

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2005

1. GENERAL

The Company is a public limited liability company incorporated in the Cayman Islands and its shares are 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 34.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 30th June, 2005.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost conversion, as modified for the revaluation of 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 a subsidiary or an associate at the date of acquisition.

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

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

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 balances sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill less any identified impairment loss.

In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

Revenue recognition

Income from operations of a hotel and a club are recognised when services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Rental income under operating leases is recognised on a straight line basis over the period of the respective leases.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

(i) *Hotel properties*

Hotel properties are stated at cost and no depreciation is provided on hotel properties 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 values. The related maintenance expenditure is dealt with in the income statement in the year of expenditure.

(ii) *Others*

Other assets include furniture and fixtures and hotel operating equipment and are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of other assets over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates per annum:

Furniture and fixtures	10%-20%
Hotel operating equipment	20%

The gain or loss arising from 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.

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. An 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.

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.

Where securities are held for trading purposes, unrealised gains and losses are included in net 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 net profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Hotel inventories

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

Deferred loan arrangement fees

Deferred loan arrangement fees represent expenses incurred in obtaining long-term secured bank loan facilities. Such expenses 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.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are recorded at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in such currencies are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the subsidiaries and associates which are denominated in currencies other than Hong Kong dollars 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 translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 tax 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease terms.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

4. TURNOVER

	2005 HK\$	2004 HK\$
Hotel operations	148,080,999	123,516,729
Club operations	7,227,522	6,780,593
Dividend income from investments in listed securities	6,023,940	4,015,960
Hotel management service fees	1,930,000	2,143,148
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	163,262,461	136,456,430

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into four operating divisions – hotel operations, club operations, investment holding and hotel management services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operations	–	operate a hotel
Club operations	–	operate a club
Investment holding	–	investments in listed securities
Hotel management services	–	provide hotel management services

Segment information about these businesses is presented below.

INCOME STATEMENT

For the year ended 30th June, 2005

	Hotel operations HK\$	Club operations HK\$	Investment holding HK\$	Hotel management services HK\$	Consolidated HK\$
TURNOVER	<u>148,080,999</u>	<u>7,227,522</u>	<u>6,023,940</u>	<u>1,930,000</u>	<u>163,262,461</u>
RESULT					
Segment result	<u>55,157,427</u>	<u>1,662,115</u>	<u>6,016,662</u>	<u>1,930,000</u>	64,766,204
Unallocated corporate expenses					<u>(6,577,484)</u>
Profit from operations					58,188,720
Finance income					1,618,902
Finance costs					(23,765,948)
Results attributable to associates					<u>103,359,165</u>
Profit before taxation					139,400,839
Income tax expense					<u>(27,893,410)</u>
Net profit for the year					<u>111,507,429</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

BALANCE SHEET

At 30th June, 2005

	Hotel operations HK\$	Club operations HK\$	Investment holding HK\$	Consolidated HK\$
ASSETS				
Segment assets	1,991,280,528	2,886,385	411,436,288	2,405,603,201
Interests in associates				1,476,821,088
Unallocated corporate assets				295,232,272
Consolidated total assets				<u>4,177,656,561</u>
LIABILITIES				
Segment liabilities	22,572,735	1,023,402	6,000	23,602,137
Unallocated corporate liabilities				1,237,329,583
Consolidated total liabilities				<u>1,260,931,720</u>

OTHER INFORMATION

For the year ended 30th June, 2005

	Hotel operations HK\$	Club operations HK\$	Consolidated HK\$
Capital additions	6,319,924	13,361	6,333,285
Depreciation	3,709,542	24,223	3,733,765
Loss on disposal of property, plant and equipment	367,884	–	367,884

