,161</u>	<u>1,500,534,271</u>	<u>1,366,968,602</u>	<u>2,075,560,124</u>	<u>1,808,058,763</u>
Carrying value analysed for reporting purposes as:						
Current	575,025,853	441,090,161	–	–	575,025,853	441,090,161
Non-current	–	–	1,541,060,100	1,407,632,220	1,541,060,100	1,407,632,220
	<u>575,025,853</u>	<u>441,090,161</u>	<u>1,541,060,100</u>	<u>1,407,632,220</u>	<u>2,116,085,953</u>	<u>1,848,722,381</u>

22. ADVANCES TO INVESTEE COMPANIES

The advances to investee companies of the Group are unsecured and have no fixed repayment terms. At 30th June, 2005, of the advances, HK\$18,097,668 (2004: HK\$19,592,325) bears interest at prevailing market rates and the remaining balance is interest-free. In the opinion of the Directors, the Group will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

23. LONG-TERM LOANS RECEIVABLE

	THE GROUP	
	2005	2004
	HK\$	HK\$
Total loans receivable	438,797,997	698,390,620
Less: Current portion shown under current assets	(21,243,879)	(126,700,514)
	<u>417,554,118</u>	<u>571,690,106</u>

The Group offers loans to buyers of properties sold by the Group and the repayment of the loans is specified in the respective loan agreements.

24. STOCKS OF UNSOLD PROPERTIES

At 30th June, 2005, the amount of stocks of unsold properties of the Group carried at net realisable value is HK\$128,408,832 (2004: HK\$156,108,032).

25. ACCOUNTS AND OTHER RECEIVABLES

At 30th June, 2005, included in accounts and other receivables of the Group are trade receivables of HK\$114,463,104 (2004: HK\$97,659,576) mainly comprising rental receivables, which are billed in advance and settlements are expected upon receipt of billings, and sales proceeds receivables.

The following is an aged analysis of trade receivables at the reporting date:

	THE GROUP	
	2005	2004
	HK\$	HK\$
0 – 30 days	69,922,128	46,899,315
31 – 60 days	7,667,044	5,607,267
61 – 90 days	3,966,394	5,531,392
Over 90 days	32,907,538	39,621,602
	<u>114,463,104</u>	<u>97,659,576</u>

Trade receivables over 90 days amounting to HK\$32,907,538 (2004: HK\$39,621,602) are sufficiently covered by rental deposits received from the respective tenants and no allowance is required for these receivables under the Group's allowance policy.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

26. ACCOUNTS AND OTHER PAYABLES

At 30th June, 2005, included in accounts and other payables of the Group are trade payables of HK\$46,362,783 (2004: HK\$54,121,726).

The following is an aged analysis of trade payables at the reporting date:

	THE GROUP	
	2005	2004
	HK\$	HK\$
0 – 30 days	36,261,254	48,246,869
31 – 60 days	5,203,756	1,419,455
61 – 90 days	887,878	336,045
Over 90 days	4,009,895	4,119,357
	<u>46,362,783</u>	<u>54,121,726</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

27. LONG-TERM BORROWINGS

	THE GROUP	
	2005	2004
	HK\$	HK\$
Unsecured bank loans		
Within one year	–	13,102,740
More than one year but not exceeding two years	500,000,000	82,984,020
	500,000,000	96,086,760
Less: Current portion shown under current liabilities	–	(13,102,740)
	500,000,000	82,984,020
Secured bank loans		
Within one year	386,447,000	212,000,000
More than one year but not exceeding two years	2,535,991,600	1,848,728,000
More than two years but not exceeding five years	4,631,935,265	2,488,307,765
	7,554,373,865	4,549,035,765
Less: Current portion shown under current liabilities	(386,447,000)	(212,000,000)
	7,167,926,865	4,337,035,765
Unsecured other loan		
More than two years but not exceeding five years	–	500,000,000
Total bank and other loans	7,667,926,865	4,920,019,785
Less: Deferred loan arrangement fees (Note 28)	(28,178,356)	(12,686,553)
	7,639,748,509	4,907,333,232
Convertible bonds/notes (Note 29)	2,456,548,973	–
	10,096,297,482	4,907,333,232

The Company does not have any long-term borrowings at the balance sheet date.

At 30th June, 2004, the unsecured other loan of the Group bore interest at prevailing market rate and was fully settled during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

28. DEFERRED LOAN ARRANGEMENT FEES

	THE GROUP	
	2005	2004
	HK\$	HK\$
COST		
At 1st July	45,739,228	57,701,262
Additions	19,250,000	4,312,966
Write-off upon early repayment of loans	–	(16,275,000)
At 30th June	64,989,228	45,739,228
AMORTISATION		
At 1st July	33,052,675	39,005,421
Provided for the year	3,758,197	9,081,698
Eliminated upon early repayment of loans	–	(15,034,444)
At 30th June	36,810,872	33,052,675
Deferred loan arrangement fees at 30th June	28,178,356	12,686,553

