

For the year ended 30th June, 2007

1. GENERAL

The Company is a public listed 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 "Stock Exchange"). The address of the registered office and principal place of business of the Company is 12th Floor, Tsim Sha Tsui Centre, Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 46.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES

In the current year, the Company and its subsidiaries (the "Group") has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006, 1st March, 2006, 1st May, 2006 or 1st June, 2006. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods have been prepared and presented:

Financial guarantee contracts

In the current year, the Group has applied Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 4 (Amendments) *Financial Guarantee Contracts* which is effective for annual periods beginning on or after 1st January, 2006.

A financial guarantee contract is defined by HKAS 39 *Financial Instruments: Recognition and Measurement* as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

Prior to 1st July, 2006, financial guarantee contracts were not accounted for in accordance with HKFRS 4 *Insurance Contract* and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

For the year ended 30th June, 2007

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial guarantee contracts *(Continued)*

The fair value of the financial guarantee contract is accounted for by the borrower as transaction costs of the related borrowing and amortised over the guarantee period using the effective interest method.

In relation to financial guarantees granted to a number of banks over the repayment of loans by associates, the Group has applied the transitional provisions in HKAS 39. The fair value of the financial guarantee contracts at the date of grant amounted to HK\$13,031,600, representing a deemed capital contribution to the associates, has been adjusted to the carrying amount of interests in associates. The unamortised amount of HK\$250,874 has been recognised as financial liabilities for the financial guarantee contracts as at 1st July, 2005 and adjusted to the carrying amount of interest in associates accordingly. This change in accounting policy has resulted in an increase in profit for the year (see Note 3 for the financial impact).

The Company has also provided corporate guarantees to certain subsidiaries over the repayment of loans by these subsidiaries. As the fair value of the pledged assets is significantly greater than the loan balances (details of which are set out in Note 41), the Directors consider that the fair value of the financial guarantee is immaterial and therefore the Company has not recognised the financial guarantee contracts in the Company's balance sheet on initial recognition.

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

The effect of changes in accounting policies described in Note 2 on the results for the current and prior years are as follows:

- (a) On results and income statement items

	THE GROUP	
	Year ended	
	30th June, 2007	30th June, 2006
	HK\$	HK\$
Income from amortisation of financial guarantee contracts included in finance income	3,037,328	547,308
Decrease in share of results of associates	(566,045)	(73,454)
Increase in profit for the year	<u>2,471,283</u>	<u>473,854</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2007

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

- (b) The cumulative effect of the application of the new HKFRSs on the Group as at 30th June, 2006 is summarised below:

	As at 30th June, 2006 (originally stated) <i>HK\$</i>	Effect of HKAS 39 and HKFRS 4 (Amendments) <i>HK\$</i>	As at 30th June, 2006 (as restated) <i>HK\$</i>
Balance sheet items			
Interests in associates	4,902,553,731	8,995,420	4,911,549,151
Financial guarantee contracts	–	(8,521,566)	(8,521,566)
	<hr/>	<hr/>	<hr/>
Total effects on assets and liabilities		473,854	
	<hr/>	<hr/>	<hr/>
Retained profits	22,556,981,054	473,854	22,557,454,908
	<hr/>	<hr/>	<hr/>
Total effects on equity		473,854	
		<hr/>	

Financial guarantee expenses amounted to HK\$473,854 have been capitalised in the properties under development held by certain associates of the Group for the year ended 30th June, 2006.

- (c) The application of the new HKFRSs has no impact on the Group's equity at 1st July, 2005.
- (d) The cumulative effect of the application of the new HKFRSs on the Company as at 30th June, 2006 is summarised below:

	As at 30th June, 2006 (originally stated) <i>HK\$</i>	Effect of HKAS 39 and HKFRS 4 (Amendments) <i>HK\$</i>	As at 30th June, 2006 (as restated) <i>HK\$</i>
Balance sheet items			
Investments in subsidiaries	42,861,795	8,798,600	51,660,395
Interests in associates	515,741,342	351,000	516,092,342
Financial guarantee contracts	–	(8,521,566)	(8,521,566)
	<hr/>	<hr/>	<hr/>
Total effects on assets and liabilities		628,034	
	<hr/>	<hr/>	<hr/>
Retained profits	11,877,910,509	628,034	11,878,538,543
	<hr/>	<hr/>	<hr/>
Total effects on equity		628,034	
		<hr/>	

For the year ended 30th June, 2007

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

- (e) The effects of the application of the new HKFRSs on the Company's equity at 1st July, 2005 is summarised below:

	As at 1st July, 2005 (originally stated) <i>HK\$</i>	Effect of HKAS 39 and HKFRS 4 (Amendments) <i>HK\$</i>	As at 1st July, 2005 (as restated) <i>HK\$</i>
Retained profits	<u>11,955,515,022</u>	<u>80,726</u>	<u>11,955,595,748</u>

The Group has not early applied the following new or revised standards, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ³
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions ⁴
HK(IFRIC)-Int 12	Service Concession Arrangements ⁵

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

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st November, 2006

⁴ Effective for annual periods beginning on or after 1st March, 2007

⁵ Effective for annual periods beginning on or after 1st January, 2008

For the year ended 30th June, 2007

4. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

For the year ended 30th June, 2007

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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

Goodwill arising on acquisitions prior to 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities of the associate recognised at the date of acquisition is recognised as goodwill. From 1st July, 2005 onwards, the Group has discontinued amortisation of goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Goodwill arising on acquisitions on or after 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

For the year ended 30th June, 2007

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Jointly controlled operations

When the Group undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the balance sheet of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated income statement when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated 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 and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

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.