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

INCOME STATEMENT

For the year ended 30th June, 2004

	Hotel operations HK\$	Club operations HK\$	Investment holding HK\$	Hotel management services HK\$	Consolidated HK\$
TURNOVER	<u>123,516,729</u>	<u>6,780,593</u>	<u>4,015,960</u>	<u>2,143,148</u>	<u>136,456,430</u>
RESULT					
Segment result	<u>47,872,034</u>	<u>1,857,083</u>	<u>4,009,593</u>	<u>2,143,148</u>	55,881,858
Unallocated corporate expenses					<u>(2,978,830)</u>
Profit from operations					52,903,028
Finance income					375,557
Finance costs					(23,800,725)
Results attributable to associates					<u>90,620,823</u>
Profit before taxation					120,098,683
Income tax expense					<u>(24,576,465)</u>
Net profit for the year					<u>95,522,218</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

BALANCE SHEET

At 30th June, 2004

	Hotel operations HK\$	Club operations HK\$	Investment holding HK\$	Consolidated HK\$
ASSETS				
Segment assets	1,999,756,387	2,956,991	237,200,930	2,239,914,308
Interests in associates				1,394,709,941
Unallocated corporate assets				<u>291,647,083</u>
Consolidated total assets				<u>3,926,271,332</u>
LIABILITIES				
Segment liabilities	15,102,772	965,484	6,000	16,074,256
Unallocated corporate liabilities				<u>1,272,339,529</u>
Consolidated total liabilities				<u>1,288,413,785</u>

OTHER INFORMATION

For the year ended 30th June, 2004

	Hotel operations HK\$	Club operations HK\$	Consolidated HK\$
Capital additions	2,529,109	82,787	2,611,896
Depreciation	3,035,389	9,642	3,045,031

(b) Geographical segments

All of the activities of the Group are based in Hong Kong and all of the Group's turnover, profit before taxation, assets and liabilities are derived from Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

6. PROFIT FROM OPERATIONS

	2005 HK\$	2004 HK\$
Profit from operations has been arrived at after charging:		
Directors' emoluments (note 9)	529,000	465,000
Other staff costs	43,894,095	36,527,395
Retirement benefit scheme contributions, excluding Directors	1,890,700	1,656,685
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Total staff costs	46,313,795	38,649,080
Auditors' remuneration		
Audit services		
Current year	398,000	366,000
Underprovision in prior years	35,000	17,960
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	433,000	383,960
Non-audit services	170,000	155,000
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	603,000	538,960
Cost of hotel inventories recognised as an expense	8,666,232	7,223,995
Depreciation of property, plant and equipment	3,733,765	3,045,031
Loss on disposal of property, plant and equipment	367,884	–
Repairs and maintenance in respect of hotel properties	13,794,030	8,900,966
and after crediting:		
Rental income in respect of premises, less outgoings of HK\$12,241 (2004: Nil)	2,612,004	2,112,658
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7. FINANCE INCOME

	2005 HK\$	2004 HK\$
Interest income on:		
Advance to an associate	1,453,688	355,754
Bank deposits	165,214	19,803
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	1,618,902	375,557
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

8. FINANCE COSTS

	2005 HK\$	2004 HK\$
Interest on:		
Bank loans and overdrafts wholly repayable within five years	13,462,448	7,689,994
Other interest-bearing unsecured loans wholly repayable within five years	<u>8,048,588</u>	<u>14,797,218</u>
	21,511,036	22,487,212
Financing charges	<u>2,254,912</u>	<u>1,313,513</u>
	<u>23,765,948</u>	<u>23,800,725</u>