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

29. CONVERTIBLE BONDS/NOTES

	THE GROUP	
	2005	2004
	HK\$	HK\$
Principal amount		
At 1st July	–	1,500,000,000
New issue	2,500,000,000	–
Conversion	–	(1,500,000,000)
	<hr/>	<hr/>
At 30th June	2,500,000,000	–
	<hr/>	<hr/>
Add: Provision for premium on redemption		
At 1st July	–	18,587,014
Provided for the year	–	8,423,671
Write-back upon conversion	–	(27,010,685)
	<hr/>	<hr/>
At 30th June	–	–
	<hr/>	<hr/>
Less: Issue costs		
At 1st July	–	29,208,300
Addition	49,163,280	–
Amortised for the year	(5,712,253)	(3,787,405)
Write-off upon conversion	–	(25,420,895)
	<hr/>	<hr/>
At 30th June	43,451,027	–
	<hr/>	<hr/>
Carrying value at 30th June	2,456,548,973	–
	<hr/>	<hr/>

During the year, a newly-incorporated wholly-owned subsidiary of the Company, Getsmart Finance Limited (“Getsmart”), issued HK\$2,500,000,000 1.625% guaranteed convertible bonds due in November 2009 (“2009 Bonds”). The 2009 Bonds carries a right to convert at any time on and after 30th December, 2004 up to the close of business on 30th October, 2009 into ordinary shares of the Company at an initial conversion price of HK\$9.225 per share, subject to adjustment.

All or some of the 2009 Bonds are redeemable at the option of the relevant holder at their principal amount together with accrued interest on 30th November, 2007. If at any time the aggregate principal amount of 2009 Bonds outstanding is less than 10 per cent of the aggregate principal amount originally issued, Getsmart shall have the option to redeem such outstanding bonds in whole but not in part at their principal amount together with accrued interest. In addition, on or at any time after 30th November, 2007 but not less than seven business days prior to 30th November, 2009, Getsmart has the right to mandatorily convert the bonds in whole but not in part into shares upon satisfying certain requirements.

None of the 2009 Bonds were converted into ordinary shares of the Company by the bondholders during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

30. SHARE CAPITAL

	2005		2004	
	Number of ordinary shares of HK\$1.00 each	Nominal value HK\$	Number of ordinary shares of HK\$1.00 each	Nominal value HK\$
Authorised:				
At 1st July and at 30th June	<u>6,000,000,000</u>	<u>6,000,000,000</u>	<u>6,000,000,000</u>	<u>6,000,000,000</u>
Issued and fully paid:				
At 1st July	4,306,022,975	4,306,022,975	3,886,334,280	3,886,334,280
Issued in lieu of cash dividends	69,838,687	69,838,687	44,688,695	44,688,695
Issued upon conversion of convertible notes	–	–	375,000,000	375,000,000
Cancellation upon repurchase of own shares	<u>(27,804,000)</u>	<u>(27,804,000)</u>	<u>–</u>	<u>–</u>
At 30th June	<u>4,348,057,662</u>	<u>4,348,057,662</u>	<u>4,306,022,975</u>	<u>4,306,022,975</u>

During the year, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 27,804,000 ordinary shares of HK\$1.00 each of the Company at an aggregate consideration of HK\$205,881,047, all of these shares were subsequently cancelled. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration was paid out of the retained profits.

On 20th December, 2004 and 18th May, 2005, the Company issued and allotted a total of 28,435,469 ordinary shares and 41,403,218 ordinary shares of HK\$1.00 each at an issue price of HK\$7.42 and HK\$7.25 each, respectively, in lieu of cash for the 2004 final and 2005 interim dividends. These shares rank pari passu in all respects with the existing shares.

During the year ended 30th June, 2004, a total of HK\$1,500,000,000 of convertible notes of the Group were converted into 375,000,000 ordinary shares of HK\$1.00 each of the Company at an initial conversion price of HK\$4.00 per share.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

31. SHARE PREMIUM AND RESERVES

	Share premium HK\$	Other security revaluation reserve HK\$	Capital redemption reserve HK\$	Retained profits HK\$	Total HK\$
THE COMPANY					
At 1st July, 2003	9,351,563,039	41,673,940	164,246,000	10,193,187,409	19,750,670,388
Premium on issue of shares upon scrip dividends	163,200,881	–	–	–	163,200,881
Premium on issue of shares upon conversion of convertible notes	1,125,000,000	–	–	–	1,125,000,000
Shares issue expenses	(482,065)	–	–	–	(482,065)
Surplus on revaluation	–	173,681,583	–	–	173,681,583
Net profit for the year	–	–	–	442,774,566	442,774,566
Final dividend – 2003	–	–	–	(77,726,686)	(77,726,686)
Interim dividend – 2004	–	–	–	(208,453,423)	(208,453,423)
At 30th June, 2004 and 1st July, 2004	10,639,281,855	215,355,523	164,246,000	10,349,781,866	21,368,665,244
Premium on issue of shares upon scrip dividends	441,325,821	–	–	–	441,325,821
Shares issue expenses	(60,000)	–	–	–	(60,000)
Cancellation upon repurchase of own shares	–	–	27,804,000	(205,881,047)	(178,077,047)
Surplus on revaluation	–	53,876,948	–	–	53,876,948
Net profit for the year	–	–	–	2,521,241,909	2,521,241,909
Final dividend – 2004	–	–	–	(301,421,608)	(301,421,608)
Interim dividend – 2005	–	–	–	(368,206,098)	(368,206,098)
At 30th June, 2005	11,080,547,676	269,232,471	192,050,000	11,995,515,022	23,537,345,169