For the year ended 30th June, 2007

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Properties under development

Properties under development which are developed in the ordinary course of business 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 method.

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 expense in the year in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

For the year ended 30th June, 2007

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss of the Group include financial assets held for trading on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts and other receivables, advances to associates/investee companies, loans receivables, amounts due from subsidiaries/associates, advance to a subsidiary, restricted bank deposits and time deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment loss is subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

For the year ended 30th June, 2007

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Convertible bonds

The convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity as equity component of the convertible bonds.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised in which case the balance stated in convertible bonds equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Other financial liabilities

Other financial liabilities (including accounts and other payables, amounts due to associates, bank and other loans, advances from associates and minority shareholders) are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

For the year ended 30th June, 2007

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

For the year ended 30th June, 2007

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)***Revenue recognition**

Turnover represents the fair value of net amounts received and receivable from sales of properties, investments and services provided.

- (a) Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:
- the significant risks and rewards of ownership of the properties are transferred to buyers;
 - neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
 - the amount of revenue can be measured reliably;
 - it is probable that the economic benefits associated with the transaction will flow to the Group; and
 - the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from properties developed for sale is recognised on the execution of a binding sales 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.

- (b) Sales of listed investments are recognised on a trade date basis.
- (c) Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.
- (d) Building management and service fee income is recognised on an appropriate basis over the relevant period in which the services are rendered.
- (e) Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- (f) 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 consolidated income statement on a straight-line basis over the repayment period commencing from the completion of the relevant sales agreements.
- (g) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.
- (h) Hotel income is recognised when services are provided.

For the year ended 30th June, 2007

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 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 profits 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 profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the year ended 30th June, 2007

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits costs

Payments to the retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

Estimated net realisable value on properties under development

In determining whether allowances should be made to the Group's properties under development, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price, less estimated costs of selling expenses) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount.

Allowance for stocks of unsold properties

Management exercises its judgment in making allowance for stocks of unsold properties with reference to the existing market environment, the sales performance in previous years and estimated market value of the properties, i.e. the estimated selling price, less estimated costs of selling expenses. A specific allowance for stocks of unsold properties is made if the estimated market value of the property is lower than its carrying amount.

Depreciation on hotel property

In determining the estimated useful life of the hotel property, the management makes reference to the relevant term of lease of the hotel property, which is 96 years. Any changes to the estimated useful life of the hotel property may cause a material adjustment to the carrying amount and the results within the next financial year.

At 30th June, 2007, the carrying amount of the hotel property is HK\$850,461,498 (net of accumulated depreciation of HK\$60,237,390). Details of the movement of the hotel property are disclosed in Note 19.

For the year ended 30th June, 2007

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Income taxes

As detailed in Notes 15 and 23, the Inland Revenue Department (“IRD”) had initiated tax inquiries and issued notices of assessment for additional taxes against certain wholly-owned subsidiaries of the Company and certain wholly-owned subsidiaries of the Group’s associates in respect of the deductions on certain loan interest and related expenses.

The Directors are of the opinion, together with the advice from the Company’s tax advisors, that the outcome of these assessments cannot presently be estimated. The Directors are also of the opinion that the payment of the additional taxes is not probable and therefore, no provision has been made in the financial statements.

If the objections made to the IRD were unsuccessful, there would be an increase in the Group’s ultimate tax liability and decrease in interests in associates in respect of the Group’s share of the ultimate tax liability.

6. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group’s major financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain accounts and the other receivables, accounts and other payables and bank and other borrowings of the Group are denominated in foreign currencies. The amount of bank borrowings denominated in foreign currencies is set out in Note 31. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

The Group’s income and operating cash flows are subject to changes in market interest rates as the Group has interest-bearing advances to/amounts due from associates and investee companies, loans receivable, bank deposits and bank and other borrowings. Loans at variable rates expose the Group to cash flow interest rate risk. Loan at fixed rates expose the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Price risk

The Group is exposed to equity security price risk through its investments in equity securities. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

For the year ended 30th June, 2007

6. FINANCIAL INSTRUMENTS *(Continued)***(a) Financial risk management objectives and policies** *(Continued)**Credit risk*

As at 30th June, 2007, the Company's and Group's maximum exposure to credit risk which will cause a financial loss to the Company and Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Company and Group arising from:

- the carrying amount of the respective recognised financial assets as stated in the Company and consolidated balance sheet; and
- the amount of contingent liabilities disclosed in Note 42.