9. DIRECTORS' EMOLUMENTS

	2005			2004		
	Fees HK\$	Other emoluments HK\$	Total HK\$	Fees HK\$	Other emoluments HK\$	Total HK\$
Executive Directors:						
Mr. Robert Ng Chee Siong	28,000	–	28,000	28,000	–	28,000
Mr. Thomas Tang Wing Yung	16,500	–	16,500	–	–	–
Mr. Daryl Ng Win Kong	4,500	–	4,500	–	–	–
Mr. Ivan Lee Wank-hay	–	–	–	23,000	–	23,000
	<u>49,000</u>	–	<u>49,000</u>	51,000	–	51,000
Non-executive Director:						
Mr. Gilbert Lui Wing Kwong	120,000	–	120,000	–	–	–
Independent Non-executive Directors:						
Mr. Peter Wong Man Kong, BBS, JP	100,000	–	100,000	–	–	–
Mr. Adrian David Li Man-kiu	30,000	–	30,000	–	–	–
Mr. Steven Ong Kay Eng	–	–	–	–	–	–
Mr. Gilbert Lui Wing Kwong	–	–	–	180,000	–	180,000
Mr. Ronald Joseph Arculli, GBS, CVO, OBE, JP	120,000	–	120,000	54,000	–	54,000
Mr. Paul Cheng Ming Fun, JP	110,000	–	110,000	180,000	–	180,000
	<u>360,000</u>	–	<u>360,000</u>	414,000	–	414,000
	<u>529,000</u>	–	<u>529,000</u>	<u>465,000</u>	–	<u>465,000</u>

No Directors waived any emoluments in the year ended 30th June, 2005 (2004: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none (2004: none) of them was Director of the Company. The emoluments of the five (2004: five) individuals were as follows:

	2005 HK\$	2004 HK\$
Salaries and other emoluments	2,648,521	2,716,388
Contributions to retirement benefit scheme	88,273	99,611
	<u>2,736,794</u>	<u>2,815,999</u>

The aggregate emoluments of each of the five highest paid individuals in the Group were within the emolument band of less than HK\$1,000,000.

During the year, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

11. RESULTS ATTRIBUTABLE TO ASSOCIATES

Results attributable to associates include amortisation of goodwill arising on the acquisition of an associate of HK\$12,515,100 (2004: HK\$12,515,100).

12. INCOME TAX EXPENSE

	2005 HK\$	2004 HK\$
The charge comprises:		
Hong Kong Profits Tax calculated at 17.5% (2004: 17.5%) on the estimated assessable profit		
Current year	6,734,859	6,388,027
Underprovision in prior years	1,909	38,775
	<u>6,736,768</u>	<u>6,426,802</u>
Deferred tax (note 28)	(91,376)	49,536
	<u>6,645,392</u>	<u>6,476,338</u>
Taxation attributable to the Company and its subsidiaries	21,248,018	18,100,127
Share of taxation attributable to associates		
	<u>27,893,410</u>	<u>24,576,465</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

12. INCOME TAX EXPENSE (Continued)

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

	2005 HK\$	2004 HK\$
Profit before taxation	139,400,839	120,098,683
Tax at Hong Kong Profits Tax rate of 17.5%	24,395,147	21,017,270
Tax effect of results attributable to associates	970,022	51,340
Tax effect of expenses not deductible for tax purpose	3,106,409	4,170,251
Tax effect of income not taxable for tax purpose	(1,108,469)	(705,997)
Underprovision in prior years	1,909	38,775
Tax effect of tax losses not recognised	528,392	4,108
Others	–	718
Tax charge for the year	27,893,410	24,576,465

13. DIVIDENDS

	2005 HK\$	2004 HK\$
Final dividend for the year ended 30th June, 2004 paid – HK3 cents (2003: HK1 cent) per share	24,710,965	8,161,169
Interim dividend for the year ended 30th June, 2005 paid – HK2 cents (2004: HK1.5 cents) per share	16,596,488	12,300,928
	41,307,453	20,462,097

A final dividend of HK3.5 cents for the year ended 30th June, 2005 (2004: HK3 cents) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the year of HK\$111,507,429 (2004: HK\$95,522,218) and on the weighted average number of 827,306,965 (2004: 818,656,812) shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties in Hong Kong held under long leases <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP			
COST			
At 1st July, 2004	1,950,110,500	22,825,543	1,972,936,043
Additions	–	6,333,285	6,333,285
Disposals	–	(2,012,554)	(2,012,554)
At 30th June, 2005	<u>1,950,110,500</u>	<u>27,146,274</u>	<u>1,977,256,774</u>
DEPRECIATION			
At 1st July, 2004	–	13,712,352	13,712,352
Provided for the year	–	3,733,765	3,733,765
Eliminated on disposals	–	(1,644,670)	(1,644,670)
At 30th June, 2005	<u>–</u>	<u>15,801,447</u>	<u>15,801,447</u>
NET BOOK VALUES			
At 30th June, 2005	<u>1,950,110,500</u>	<u>11,344,827</u>	<u>1,961,455,327</u>
At 30th June, 2004	<u>1,950,110,500</u>	<u>9,113,191</u>	<u>1,959,223,691</u>