Note: The reserve available for distribution by the Company to the shareholders at 30th June, 2005 is HK\$11,995,515,022 (2004: HK\$10,349,781,866).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

32. DEFERRED TAXATION

The following is the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation <i>HK\$</i>	Revaluation of properties <i>HK\$</i>	Tax losses <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
At 1st July, 2003					
– as originally stated	38,135,501	–	(5,891,018)	–	32,244,483
– prior period adjustment	(12,319,999)	868,599,812	(34,196,187)	–	822,083,626
– as restated	25,815,502	868,599,812	(40,087,205)	–	854,328,109
Exchange realignment	–	–	–	108,609	108,609
Charged (credited) to income for the year	13,128,167	–	(4,970,835)	(386,472)	7,770,860
Charged to equity for the year	4,477,280	544,847,275	1,558,564	–	550,883,119
At 30th June, 2004 and 1st July, 2004	43,420,949	1,413,447,087	(43,499,476)	(277,863)	1,413,090,697
Exchange realignment	–	–	–	379,741	379,741
Acquisition of subsidiaries	18,991	–	–	–	18,991
Charged (credited) to income for the year	103,286,577	188,165,588	(34,517,279)	(4,154,983)	252,779,903
At 30th June, 2005	146,726,517	1,601,612,675	(78,016,755)	(4,053,105)	1,666,269,332

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset.

At 30th June, 2005, the Group had unused tax losses of approximately HK\$2,105,523,000 (2004: HK\$2,298,217,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$445,810,000 (2004: HK\$248,529,000 as restated) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$1,659,713,000 (2004: HK\$2,049,687,000 as restated) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At 30th June, 2005, the Group had deductible temporary differences of approximately HK\$2,314,715,000 (2004: HK\$3,169,440,000 as restated). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

33. ADVANCES FROM SUBSIDIARIES

For the year ended 30th June, 2004, the advances from subsidiaries of the Company were unsecured, interest-free and had no fixed repayment terms. The advances had been fully repaid during that year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

34. ADVANCES FROM ASSOCIATES

The advances from associates of the Group are unsecured and have no fixed repayment terms. At 30th June, 2005, of the advances, HK\$307,436,420 (2004: HK\$368,749,611) bears interest at cost of funds plus margin basis and the remaining balance is interest-free. The advances will not be repayable within twelve months from the balance sheet date and the advances are therefore shown as non-current.

35. ADVANCES FROM MINORITY SHAREHOLDERS

The advances from minority shareholders of the Group are unsecured, bear interest at cost of funds plus a margin basis and have no fixed repayment terms. The advances will not be repayable within twelve months from the balance sheet date and the advances are therefore shown as non-current.

36. DISPOSAL OF A SUBSIDIARY

On 30th May, 2005, the Group disposed of its entire equity interest in a subsidiary, Grand Idea Investment (CI) Limited ("Grand Idea"). The net assets of Grand Idea at the date of disposal were as follows:

	<i>HK\$</i>
Net assets disposed of:	
Investment property	83,000,000
Accounts and other receivables	23,601
Bank balances and cash	35,914
Accounts and other payables	(27,223)
Unsecured loan payable	(96,581,192)
	<hr/>
	(13,548,900)
Assignment of unsecured loan payable	96,581,192
	<hr/>
	83,032,292
Profit on disposal of a subsidiary	57,000,000
	<hr/>
	<u>140,032,292</u>
Satisfied by:	
Cash consideration received	<u>140,032,292</u>
Net cash inflow arising on disposal:	
Cash consideration received	140,032,292
Bank balances and cash disposed of	(35,914)
	<hr/>
	<u>139,996,378</u>

The subsidiary disposed of during the year did not contribute significantly to the turnover, operating results or cash flows to the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

37. ACQUISITION OF SUBSIDIARIES

On 30th May, 2005, the Group acquired the entire equity interests in Far Gain Limited and Triumph One Limited for cash consideration of HK\$133,732,561. The acquisition has been accounted for using the purchase method of accounting.