Also, the Group is subject to concentration of credit risks as over 71% of the Group's debts are receivables from a number of associates/investee companies. In order to minimise the credit risk and the concentration of credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regards, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid fund is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(b) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2007

7. TURNOVER

	2007	2006
	HK\$	HK\$
Sales of properties held for sale	5,362,349,842	6,472,869,330
Gross rental income from properties	1,148,641,446	998,334,843
Building management and service fee income	530,707,294	439,011,988
Hotel operations	395,680,760	321,495,767
Interest income from loans receivables	14,960,061	16,511,849
Dividend income		
listed investments	63,614,269	66,568,871
unlisted investments	13,236,000	10,838,718
Others	2,870,000	2,702,186
	<u>7,532,059,672</u>	<u>8,328,333,552</u>

For the year ended 30th June, 2007

8. 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:

CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2007

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$
TURNOVER							
Property rental	1,148,641,446	-	-	-	-	-	1,148,641,446
Property sales	5,365,219,842	-	-	-	-	-	5,365,219,842
Hotel operations	-	-	-	395,680,760	-	-	395,680,760
Management services	69,847,814	-	-	-	460,859,480	-	530,707,294
Share investment and dealing	-	76,850,269	-	-	-	-	76,850,269
Financing	-	-	14,960,061	-	-	-	14,960,061
	<u>6,583,709,102</u>	<u>76,850,269</u>	<u>14,960,061</u>	<u>395,680,760</u>	<u>460,859,480</u>	<u>-</u>	<u>7,532,059,672</u>
Inter-segment sales*	-	-	-	-	24,041,658	(24,041,658)	-
Segment revenue	6,583,709,102	76,850,269	14,960,061	395,680,760	484,901,138	(24,041,658)	7,532,059,672
Other income	54,841,223	16,989,581	308,635	666,382	37,990,507	-	110,796,328
	<u>6,638,550,325</u>	<u>93,839,850</u>	<u>15,268,696</u>	<u>396,347,142</u>	<u>522,891,645</u>	<u>(24,041,658)</u>	<u>7,642,856,000</u>
SEGMENT RESULT	<u>5,877,835,373</u>	<u>335,324,175</u>	<u>15,268,696</u>	<u>210,557,597</u>	<u>176,827,153</u>	<u>-</u>	<u>6,615,812,994</u>
Unallocated corporate expenses							(522,359,440)
Net finance costs							(97,711,383)
Share of results of associates	1,269,443,596	2,222,778	383,812	32,422,216	9,235,095	-	1,313,707,497
Profit before taxation							7,309,449,668
Income tax expense							(888,225,872)
Profit for the year							<u>6,421,223,796</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, 2007

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

CONSOLIDATED BALANCE SHEET

At 30th June, 2007

	Property <i>HK\$</i>	Investments in securities <i>HK\$</i>	Financing <i>HK\$</i>	Hotel <i>HK\$</i>	Building management and services <i>HK\$</i>	Consolidated <i>HK\$</i>
ASSETS						
Segment assets	47,227,996,594	5,015,109,955	1,264,848,761	2,730,737,133	486,110,258	56,724,802,701
Interests in associates	4,900,592,528	1,329,669	(2,837,816)	686,447,151	14,076,383	5,599,607,915
Advances to associates	8,446,179,288	–	–	–	815,388,893	9,261,568,181
Amounts due from associates	801,538,227	9,537,857	17,822,709	–	65,975,200	894,873,993
Unallocated corporate assets						236,398,141
Consolidated total assets						<u>72,717,250,931</u>
LIABILITIES						
Segment liabilities	3,043,619,737	14,877,489	41,475,510	61,464,381	107,387,838	3,268,824,955
Amounts due to associates	750,247,748	580,238	–	–	11,140,924	761,968,910
Advances from associates	1,739,521,212	–	–	246,124,496	–	1,985,645,708
Borrowings						15,541,160,254
Unallocated corporate liabilities						3,393,924,588
Consolidated total liabilities						<u>24,951,524,415</u>

OTHER INFORMATION

For the year ended 30th June, 2007

	Property <i>HK\$</i>	Investments in securities <i>HK\$</i>	Financing <i>HK\$</i>	Hotel <i>HK\$</i>	Building management and services <i>HK\$</i>	Consolidated <i>HK\$</i>
Release of prepaid lease payments	–	–	–	4,602,365	–	4,602,365
Capital additions	2,367,176	–	–	7,621,070	10,119,048	20,107,294
Depreciation	861,687	–	–	16,739,994	8,104,983	25,706,664
Investment property additions	199,629,001	–	–	–	–	199,629,001

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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For the year ended 30th June, 2007

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2006

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$ (as restated)
TURNOVER							
Property rental	998,334,843	-	-	-	-	-	998,334,843
Property sales	6,475,154,330	-	-	-	-	-	6,475,154,330
Hotel operations	-	-	-	321,495,767	-	-	321,495,767
Management services	67,013,448	-	-	-	371,998,540	-	439,011,988
Share investment and dealing	-	77,824,775	-	-	-	-	77,824,775
Financing	-	-	16,511,849	-	-	-	16,511,849
	<u>7,540,502,621</u>	<u>77,824,775</u>	<u>16,511,849</u>	<u>321,495,767</u>	<u>371,998,540</u>	<u>-</u>	<u>8,328,333,552</u>
Inter-segment sales*	-	-	-	-	22,266,605	(22,266,605)	-
Segment revenue	7,540,502,621	77,824,775	16,511,849	321,495,767	394,265,145	(22,266,605)	8,328,333,552
Other income	17,424,413	7,569,073	2,223,332	256,894	36,727,626	-	64,201,338
	<u>7,557,927,034</u>	<u>85,393,848</u>	<u>18,735,181</u>	<u>321,752,661</u>	<u>430,992,771</u>	<u>(22,266,605)</u>	<u>8,392,534,890</u>
SEGMENT RESULT	<u>5,867,088,712</u>	<u>170,436,019</u>	<u>18,735,181</u>	<u>167,604,427</u>	<u>177,341,499</u>	<u>-</u>	<u>6,401,205,838</u>
Unallocated corporate expenses							(456,310,491)
Net finance costs							(200,456,038)
Share of results of associates	1,255,867,946	(43,338)	911,632	34,699,018	(21,420,923)	-	1,270,014,335
Profit before taxation							7,014,453,644
Income tax expense							(963,377,068)
Profit for the year							<u>6,051,076,576</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, 2007