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Unlisted shares, at cost	76	78
Advances to subsidiaries, less allowance	<u>3,176,804,287</u>	<u>3,031,745,098</u>
	<u>3,176,804,363</u>	<u>3,031,745,176</u>

Details of the principal subsidiaries at 30th June, 2005 are set out in note 34.

The advances to subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the amounts will not be received in the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Unlisted shares, at cost	–	–	25	25
Share of net assets	1,290,307,684	1,195,681,437	–	–
Goodwill (Note)	186,513,404	199,028,504	–	–
	<u>1,476,821,088</u>	<u>1,394,709,941</u>	<u>25</u>	<u>25</u>
Note:				
				Goodwill HK\$
COST				
At 1st July, 2004 and 30th June, 2005				<u>250,300,754</u>
AMORTISATION				
At 1st July, 2004				51,272,250
Charge for the year				<u>12,515,100</u>
At 30th June, 2005				<u>63,787,350</u>
CARRYING AMOUNTS				
At 30th June, 2005				<u>186,513,404</u>
At 30th June, 2004				<u>199,028,504</u>
The amortisation period adopted for goodwill is 20 years.				

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

17. INTERESTS IN ASSOCIATES (Continued)

Details of the associates at 30th June, 2005 are as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued share capital held by the Company		Principal activities
				Directly	Indirectly	
Asian Glory Limited	Incorporated	British Virgin Islands	Ordinary	–	25%	Investment holding
Bestown Property Limited	Incorporated	Hong Kong	Ordinary	–	25%	Hotel owner
Greenroll Limited	Incorporated	Hong Kong	Ordinary	–	50%	Hotel owner
Regent Step Investment Limited	Incorporated	Hong Kong	Ordinary	25%	–	Provision of financial services

Notes:

- (a) All associates are unlisted.
- (b) Results and affairs of the Group's significant associates are set out in note 35.

18. INVESTMENTS IN SECURITIES

	THE GROUP	
	2005 HK\$	2004 HK\$
Other securities:		
Equity securities listed in Hong Kong, at cost	384,032,379	379,514,424
Revaluation surplus (deficit)	27,386,102	(142,321,796)
Market value of listed securities	411,418,481	237,192,628

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

19. TRADE AND OTHER RECEIVABLES

The Group maintains a defined credit policy. An aged analysis of trade receivables is as follows:

	THE GROUP	
	2005 HK\$	2004 HK\$
Trade receivables		
0-30 days	4,101,049	3,239,800
31-60 days	787,298	538,515
61-90 days	184,922	398,612
Over 90 days	–	80
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	5,073,269	4,177,007
Other receivables	3,157,178	2,053,374
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	8,230,447	6,230,381

20. BALANCES WITH ASSOCIATES

The amounts of the Group are unsecured and have no fixed repayment terms.

At 30th June, 2005, the balances due from associates include an amount of HK\$293,714,211 (2004: HK\$290,715,748) which is interest-bearing at cost of fund plus a margin per annum and the remaining balances are interest-free. The amount due to an associate is interest-free.

21. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	THE GROUP	
	2005 HK\$	2004 HK\$
Trade payables		
0-30 days	2,856,660	2,486,464
31-60 days	208,814	302,534
61-90 days	2,967	–
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	3,068,441	2,788,998
Other payables	11,134,829	5,789,885
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	14,203,270	8,578,883

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

22. SHARE CAPITAL

	Number of ordinary shares of HK\$1 each		Nominal value	
	2005	2004	2005 HK\$	2004 HK\$
Authorised:				
At beginning and end of the year	<u>3,000,000,000</u>	<u>3,000,000,000</u>	<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued and fully paid:				
At beginning of the year	823,698,838	816,116,939	823,698,838	816,116,939
Shares issued pursuant to scrip dividend schemes for final dividend in respect of the year ended 30th June, 2004/2003	6,125,562	3,944,914	6,125,562	3,944,914
Shares issued pursuant to scrip dividend schemes for interim dividend in respect of the year ended 30th June, 2005/2004	<u>3,275,784</u>	<u>3,636,985</u>	<u>3,275,784</u>	<u>3,636,985</u>
At end of the year	<u>833,100,184</u>	<u>823,698,838</u>	<u>833,100,184</u>	<u>823,698,838</u>

On 21st December, 2004 and 19th May, 2005, pursuant to scrip dividend schemes, the Company issued and allotted a total of 6,125,562 shares and 3,275,784 shares of HK\$1 each at an issue price of HK\$3.830 and HK\$4.835 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2004 final and 2005 interim dividends in respect of the years ended 30th June, 2004 and 2005, respectively. These shares rank pari passu in all respects with the then existing shares.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

23. RESERVES

	Share premium <i>HK\$</i>	Distributable reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY				
At 1st July, 2003	60,442,330	1,823,877,078	266,345,921	2,150,665,329
Shares issued at premium	11,023,065	–	–	11,023,065
Share issue expenses	(206,794)	–	–	(206,794)
Net profit for the year	–	–	66,229,150	66,229,150
Dividends paid	–	–	(20,462,097)	(20,462,097)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2004	71,258,601	1,823,877,078	312,112,974	2,207,248,653
Shares issued at premium	29,897,977	–	–	29,897,977
Share issue expenses	(339,903)	–	–	(339,903)
Net profit for the year	–	–	146,870,414	146,870,414
Dividends paid	–	–	(41,307,453)	(41,307,453)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2005	<u>100,816,675</u>	<u>1,823,877,078</u>	<u>417,675,935</u>	<u>2,342,369,688</u>

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands and the provisions of the Company's Articles of Association, the share premium of the Company is available for distribution or paying dividends to the shareholders provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

The distributable reserve of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the share capital issued by the Company pursuant to a group reorganisation in 1995. Under the Companies Law (Revised) of the Cayman Islands, the distributable reserve is available for distribution to shareholders.

The reserves available for distribution to the shareholders by the Company at 30th June, 2005 amounted to HK\$2,342,369,688 (2004: HK\$2,207,248,653).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

24. BANK LOANS AND OTHER BORROWINGS

	THE GROUP	
	2005 HK\$	2004 HK\$
Bank loans	831,221,418	609,704,543
Other interest-bearing unsecured loans	13,555,037	277,010,017
Bank overdrafts	–	254,686
	844,776,455	886,969,246
Represented by:		
Secured	714,229,668	492,967,479
Unsecured	130,546,787	394,001,767
	844,776,455	886,969,246
The maturity of the above bank loans and other borrowings is as follows:		
On demand or within one year	83,258,980	219,064,354
More than one year, but not exceeding two years	63,553,662	669,451,767
More than two years, but not exceeding five years	701,743,813	–
	848,556,455	888,516,121
Less: Deferred loan arrangement fees (note 25)	(3,780,000)	(1,546,875)
	844,776,455	886,969,246
Less: Amount due within one year shown under current liabilities	(82,418,980)	(218,033,104)
Amount due after one year	762,357,475	668,936,142

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

25. DEFERRED LOAN ARRANGEMENT FEES

	THE GROUP	
	2005 HK\$	2004 HK\$
COST		
At beginning of the year	4,125,000	4,125,000
Additions	4,200,000	–
Write-off of fully amortised amount	(4,125,000)	–
	<hr/>	<hr/>
At end of the year	4,200,000	4,125,000
AMORTISATION		
At beginning of the year	2,578,125	1,546,875
Charge for the year	1,966,875	1,031,250
Eliminated on write-off of fully amortised amount	(4,125,000)	–
	<hr/>	<hr/>
At end of the year	420,000	2,578,125
CARRYING VALUE	3,780,000	1,546,875

26. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries of the Company are unsecured, interest-free and have no fixed repayment terms. The amounts will not be repaid within twelve months from the balance sheet date and accordingly, the amounts are classified as non-current.