The net assets acquired in the transactions are as follows:

	Acquirees' carrying amount before combination <i>HK\$</i>	Fair value adjustment <i>HK\$</i>	Fair value <i>HK\$</i>
Net assets acquired:			
Investment properties	70,600,000	–	70,600,000
Stocks of unsold properties	62,843,298	4,556,702	67,400,000
Accounts and other receivables	512,004	–	512,004
Bank balances and cash	645,375	–	645,375
Accounts and other payables	(2,656,284)	–	(2,656,284)
Taxation payable	(2,749,543)	–	(2,749,543)
Unsecured loan payable	(135,201,227)	16,424,640	(118,776,587)
Deferred taxation	(18,991)	–	(18,991)
	<u>(6,025,368)</u>	<u>20,981,342</u>	14,955,974
Assignment of unsecured loan payable			<u>118,776,587</u>
			<u>133,732,561</u>
Satisfied by:			
Cash consideration paid			<u>(133,732,561)</u>
Net cash outflow arising on acquisition:			
Cash consideration paid			(133,732,561)
Bank balances and cash acquired			645,375
			<u>(133,087,186)</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

Triumph One Limited contributed HK\$435,048 and HK\$318,692 and Far Gain Limited contributed HK\$173,755 and HK\$94,895 to the Group's turnover and profit for the year, respectively, for the period between the date of acquisition and the balance sheet date.

Had the acquisition of Triumph One Limited been completed on 1st July, 2004, the Group's turnover and net profit for the year would have been increased by HK\$4,760,520 and HK\$20,791,533 respectively.

Had the acquisition of Far Gain Limited been completed on 1st July, 2004, the Group's turnover and net profit for the year would have been increased by HK\$1,962,811 and HK\$4,066,261 respectively.

The above proforma information is for illustrative purposes only and is not necessarily an indicative of the turnover and result of the Group that would actually have been achieved had the acquisitions been completed on 1st July, 2004, nor is it intended to be a projection of future results.

38. MAJOR NON-CASH TRANSACTIONS

During the year, properties under development of HK\$99,384,779 (2004: HK\$144,203,026) and HK\$1,588,445,591 (2004: HK\$1,899,072,383) were transferred to investment properties and stocks of unsold properties, respectively.

On 20th December, 2004 and 18th May, 2005, the Company issued and allotted a total of 28,435,469 ordinary shares and 41,403,218 ordinary shares of HK\$1.00 at HK\$7.42 and HK\$7.25 each, respectively, in the Company in lieu of cash for the 2004 final and 2005 interim dividends.

39. PLEDGE OF ASSETS

- (a) At 30th June, 2005, the aggregate facilities of bank loans, overdrafts and other loans amounting to HK\$16,671,721,396 (2004: HK\$11,918,419,585) were secured by certain of the Group's listed investments, properties, bank deposits and bank balances. At that date, the facilities were utilised to the extent of HK\$7,776,781,646 (2004: HK\$5,849,473,585).
- (b) At 30th June, 2005, investments and the benefits in the advances to certain associates were pledged or assigned to secure loan facilities made available by banks or financial institutions to such associates. The Group's attributable portion of these facilities amounted to HK\$2,782,133,937 (2004: HK\$2,699,860,049), of which HK\$2,534,581,538 (2004: HK\$2,537,624,606) was utilised by the associates and was guaranteed by the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

40. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date, the Company and the Group had commitments and contingent liabilities as follows:

	THE COMPANY		THE GROUP	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
(a) Commitments in respect of property development expenditure:				
Authorised but not contracted for	–	–	19,012,414	46,056,752
Contracted but not provided for	–	–	2,089,453,770	2,760,051,382
	<u>–</u>	<u>–</u>	<u>2,108,466,184</u>	<u>2,806,108,134</u>
(b) Guarantees in respect of banking facilities and other liabilities of:				
Subsidiaries				
– Utilised	8,127,032,238	6,514,053,016	–	–
– Not utilised	10,009,670,182	6,603,510,000	–	–
	<u>18,136,702,420</u>	<u>13,117,563,016</u>	<u>–</u>	<u>–</u>
Associates				
– Utilised	2,534,581,538	2,537,624,606	2,534,581,538	2,537,624,606
– Not utilised	250,057,399	164,740,443	250,057,399	164,740,443
	<u>2,784,638,937</u>	<u>2,702,365,049</u>	<u>2,784,638,937</u>	<u>2,702,365,049</u>
	<u>20,921,341,357</u>	<u>15,819,928,065</u>	<u>2,784,638,937</u>	<u>2,702,365,049</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

40. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

- (c) On 19th December, 1996, the Company and its wholly-owned subsidiary, Mariner International Hotels Limited (collectively referred to as "Mariner"), entered into an agreement (the "Agreement") with Hang Lung Development Company Limited and its subsidiary, Atlas Limited (collectively referred to as "Hang Lung") to acquire a company which owned a property in Yau Kom Tau, Tsuen Wan, New Territories, which was to be developed into a hotel. The total consideration payable by Mariner for the purchase was HK\$1,070,000,000, in respect of which a deposit and part payments in the total sum of HK\$321,000,000 were paid by Mariner to Hang Lung pursuant to the Agreement. On 30th June, 1998, Mariner terminated the Agreement. This termination gave rise to litigation between Mariner and Hang Lung. There has been a trial of the issue of which party repudiated the Agreement. On this issue the trial judge gave judgment for Hang Lung on the 2nd day of August, 2004.

On legal advice Mariner lodged an appeal against the judgment. The appeal will be heard in November 2005. On the basis of the uncertainty of the outcome of the pending appeal, the Directors are of the opinion that no provision in respect of the deposit and other liabilities is required for the year ended 30th June, 2005.

41. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year, net of outgoings of HK\$90,627,201 (2004: HK\$104,574,547), was HK\$777,588,741 (2004: HK\$725,871,919). Most of the properties held have committed tenants with rental fixed for an average term of two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments, which fall due:

	2005 HK\$	2004 HK\$
Within one year	753,150,541	586,523,233
In the second to fifth year inclusive	938,340,753	484,163,674
After five years	30,652,356	2,672,936
	<u>1,722,143,650</u>	<u>1,073,359,843</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

41. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessee

Minimum lease payments paid under operating leases during the year was approximately HK\$23,373,000 (2004: HK\$19,400,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2005	2004
	HK\$	HK\$
Within one year	22,413,020	23,372,842
In the second to fifth year inclusive	11,324,190	33,737,210
	<u>33,737,210</u>	<u>57,110,052</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

The Company did not have any significant commitments either as a lessor or a lessee at the balance sheet date.

42. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The Group is also required to make contributions to state pension scheme, the Central Provident Fund, based on certain percentages of the monthly salaries of the employees of the Company's subsidiaries operating in Singapore. The Group has no other obligations under this state pension scheme other than the contribution payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

43. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Group had the following transactions with related parties:

	2005 HK\$	2004 HK\$
(a) Related companies		
Service fees received therefrom (Note 1)	56,219,159	46,037,604
Rental paid thereto (Note 2)	<u>23,373,000</u>	<u>19,400,000</u>

Mr. Robert Ng Chee Siong, Director of the Company, was interested in these transactions as a director of the related companies.

(b) Associates

Service fees paid thereto (Note 1)	10,752,436	11,129,240
Management fees received therefrom (Note 1)	11,090,804	12,009,900
Interest income received therefrom (Note 3)	45,398,751	61,243,187
Interest expenses paid thereto (Note 3)	<u>3,833,254</u>	<u>3,964,958</u>

(c) Awarding of construction contract

During the year ended 30th June, 2004, a construction contract was awarded by an associate to a wholly-owned subsidiary of the Company. The contract was awarded, after a highly competitive tendering process, on 22nd August, 2003 at the same price as the lowest tender on a back-to-back basis. The construction contract was for the interior fitting-out works for tenancy areas at NKIL5846, 12 Kai Shun Road, Kowloon Bay, Kowloon and the contract sum was approximately HK\$58,300,000. No such contract was awarded by the associate for the year ended 30th June, 2005.

(d) Acquisition of Shares and Taking Up of Loans

- (i) On 30th May 2005, the Company's wholly-owned subsidiaries, King Chance Development Limited ("King Chance") and Sing-Ho Finance Company Limited ("Sing-Ho Finance"), entered into respective agreements with Millwood Limited ("Millwood") and Cliveden Finance Company Limited ("Cliveden Finance"). Pursuant to such agreements, inter alia, (a) King Chance agreed to acquire from Millwood 10,000 shares, representing 100% of the issued share capital, of Triumph One Limited ("Triumph One") which held 100% interest in Pan Asia Centre, an industrial building, at a consideration of HK\$14,589,523, and (b) Sing-Ho Finance agreed to take up the assignment from Cliveden Finance of a loan in the amount of HK\$51,553,785 due from Triumph One to Cliveden Finance at a consideration of HK\$51,553,785, in each case subject to adjustment based on the audited completion accounts as at 30th May, 2005.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

43. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Acquisition of Shares and Taking Up of Loans *(Continued)*

- (ii) On 30th May 2005, King Chance and Sing-Ho Finance entered into respective agreements with Carrollton Limited ("Carrollton") and Cliveden Finance. Pursuant to such agreements, inter alia, (a) King Chance agreed to acquire from Carrollton 10,000 shares, representing 100% of the issued share capital, of Far Gain Limited ("Far Gain") which held 100% interest in the Commercial Parts of Rosedale Gardens, a commercial and residential property, at a consideration of nominal value of HK\$1, and (b) Sing-Ho Finance agreed to take up the assignment from Cliveden Finance of a loan in the amount of HK\$84,461,831 due by Far Gain at a consideration of HK\$67,824,430, in each case subject to adjustment based on the audited completion accounts as at 30th May, 2005.

Millwood, Carrollton and Cliveden Finance are indirect wholly-owned subsidiaries of Boswell Holdings Limited ("Boswell"), in which Mr. Robert Ng Chee Siong, Chairman and Executive Director of the Company, and his brother Mr. Philip Ng Chee Tat hold equity interest on a 50:50 basis.

The Company has substantial experience and expertise in managing industrial and commercial properties. The acquisition of shares and taking up of loans enable the Company to hold the entire interest in Pan Asia Centre and the Commercial Parts of Rosedale Gardens and provides an opportunity for the Company to maximise and capitalise on the value of such properties.