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

CONSOLIDATED BALANCE SHEET

At 30th June, 2006

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$ (as restated)
ASSETS						
Segment assets	45,247,685,827	4,282,135,182	1,136,527,605	1,710,747,236	654,580,012	53,031,675,862
Interests in associates	4,144,058,203	3,606,890	(2,743,192)	829,881,604	(63,254,354)	4,911,549,151
Advances to associates	7,129,785,386	–	–	–	992,966,169	8,122,751,555
Amounts due from associates	787,548,177	11,398,057	29,231,151	–	70,691,863	898,869,248
Unallocated corporate assets						239,375,867
Consolidated total assets						<u>67,204,221,683</u>
LIABILITIES						
Segment liabilities	2,862,149,088	7,382,656	346,107,595	54,794,130	79,177,304	3,349,610,773
Amounts due to associates	205,400,855	2,929,356	–	–	12,271,759	220,601,970
Advances from associates	1,691,489,929	–	–	236,676,793	–	1,928,166,722
Borrowings						19,115,748,187
Unallocated corporate liabilities						2,804,055,532
Consolidated total liabilities						<u>27,418,183,184</u>

OTHER INFORMATION

For the year ended 30th June, 2006

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$
Release of prepaid lease payments	–	–	–	4,370,279	–	4,370,279
Capital additions	1,185,036	–	–	27,476,392	9,092,874	37,754,302
Depreciation	752,443	4,586	–	18,431,282	7,817,505	27,005,816
Investment property additions	395,093,685	–	–	9,979,027	–	405,072,712

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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For the year ended 30th June, 2007

9. FINANCE INCOME

	2007 HK\$	2006 <i>HK\$</i> (as restated)
Interest income on:		
advances to associates	61,786,703	61,515,841
advances to investee companies	979,864	1,103,363
bank deposits	95,223,298	45,766,651
other	–	5,933,164
Imputed interest income on non-current interest-free		
advances to associates	237,078,415	118,976,897
Financial guarantee income	3,037,328	547,308
	<u>398,105,608</u>	<u>233,843,224</u>

10. FINANCE COSTS

	2007 HK\$	2006 <i>HK\$</i>
Interest and other finance costs on:		
bank loans wholly repayable within five years	790,162,681	537,980,665
other loans wholly repayable within five years	22,637,271	20,277,186
Effective interest expense on convertible bonds	21,974,323	91,376,659
Imputed interest expense on non-current interest-free		
advances from associates	60,900,450	26,738,264
	895,674,725	676,372,774
Less: Amounts capitalised to properties under development	(399,857,734)	(242,073,512)
	<u>495,816,991</u>	<u>434,299,262</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2007

11. SHARE OF RESULTS OF ASSOCIATES

	2007 HK\$	2006 <i>HK\$</i> (as restated)
Share of results of associates comprises:		
Share of profits of associates	1,567,114,903	1,572,803,104
Share of taxation of associates	(253,407,406)	(302,788,769)
	<u>1,313,707,497</u>	<u>1,270,014,335</u>

Share of profits of associates included an increase in fair value of investment properties of the associates of HK\$524,097,086 (2006: HK\$349,605,942) recognised in the income statements of the associates.

12. PROFIT BEFORE TAXATION

	2007 HK\$	2006 <i>HK\$</i>
Profit before taxation has been arrived at after charging (crediting):		
Staff costs including Directors' remuneration	703,195,993	569,065,882
Retirement benefits scheme contributions	26,112,985	22,209,758
Total staff costs	<u>729,308,978</u>	<u>591,275,640</u>
Release of prepaid lease payments (included in administrative expenses)	4,602,365	4,370,279
Auditors' remuneration		
– audit services	3,294,867	3,117,924
– non audit services	295,000	354,170
Cost of hotel inventories recognised	39,978,381	32,364,280
Cost of properties sold recognised	2,413,394,542	2,423,767,927
Depreciation	25,706,664	27,005,816
Loss on disposal of property, plant and equipment	11,592	241,226
Net exchange gain	(23,964,555)	(5,183,639)
Loss (profit) on disposal of investment properties	<u>911,315</u>	<u>(240,026)</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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For the year ended 30th June, 2007

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the nine (2006: nine) directors were as follows:

2007

	Mr. Robert Ng Chee Siong HK\$	Mr. Raymond Tong Kwok Tung HK\$	Mr. Yu Wai Wai Wai Wai HK\$	Mr. Thomas Tang Wing Yung HK\$	Mr. Daryl Ng Win Kong HK\$	The Honourable Ronald Joseph Arculli HK\$ <i>(Note ii)</i>	Dr. Allan Zeman HK\$	Mr. Adrian David Li Man-kiu HK\$	Dr. Fu Yuning HK\$	Total HK\$
Fees	30,000	40,000	20,000	20,000	30,000	60,000	190,000	190,000	180,000	760,000
Other emoluments										
Salaries and other benefits	1,226,760	3,915,210	4,907,472	5,511,012	708,469	-	-	-	-	16,268,923
Retirement benefits scheme contributions	12,000	12,000	36,000	18,000	12,000	-	-	-	-	90,000
Discretionary bonus <i>(Note i)</i>	-	3,630,983	1,400,000	10,800,000	-	-	-	-	-	15,830,983
Total emoluments	1,268,760	7,598,193	6,363,472	16,349,012	750,469	60,000	190,000	190,000	180,000	32,949,906

2006

	Mr. Robert Ng Chee Siong HK\$	Mr. Raymond Tong Kwok Tung HK\$	Mr. Yu Wai Wai Wai Wai HK\$	Mr. Thomas Tang Wing Yung HK\$	Mr. Daryl Ng Win Kong HK\$	The Honourable Ronald Joseph Arculli HK\$ <i>(Note ii)</i>	Dr. Allan Zeman HK\$	Mr. Adrian David Li Man-kiu HK\$	Dr. Fu Yuning HK\$	Total HK\$
Fees	30,000	40,000	20,000	20,000	30,000	60,000	190,000	190,000	180,000	760,000
Other emoluments										
Salaries and other benefits	1,226,760	3,791,820	4,326,397	5,521,102	674,913	-	-	-	-	15,540,992
Retirement benefits scheme contributions	12,000	12,000	36,000	18,000	12,000	-	-	-	-	90,000
Discretionary bonus <i>(Note i)</i>	-	466,973	687,550	3,626,333	99,000	-	-	-	-	4,879,856
Total emoluments	1,268,760	4,310,793	5,069,947	9,185,435	815,913	60,000	190,000	190,000	180,000	21,270,848

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

Note ii: A consultancy fee of HK\$1,666,664 (2006: HK\$1,666,664) was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP is the sole proprietor.

For the year ended 30th June, 2007

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2006: three) are Executive Directors of the Company whose emoluments are included in Note 13 above. The emoluments of the remaining two (2006: two) individuals disclosed pursuant to the Listing Rules are as follows:

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Salaries and other emoluments (including basic salaries, housing allowances, other allowances and benefits in kind)	5,912,892	5,747,408
Retirement benefits scheme contributions	18,000	–
Discretionary bonus	626,323	501,333
	<u>6,557,215</u>	<u>6,248,741</u>

The emoluments were within the following bands:

	Number of individuals	
	2007	2006
<i>HK\$</i> 3,000,001 – 3,500,000	<u>2</u>	<u>2</u>

For the years ended 30th June, 2007 and 2006, 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, 2007

15. INCOME TAX EXPENSE

	2007 HK\$	2006 <i>HK\$</i>
The charge comprises:		
Taxation attributable to the Company and its subsidiaries		
Hong Kong Profits Tax		
Provision for the year	458,545,248	771,014,989
(Over)underprovision in previous years	(304,994)	154,500
	458,240,254	771,169,489
Taxation in other jurisdictions		
Provision for the year	30,540,538	15,015,513
Underprovision in previous year	7,250,927	–
	496,031,719	786,185,002
Deferred taxation (<i>Note 36</i>)	392,194,153	177,192,066
	888,225,872	963,377,068

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. Taxation in other jurisdictions is provided for in accordance with the respective local requirements.

For the year ended 30th June, 2007

15. 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:

	2007 HK\$	2006 HK\$ (as restated)
Profit before taxation	7,309,449,668	7,014,453,644
Tax at Hong Kong Profits Tax rate of 17.5%	1,279,153,692	1,227,529,388
Tax effect of share of results of associates	(229,898,812)	(222,252,509)
Tax effect of expenses not deductible for tax purpose	18,187,328	26,062,818
Tax effect of income not taxable for tax purpose	(129,514,733)	(44,014,385)
Underprovision in previous years	6,945,933	154,500
Tax effect of tax losses not recognised	56,349,411	75,340,156
Tax effect of deferred tax assets not recognised	58,792,714	167,064,124
Utilisation of tax losses previously not recognised	(67,994,163)	(107,331,515)
Utilisation of deferred tax assets previously not recognised	(108,492,107)	(162,904,872)
Effect of different tax rates of subsidiaries operating in other jurisdictions	4,696,609	3,729,363
Tax charge for the year	888,225,872	963,377,068

Details of deferred taxation are set out in Note 36.

The IRD initiated tax inquiries for the years of assessment 1995/96 to 1999/2000 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\$326,160,000 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 agreed to hold over the tax claim subject to the purchase of tax reserve certificates (the "TRC") of approximately HK\$109,940,000 for those years of assessments. These TRC have been purchased by the Group. After considering the advice from the tax advisors and in view of the tax inquiries are still at the stage of collation of evidence, in the opinion of the Directors of the Company, the ultimate outcome of these tax inquiries cannot presently be determined. The Directors are also of the opinion that the payment of the additional taxes is not probable and therefore, no provision for any liabilities from the assessment that may result has been made.