27. AMOUNT DUE TO AN ASSOCIATE

The amount due to an associate of the Group is unsecured, interest-bearing and has no fixed repayment terms. The amount will not be repaid within twelve months from the balance sheet date and accordingly, the amount is classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

28. DEFERRED TAXATION

The following are the major deferred tax liability (asset) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation <i>HK\$</i>	Tax losses <i>HK\$</i>	Total <i>HK\$</i>
At 1st July, 2003	2,125,024	(147,047)	1,977,977
(Credit) charge to income statement during the year	<u>(97,511)</u>	<u>147,047</u>	<u>49,536</u>
At 30th June, 2004	2,027,513	–	2,027,513
Credit to income statement during the year	<u>(91,376)</u>	<u>–</u>	<u>(91,376)</u>
At 30th June, 2005	<u>1,936,137</u>	<u>–</u>	<u>1,936,137</u>

At 30th June, 2005, the Group had unused tax losses of HK\$5,061,792 (2004: HK\$2,042,408) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

29. PLEDGE OF ASSETS

- (a) The Group has pledged its hotel properties having a net book value of HK\$1,950,110,500 (2004: HK\$1,950,110,500) and listed securities at market value of HK\$411,418,481 (2004: HK\$237,192,628) and pledged by way of floating charges in other assets of HK\$39,839,115 (2004: HK\$47,864,399) to banks to secure long-term loan facilities granted to the Group;
- (b) The Group has pledged its time deposit of HK\$1,384,746 (2004: HK\$1,371,931) to secure a letter of guarantee issuance facility; and
- (c) The investments in certain subsidiaries of the Company have been pledged to banks or financial institutions to secure loan facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

30. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK\$2,624,245 (2004: HK\$2,112,658). The properties held have committed tenants for the next three years.

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

	THE GROUP	
	2005 HK\$	2004 HK\$
Within one year	2,655,360	597,525
In the second to fifth year inclusive	3,429,840	–
	6,085,200	597,525

31. CONTINGENT LIABILITIES

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

	THE GROUP		THE COMPANY	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Guarantees given to banks, in respect of loan facilities utilised by:				
– subsidiaries	–	–	835,001,418	611,506,104
– an associate	216,000,000	234,500,000	216,000,000	234,500,000
	216,000,000	234,500,000	1,051,001,418	846,006,104

32. CAPITAL COMMITMENTS

	THE GROUP	
	2005 HK\$	2004 HK\$
Capital expenditure in respect of purchase of operating equipment contracted for but not provided in the financial statements	1,068,333	–

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

33. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into significant transactions with related parties as follows:

	NOTES	THE GROUP	
		2005 HK\$	2004 HK\$
Interest expenses paid to an associate	(i)	3,272,477	3,711,068
Hotel management fee received from an associate	(ii)	980,000	1,193,148
Hotel management fee received from a related company	(ii), (v)	950,000	950,000
Interest income received from an associate	(iii)	1,453,688	355,754
Security guard services fee paid to a related company	(iv), (vi)	<u>1,018,338</u>	<u>931,616</u>

Notes:

- (i) The interest expenses were chargeable at commercial rate.
 - (ii) The relevant management fee income was charged on terms mutually agreed by the relevant parties.
 - (iii) The interest income was charged at cost of fund plus a margin.
 - (iv) The security guard services fee was charged on cost plus a profit margin basis.
 - (v) Mr. Robert Ng Chee Siong was interested in this transaction as a Director of the related company.
 - (vi) The related company is a wholly-owned subsidiary of Sino Land Company Limited.
- (b) At 30th June, 2005, the Group had the outstanding balances with related parties as follows:
- (i) Details of amounts with associates are set out in notes 20 and 27.
 - (ii) The Group had contingent liabilities in respect of guaranteed loan facilities utilised by an associate amounting to HK\$216,000,000 (2004: HK\$234,500,000).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company at 30th June, 2005 which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name of company	Place of incorporation/ operation	Class of shares held/ issued capital	Proportion of nominal value of issued/registered capital held by the Company	Principal activities
Direct subsidiary				
Active Finance Limited	Hong Kong	Ordinary HK\$2	100%	Provision of financial services
Aldrich Worldwide Holdings Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Allied Joy Limited	Hong Kong	Ordinary HK\$2	100%	Provision of nominee services
Asian Statesman Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Halliwell Ltd.	Cayman Islands	Ordinary US\$1	100%	Investment holding
Island Pacific Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
Sheridan Holdings Ltd.	Cayman Islands	Ordinary US\$1	100%	Investment holding
Sino Fortune Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Sino March Assets Ltd.	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Toby Investments Limited	Cayman Islands	Ordinary US\$1	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2005

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ operation	Class of shares held/ issued capital	Proportion of nominal value of issued/registered capital held by the Company	Principal activities
Indirect subsidiary				
Bosco Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Bright Tower (HK) Limited	Hong Kong	Ordinary HK\$2	100%	Club and café operations
China Asia Property Limited	Hong Kong	Ordinary HK\$2	100%	Hotel owner
City Garden Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
R.P. Hotel Limited	Hong Kong	Ordinary HK\$2	100%	Hotel management
Speed Advance Limited	Republic of Liberia/ Hong Kong	Registered/ Bearer shares US\$1	100%	Share investment
Wellrich International Ltd.	Republic of Liberia/ Hong Kong	Registered/ Bearer shares US\$1	100%	Share investment

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2005

35. RESULTS AND AFFAIRS OF THE GROUP'S SIGNIFICANT ASSOCIATES

The following details have been extracted from the audited financial statements of Greenroll Limited which have been adjusted to conform with the Group's accounting policies, and from the audited consolidated financial statements of Asian Glory Limited and its subsidiary, Bestown Property Limited.

	Greenroll Limited		Asian Glory Limited	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Results for the year				
Turnover	544,877,000	480,127,000	208,536,618	185,546,155
Profit before taxation	197,956,000	169,609,000	67,444,172	73,301,928
Profit before taxation attributable to the Group	98,978,000	84,804,500	16,861,043	18,325,482
Financial position				
Non-current assets	3,392,776,000	3,375,862,000	2,057,009,757	2,050,070,841
Current assets	216,907,000	177,175,000	103,013,988	105,337,963
Current liabilities	(204,807,000)	(158,400,000)	(83,723,647)	(71,866,376)
Non-current liabilities	(865,083,480)	(1,017,176,780)	(1,994,962,515)	(2,055,927,476)
Net assets	2,539,792,520	2,377,460,220	81,337,583	27,614,952
Net assets attributable to the Group	1,269,896,260	1,188,730,110	20,334,396	6,903,738

The Inland Revenue Department (the "IRD") initiated tax inquiries for the years of assessment 1994/95 to 2002/03 on a wholly-owned subsidiary, Bestown Property Limited ("Bestown") of the Group's associate, Asian Glory Limited ("AGL"). Notices of assessment for additional tax in an aggregate amount of approximately HK\$133,062,000 were issued to Bestown for the years under review and objections were properly lodged with the IRD by Bestown. The effective share of the additional tax attributable to the Group as at 30th June, 2005 is estimated to be approximately HK\$33,265,000. In the opinion of the management of Bestown, as the tax inquiries are still at the stage of collation of evidence, the ultimate outcome of the tax inquiries, cannot presently be determined by the management of Bestown with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made in the financial statements of Bestown.

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.