(e) Share Disposal and Loan Assignment

On 30th May 2005, the Company's wholly-owned subsidiaries, Sino Land Investment (Holdings) Limited ("Sino Land Investment") and Sing-Ho Finance, entered into respective agreements with Maxfield Limited ("Maxfield") and Seaview Finance Company Limited ("Seaview Finance"). Pursuant to such agreements, inter alia, (a) Sino Land Investment agreed to sell to Maxfield one share, representing 100% of the issued share capital, of Grand Idea Investment (CI) Limited ("Grand Idea") which held 100% interest in No. 8 Mount Cameron Road, a residential property, at a consideration of HK\$43,685,364, and (b) Sing-Ho Finance agreed to assign to Seaview Finance a loan in the amount of HK\$96,339,087 due from Grand Idea to Sing-Ho Finance on a dollar-for-dollar basis, in each case subject to adjustment based on the audited completion accounts as at 30th May, 2005.

The disposed property, No. 8 Mount Cameron Road, had been vacant and generated no income since August 2004. The share disposal and loan assignment would allow the Company to divest its interests in the property.

Maxfield and Seaview Finance are indirect wholly-owned subsidiaries of Boswell.

Details of the balances with associates at the balance sheet date are set out in the balance sheets and in Notes 20 and 34.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

43. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (1) Service and management fees were charged on a cost-plus-profit margin basis or at a fee with reference to the size and type of the buildings as agreed between the Group and the related party.
- (2) Rental expenses were charged on normal commercial terms with reference to the prevailing market rental value of the particular premises.
- (3) Interest income and expenses were charged at cost of funds plus margin basis.

44. PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that a complete list of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 30th June, 2005, which materially affect the results or assets and liabilities of the Group.

A complete list of all the subsidiaries will be annexed to the Company's next annual return.

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
Direct:					
Best Result Cleaning Services Limited	Hong Kong	Ordinary	HK\$2	100	Cleaning services
Fu King Investment Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Investment holding
Getsmart Finance Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Financing
Glorypark Limited	Hong Kong	Ordinary	HK\$1,000	100	Property investment
Golden Million Finance Corporation	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Financing
King Chance Development Limited	Hong Kong	Ordinary	HK\$2	100	Investment holding
Landscape Investment Limited	Hong Kong/ The People's Republic of China, other than Hong Kong ("PRC")	Ordinary	HK\$2	100	Property development

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Direct: (Continued)</i>					
Prime Reward Finance Limited	Hong Kong	Ordinary	HK\$2	100	Financing
Serenity Park Building Management Limited	Hong Kong	Ordinary	HK\$10	100	Building management
Sharp Rise Company Limited	Hong Kong	Ordinary	HK\$2	100	Property trading
Sing-Ho Finance Company Limited	Hong Kong	Ordinary	HK\$30,000,000	100	Financing
Sino Administration Services Limited	Hong Kong	Ordinary	HK\$3	100	Administration services
Sino Estates Management Limited	Hong Kong	Ordinary	HK\$2	100	Building management
Sino Estates Services Limited	Hong Kong	Ordinary	HK\$20	100	Building management
Sino Security Services Limited	Hong Kong	Ordinary	HK\$2	100	Security services
<i>Indirect:</i>					
Ackerley Estates Limited	Hong Kong	Ordinary	HK\$20,000,000	100	Property investment
Active Success Development Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Advance Profit Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Alfaso Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Allways Success Finance Limited	Hong Kong	Ordinary	HK\$10	100	Mortgage loan financing
Ample Way Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Apex Speed Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Beauty Plaza Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Bestone Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Best Origin Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Better Sino Limited	Hong Kong/ PRC	Ordinary	HK\$2	100	Property development
Century Profit Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Cheer Result Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Dragon (Hong Kong) Limited	Hong Kong	Ordinary	HK\$2	100	Property development
e.Sino Company Limited	Hong Kong	Ordinary	HK\$2	100	Investment holding
Elegant Lane Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Entertainment City Limited	Hong Kong	Ordinary	HK\$4,500,000	100	Property investment
Ever Champion Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading
Falcon City Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Famous General Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Famous Palace Properties Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Far Gain Limited	Hong Kong	Ordinary	HK\$10,000	100	Property investment
Firm Wise Investment Limited	Hong Kong	Ordinary	HK\$10	70	Property investment
Fo Tan Construction Consultant Limited	Hong Kong	Ordinary	HK\$2	100	Project management
Forlink Limited	Hong Kong	Ordinary	HK\$2	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Fortune Garden Inc.	Republic of Liberia/ Hong Kong	Registered/ Bearer	US\$1	100	Share investment
Free Champion Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Full Fair Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Fung Yuen Construction Company Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Building construction
Fuwin Investment Limited	British Virgin Islands/ PRC	Ordinary	US\$1	100	Property development
Glenery Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Globaland Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Global Honest Finance Limited	Hong Kong	Ordinary	HK\$2	100	Mortgage loan financing
Golden Leaf Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Grand Creator Investment (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$10	60	Investment holding
Grand Creator Investment Limited	Hong Kong	Ordinary	HK\$2	60	Property trading
Grandeal Limited	Hong Kong/ PRC	Ordinary	HK\$2	100	Property trading
Great Land (HK) Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Property trading and investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Handsome Lift Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Hang Hau Station (Project Management) Limited	Hong Kong	Ordinary	HK\$2	60	Project management
Hang Hau Station Construction Limited	Hong Kong	Ordinary	HK\$2	60	Building construction
Harvestrade Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property trading and investment
Hickson Limited	Hong Kong	Ordinary	HK\$20	100	Property investment
High Elite Finance Limited	Hong Kong	Ordinary	HK\$2	100	Mortgage loan financing
High Elite Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Jade Bird Development Limited	Hong Kong	Ordinary	HK\$100,000	100	Property trading and investment
Jade Mate Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Jade Pine Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Jade Queen Properties Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Kingdom Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Land Success Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Lucky Fortress Inc.	Republic of Liberia/ Hong Kong	Registered/ Bearer	US\$1	100	Share investment
Mackey Limited	Hong Kong	Ordinary	HK\$100	100	Property trading