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. The IRD agreed to hold over the tax claim subject to the purchase of TRC of approximately HK\$131,719,000 for those years of assessments. These TRC have been purchased by the Group. After considering the advice from the tax advisors, the Directors of the Company believe that City Empire has reasonable ground to contest the assessments issued by the IRD and accordingly, no provision for the assessments has been made.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2007

16. DIVIDENDS

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Final dividend paid for the year ended 30th June, 2006: HK30 cents (2005: HK11.5 cents) per share	1,347,557,347	491,050,421
Interim dividend paid for the year ended 30th June, 2007: HK8.5 cents (2006: HK8.5 cents) per share	391,672,138	365,390,456
	<u>1,739,229,485</u>	<u>856,440,877</u>

During the year, scrip dividends were offered in respect of the 2006 final and 2007 interim dividends. These scrip alternatives were accepted by the majority of shareholders, as follows:

	2007 Interim <i>HK\$</i>	2006 Final <i>HK\$</i>
Dividends:		
Cash	66,015,133	314,440,363
Scrip alternatives	<u>325,657,005</u>	<u>1,033,116,984</u>
	<u>391,672,138</u>	<u>1,347,557,347</u>

A final dividend of HK30 cents per share for the year ended 30th June, 2007 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, 2007

17. EARNINGS PER SHARE

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

	2007 HK\$	2006 <i>HK\$</i> (as restated)
Earnings for the purpose of basic earnings per share	6,267,284,721	6,017,801,108
Effect of dilutive potential ordinary shares:		
Reduction of finance costs, net of tax	18,128,817	75,385,744
Earnings for the purpose of diluted earnings per share	6,285,413,538	6,093,186,852
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,489,288,050	4,309,967,680
Effect of dilutive potential ordinary shares:		
Convertible bonds	103,877,481	269,398,445
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,593,165,531	4,579,366,125

The following table summaries the impact on basic and diluted earnings per share as a result of:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2007 HK cents	2006 <i>HK cents</i>	2007 HK cents	2006 <i>HK cents</i>
Figures before adjustments	139.55	139.61	136.79	133.05
Adjustments arising from changes in accounting policies <i>(See note 3)</i>	0.06	0.02	0.05	0.01
Adjusted/restated	139.61	139.63	136.84	133.06

For the year ended 30th June, 2007

18. 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>	Properties under redevelopment in Hong Kong <i>HK\$</i>	Investment property in Singapore held under a long lease <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP					
FAIR VALUE					
At 1st July, 2005	1,072,000,000	17,467,799,360	–	342,381,177	18,882,180,537
Exchange realignment	–	–	–	20,204,292	20,204,292
Additions	333,550,672	61,543,013	–	9,979,027	405,072,712
Transfer from properties under development	–	160,400,589	–	–	160,400,589
Disposals	–	(2,044,974)	–	–	(2,044,974)
Increase in fair value	24,449,328	1,172,554,538	–	1,023,254	1,198,027,120
At 30th June, 2006	1,430,000,000	18,860,252,526	–	373,587,750	20,663,840,276
Exchange realignment	–	–	–	18,293,230	18,293,230
Additions	138,132,590	61,048,579	447,832	–	199,629,001
Transfer from properties under development	516,105,803	–	–	–	516,105,803
Reclassification	(195,000,000)	–	195,000,000	–	–
Disposals	–	(2,969,073)	–	(4,405,505)	(7,374,578)
Increase in fair value	182,567,410	2,190,021,948	21,552,168	21,804,525	2,415,946,051
At 30th June, 2007	<u>2,071,805,803</u>	<u>21,108,353,980</u>	<u>217,000,000</u>	<u>409,280,000</u>	<u>23,806,439,783</u>

The fair value of the Group's investment properties at 30th June, 2007 have been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Ltd., independent qualified professional valuers not connected with the Group. Knight Frank Petty Ltd. has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

For the year ended 30th June, 2007

19. HOTEL PROPERTY

**Hotel property
in Singapore held
under a long lease**
HK\$

THE GROUP**COST**

At 1st July, 2005	799,554,799
Exchange realignment	48,982,883
Additions	20,770,775

At 30th June, 2006	869,308,457
Exchange realignment	41,390,431

At 30th June, 2007 **910,698,888**

DEPRECIATION

At 1st July, 2005	35,983,575
Exchange realignment	3,662,889
Provided for the year	8,800,763

At 30th June, 2006	48,447,227
Exchange realignment	2,522,031
Provided for the year	9,268,132

At 30th June, 2007 **60,237,390**

CARRYING VALUES

At 30th June, 2007 **850,461,498**

At 30th June, 2006	820,861,230
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The hotel properties are depreciated on a straight-line basis over the relevant terms of the lease of 96 years.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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For the year ended 30th June, 2007