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Mander Investment Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Mass Success Limited	Hong Kong	Ordinary	HK\$1,000	100	Property trading
Morbest Profits Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Multipurpose Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property trading and investment
Ocean Treasure (Hong Kong) Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Octerworth Enterprises Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Orient Harvest International Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Pacific Elite Limited	Hong Kong	Ordinary	HK\$2	100	Financing
Parason Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Peace Success Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading
Perfect Sun Properties Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Pioneer Parking Limited	Hong Kong	Ordinary	HK\$2	100	Carpark operation
port88 Limited	Hong Kong	Ordinary	HK\$2	100	Internet services provider

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Precious Land Pte. Limited	Singapore	Ordinary	S\$2	100	Property investment
Precious Treasure Pte Ltd	Singapore	Ordinary	S\$20,000,000	100	Hotel operation and property investment
Pridegate (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Prime Harvest (Administration Services) Limited	Hong Kong	Ordinary	HK\$2	100	Consultant services provider
Prime Harvest Development Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Primewin Properties Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Rankchief Company Limited	Hong Kong	Ordinary	HK\$200	100	Property trading
Real Maker Development Limited	Hong Kong	Ordinary	HK\$200,000	90	Property investment
Regent Profit Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Region One Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Residence Oasis Finance Company Limited	Hong Kong	Ordinary	HK\$2	60	Mortgage loan financing
Rich Tact International (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Richtune Investment Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Saky Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Salia Limited	Hong Kong/ PRC	Ordinary	HK\$2	100	Property development
Season Investments Limited	Hong Kong	Ordinary	HK\$2	100	Property trading
Sidak Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property trading and investment
Silver Palm Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Silver Target Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Sino Broadband Technology Limited	Hong Kong	Ordinary	HK\$2	100	Broadband infrastructure
Sino Land Finance Limited	Hong Kong	Ordinary	HK\$2	100	Deposit placing
Sino Land (Guangzhou) Company Limited (Note i)	PRC	Registered	US\$480,034	100	Property development
Sino Land (Zhangzhou) Company Limited (Note i)	PRC	Registered	HK\$94,150,000	100	Property development
Sino Land Investment (Holdings) Ltd.	Cayman Islands/ Hong Kong	Ordinary	US\$6,000,000	100	Investment holding
Sino Technology Corporation Limited	Hong Kong	Ordinary	HK\$2	100	High technology business
Standard Union Investment Limited	Hong Kong	Ordinary	HK\$2	100	Share investment
Success One Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Sunny Force Limited	Hong Kong	Ordinary	HK\$2	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Super One Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Sunrise Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Ten Treasure Limited	Hong Kong/ PRC	Ordinary	HK\$2	100	Property development
Thousand Growth Development Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Timeshare Development (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Trans China Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Triple Reach International (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Triumph One Limited	Hong Kong	Ordinary	HK\$10,000	100	Property trading and investment
Union Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading
Vasilon Pte Ltd	Singapore	Ordinary	S\$2	100	Investment holding
Weiland Development Company Limited	Hong Kong	Ordinary	HK\$33,140,000	100	Property investment
Wendia Limited	Hong Kong	Ordinary	HK\$20	100	Property investment
Wicorp Development Limited	Hong Kong/ PRC	Ordinary	HK\$2	100	Property trading
Will Glory Company (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Win Harvest (HK) Limited	Hong Kong	Ordinary	HK\$2	100	Property development

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Wise Century Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Wise Mate Limited	Hong Kong	Ordinary	HK\$2	100	Property development
World Empire Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment

Notes:

- (i) Sino Land (Guangzhou) Company Limited and Sino Land (Zhangzhou) Company Limited are wholly foreign owned enterprises established in the PRC.
- (ii) Except for the convertible bonds/notes disclosed in Note 29, none of the subsidiaries had any debt securities outstanding at the end of the year.

45. PRINCIPAL ASSOCIATES

The Directors are of the opinion that a complete list of all associates will be of excessive length and therefore the following list contains only the particulars of associates at 30th June, 2005, which materially affect the results of the year or form a substantial portion of the net assets of the Group.

A complete list of all the associates will be annexed to the Company's next annual return.

Name of associate	Place of incorporation/ operation	Class of shares held	Percentage of equity held by the Company			Principal activities
			Directly %	Indirectly %	Total %	
Asian Success Investments Limited	Hong Kong	Ordinary	–	33.3	33.3	Property trading
Astoria Estate Management Company Limited	Hong Kong	Ordinary	–	50	50	Building management
Benefit Bright Limited	Hong Kong	Ordinary	–	42.5	42.5	Property trading and investment
Better Chief Limited	Hong Kong	Ordinary	50	–	50	Property investment
Beverhill Limited	Hong Kong	Ordinary	–	20	20	Property investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

45. PRINCIPAL ASSOCIATES (Continued)

Name of associate	Place of incorporation/ operation	Class of shares held	Percentage of equity held by the Company			Principal activities
			Directly %	Indirectly %	Total %	
Boatswain Enterprises Limited	Hong Kong	Ordinary	–	20	20	Property investment
Brisbane Trading Company Limited	Hong Kong	Ordinary and non-voting deferred	–	50	50	Property trading
Cheer City Properties Limited	Hong Kong	Ordinary	–	20	20	Property investment
C.H.K.C. Building Management Limited	Hong Kong	Ordinary	–	25	25	Building management
Cosmos Door Limited	Hong Kong	Ordinary	–	50	50	Property investment
Credit World Limited	Hong Kong	Ordinary	–	20	20	Property trading
Direct Win Development Limited	Hong Kong	Ordinary	–	33.3	33.3	Property development
Dramstar Company Limited	Hong Kong	Ordinary	–	22	22	Property trading
Empire Funds Limited	Hong Kong	Ordinary	–	50	50	Property trading
Eternal Honest Finance Company Limited	Hong Kong	Ordinary	–	50	50	Mortgage loan financing
Famous Empire Finance Limited	Hong Kong	Ordinary	–	40	40	Mortgage loan financing
Famous Empire Properties Limited	Hong Kong	Ordinary	–	40	40	Property trading and investment
Finedale Industries Limited	Hong Kong	Ordinary	–	33.3	33.3	Property investment
Gloryland Limited	Hong Kong	Ordinary	–	33.3	33.3	Property investment
Golden Famous International Limited	Hong Kong	Ordinary	–	25	25	Property trading
Grace Sign Limited	Hong Kong	Ordinary	–	30	30	Property trading
Grand Palisades Finance Company Limited	Hong Kong	Ordinary	–	20	20	Mortgage loan financing

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

45. PRINCIPAL ASSOCIATES (Continued)

Name of associate	Place of incorporation/ operation	Class of shares held	Percentage of equity held by the Company			Principal activities
			Directly %	Indirectly %	Total %	
Greenroll Limited	Hong Kong	Ordinary	–	30	30	Hotel operation
Harvest Sun Limited	Hong Kong	Ordinary	–	30	30	Property trading and investment
Hua Qing Holdings Pte Ltd	Singapore	Ordinary	–	20	20	Investment holding
Island Resort Estate Management Company Limited	Hong Kong	Ordinary	–	40	40	Building management
Lead Bright Finance Limited	Hong Kong	Ordinary	–	20	20	Mortgage loan financing
Lead Bright Limited	Hong Kong	Ordinary	–	20	20	Property trading
Million Success Limited	Hong Kong	Ordinary	–	25	25	Property investment
More Treasure Company Limited	Hong Kong	Ordinary	–	25	25	Property investment
Murdoch Investments Inc.	Republic of Panama/ Hong Kong	Ordinary	–	45	45	Property investment
Olympian City 1 (Project Management) Limited	Hong Kong	Ordinary	–	30	30	Project management
Olympian City 2 (Project Management) Limited	Hong Kong	Ordinary	–	42.5	42.5	Project management
Olympian City 2 Finance Company Limited	Hong Kong	Ordinary	–	50	50	Mortgage loan financing
Prime Force Limited	Hong Kong	Ordinary	–	50	50	Property trading
Pui Hay Enterprises Limited	Hong Kong	Ordinary	–	50	50	Property trading

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

45. PRINCIPAL ASSOCIATES (Continued)

Name of associate	Place of incorporation/ operation	Class of shares held	Percentage of equity held by the Company			Principal activities
			Directly %	Indirectly %	Total %	
Rich Century Investment Limited	Hong Kong	Ordinary	50	–	50	Property investment
Silver Link Investment Limited	Hong Kong	Ordinary	–	40	40	Property trading and investment
Sino Parking Services Limited	Hong Kong	Ordinary	50	–	50	Carpark operation
Sino Real Estate Agency Limited	Hong Kong	Ordinary	50	–	50	Real estate agency
Tat Lee Construction Company Limited	Hong Kong	Ordinary	25	–	25	Building construction
Victory World Finance Limited	Hong Kong	Ordinary	–	50	50	Mortgage loan financing
Victory World Limited	Hong Kong	Ordinary	–	50	50	Property trading and investment
Wide Harvest Investment Limited	Hong Kong	Ordinary	–	25	25	Property investment
Win Chanford Enterprises Limited	Hong Kong	Ordinary	5	45	50	Property investment
深圳中海信和地產開發有限公司 (formerly known as 深圳盛輝物業發展有限公司)	PRC	Registered	–	50	50	Property development
中海信和(成都)物業發展有限公司	PRC	Registered	–	20	20	Property development