20. 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, 2005	36,796,060	79,921,653	25,712,681	13,455,105	7,707,664	163,593,163
Exchange realignment	887,034	5,231,927	–	796,474	–	6,915,435
Additions	4,937,146	8,292,426	2,395,979	249,499	1,108,477	16,983,527
Disposals	(1,239,219)	(1,492,140)	(55,650)	(436,680)	(533,290)	(3,756,979)
At 30th June, 2006	41,381,021	91,953,866	28,053,010	14,064,398	8,282,851	183,735,146
Exchange realignment	477,745	3,665,313	–	139,045	–	4,282,103
Additions	6,130,555	9,850,132	932,648	1,887,839	1,306,120	20,107,294
Disposals	(662,081)	(1,136,462)	–	(1,559,444)	(444,865)	(3,802,852)
At 30th June, 2007	47,327,240	104,332,849	28,985,658	14,531,838	9,144,106	204,321,691
DEPRECIATION						
At 1st July, 2005	27,643,502	36,267,057	18,947,824	8,259,819	6,643,535	97,761,737
Exchange realignment	2,057,411	955,442	–	446,201	–	3,459,054
Provided for the year	4,971,173	9,107,175	1,994,858	1,397,298	734,549	18,205,053
Eliminated on disposals	(1,229,424)	(1,078,245)	(55,650)	(82,481)	(533,290)	(2,979,090)
At 30th June, 2006	33,442,662	45,251,429	20,887,032	10,020,837	6,844,794	116,446,754
Exchange realignment	418,966	2,007,525	–	85,431	–	2,511,922
Provided for the year	2,003,579	9,788,143	2,252,145	1,518,849	875,816	16,438,532
Eliminated on disposals	(658,536)	(871,526)	–	(1,279,861)	(409,650)	(3,219,573)
At 30th June, 2007	35,206,671	56,175,571	23,139,177	10,345,256	7,310,960	132,177,635
CARRYING VALUES						
At 30th June, 2007	12,120,569	48,157,278	5,846,481	4,186,582	1,833,146	72,144,056
At 30th June, 2006	7,938,359	46,702,437	7,165,978	4,043,561	1,438,057	67,288,392

The above items of property, plant and equipment are depreciated on a straight-line basis 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% – 30%

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2007

21. PREPAID LEASE PAYMENTS

	THE GROUP	
	2007	2006
	HK\$	<i>HK\$</i>
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong – long lease	421,488,944	406,829,456
Analysed for reporting purposes as:		
Current assets	4,709,375	4,495,355
Non-current assets	416,779,569	402,334,101
	421,488,944	406,829,456

22. INVESTMENTS IN SUBSIDIARIES/ADVANCE TO A SUBSIDIARY/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK\$	<i>HK\$</i>
		(as restated)
Investments in subsidiaries:		
Unlisted shares, at cost, less impairment losses recognised	82,923,371	51,660,395

The advance to a subsidiary is unsecured, bears interest at effective rate determined based on cost-of-funds plus a margin per annum and has no fixed repayment terms. In the opinion of the Directors, the Company will not demand for repayment within twelve months from the balance sheet date and the advance is therefore shown as non-current.

The amounts due from subsidiaries grouped under current assets are unsecured, interest-free and have no fixed repayment terms.

Particulars of the Company's principal subsidiaries at 30th June, 2007 are set out in Note 46.

For the year ended 30th June, 2007

23. INTERESTS IN ASSOCIATES/ADVANCES TO ASSOCIATES/AMOUNTS DUE FROM/TO ASSOCIATES

	THE COMPANY		THE GROUP	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
		(as restated)		(as restated)
Interests in associates:				
Unlisted shares, at cost	518,711,342	516,092,342	2,503,504,706	2,123,973,795
Share of post-acquisition profits	–	–	2,953,604,493	2,645,076,640
Goodwill	–	–	142,498,716	142,498,716
	518,711,342	516,092,342	5,599,607,915	4,911,549,151

The advances to associates of the Group are unsecured and have no fixed repayment terms. At 30th June, 2007, of the Group's advances to associates of the Group, HK\$1,244,912,046 (2006: HK\$1,627,245,600) bears interest at effective rate determined based on cost-of-funds plus a margin per annum 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.

The amounts due from associates of the Company and the Group grouped under current assets are unsecured and have no fixed repayment terms. At 30th June, 2007, of the amounts due from associates of the Group, HK\$222,461,589 (2006: HK\$267,953,569) bears interest at effective rate determined based on cost-of-funds plus a margin per annum and the remaining balance is interest-free. The amounts due from associates of the Company are interest-free.

The amounts due to associates of the Company and the Group grouped under current liabilities are unsecured and repayable on demand. At 30th June, 2007, of the amounts due to associates of the Group, HK\$638,753,887 (2006: HK\$130,993,049) bears interest at effective rate determined based on cost-of-funds plus a margin per annum and the remaining balance is interest-free. The amounts due to associates of the Company are interest-free.

Particulars of the principal associates at 30th June, 2007 are set out in Note 47.

For the year ended 30th June, 2007

23. INTERESTS IN ASSOCIATES/ADVANCES TO ASSOCIATES/AMOUNTS DUE FROM/TO ASSOCIATES (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	2007 HK\$	2006 HK\$ (as restated)
Total assets	72,517,620,363	62,185,797,177
Total liabilities	(55,838,892,978)	(47,080,330,303)
Net assets	<u>16,678,727,385</u>	<u>15,105,466,874</u>
Group's share of net assets of associates	<u>5,457,109,199</u>	<u>4,769,050,435</u>
Turnover	<u>7,411,506,824</u>	<u>6,587,935,534</u>
Profit for the year	<u>3,825,389,010</u>	<u>5,166,323,304</u>
Group's share of results of associates for the year	<u>1,313,707,497</u>	<u>1,270,014,335</u>

The IRD initiated tax inquiries in respect of the deductions on certain loan interest and related expenses 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 and for the years of assessment 1994/95 to 1999/2000 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\$71,109,000 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 IRD agreed to hold over the tax claim subject to the purchase of TRC of approximately HK\$212,061,000 and HK\$18,212,000, respectively, for those years of assessments. These TRC have been purchased by the corresponding companies. The effective share of the additional tax attributable to the Group as at 30th June, 2007 is estimated to be approximately HK\$99,022,000 and HK\$31,999,000, respectively. Together with the advice from their tax advisors, management of WHI and MII confirmed that it is their intention to vigorously contest the relevant assessments issued by the IRD. The management of WHI and MII are of the opinion that the outcome of these assessments/objections cannot presently be estimated. The management is also of the opinion that the payment of the additional taxes is not probable and therefore, no provision for any liabilities has been made by 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.

For the year ended 30th June, 2007

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	THE COMPANY		THE GROUP	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Listed investments:				
Equity securities listed in Hong Kong	700,271,260	619,332,845	2,859,438,782	2,641,232,973
Equity securities listed elsewhere	397,513,637	325,692,695	523,687,172	417,054,295
	1,097,784,897	945,025,540	3,383,125,954	3,058,287,268
Unlisted securities:				
Equity securities	19,949,305	19,949,305	30,898,952	30,908,952
Club debenture	300,000	300,000	300,000	300,000
	20,249,305	20,249,305	31,198,952	31,208,952
Total	1,118,034,202	965,274,845	3,414,324,906	3,089,496,220

As at the balance sheet date, all available-for-sale investments are stated at fair value, except for those unlisted equity investments and club debenture of which their fair values cannot be measured reliably.

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

25. TRADING SECURITIES

Trading securities comprise:

	THE COMPANY		THE GROUP	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Listed investments:				
Equity securities listed in Hong Kong	868,896,267	658,744,328	871,968,267	661,268,828
Equity securities listed elsewhere	108,471	85,222	108,471	85,222
Total	869,004,738	658,829,550	872,076,738	661,354,050

For the year ended 30th June, 2007

26. ADVANCES TO INVESTEE COMPANIES

The advances to investee companies of the Group are unsecured and have no fixed repayment terms. At 30th June, 2007, of the advances, HK\$12,240,884 (2006: HK\$15,572,781) bears interest at effective rate determined based on cost-of-funds plus a margin per annum 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.

27. LONG-TERM LOANS RECEIVABLE

	THE GROUP	
	2007	2006
	HK\$	HK\$
Total long-term variable-rate loans receivable	80,841,114	189,918,695
Less: Current portion shown under current assets	(5,722,685)	(8,474,210)
	<u>75,118,429</u>	<u>181,444,485</u>

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

Included in the carrying amount of loans receivable at 30th June, 2007 is accumulated impairment loss of HK\$12,262,803 (2006: HK\$12,699,270).

The exposure of the Group's variable-rate loans receivable to interest rate risks and their contracted maturity dates are as follows:

	2007	2006
	HK\$	HK\$
Variable-rate loans receivable:		
Within one year	5,722,685	8,474,210
In more than one year but not more than five years	14,977,821	29,742,261
In more than five years	60,140,608	151,702,224
	<u>80,841,114</u>	<u>189,918,695</u>

The Group's long-term loans receivable carry effective interest rates (which are also the contracted interest rates) at prime rate plus a margin per annum.

For the year ended 30th June, 2007

28. ACCOUNTS AND OTHER RECEIVABLES

At 30th June, 2007, included in accounts and other receivables of the Group are trade receivables of HK\$3,470,742,516 (2006: HK\$5,436,281,700). Trade receivables mainly comprise rental receivables which are billed in advance and settlements are expected upon receipts of billings and properties sales proceeds receivable.

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

	THE GROUP	
	2007	2006
	HK\$	<i>HK\$</i>
0 – 30 days	3,362,513,877	5,386,330,566
31 – 60 days	30,644,229	8,295,315
61 – 90 days	8,511,773	5,225,874
Over 90 days	69,072,637	36,429,945
	<u>3,470,742,516</u>	<u>5,436,281,700</u>

Trade receivables over 90 days amounting to HK\$69,072,637 (2006: HK\$36,429,945) 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.

29. RESTRICTED BANK DEPOSITS/TIME DEPOSITS, BANK BALANCES AND CASH

The restricted bank deposits of the Group represent rental income received from certain properties which have been charged but can be applied for settlement of property expenses, interest payment and principal repayment of the corresponding secured bank loans. The restricted bank deposits and time deposits carry variable interest rates, ranging from 3.000% to 5.125% (2006: 3.100% to 4.825%) per annum.

30. ACCOUNTS AND OTHER PAYABLES

At 30th June, 2007, included in accounts and other payables of the Group are trade payables of HK\$389,281,818 (2006: HK\$67,235,719).

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

	THE GROUP	
	2007	2006
	HK\$	<i>HK\$</i>
0 – 30 days	344,065,103	28,235,978
31 – 60 days	20,914,377	13,355,250
61 – 90 days	9,027,243	6,314,353
Over 90 days	15,275,095	19,330,138
	<u>389,281,818</u>	<u>67,235,719</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2007

31. BANK BORROWINGS

	THE COMPANY		THE GROUP	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Short-term bank loans				
Secured	–	4,564,000	2,712,002,542	1,998,942,600
Unsecured	–	–	744,794,539	1,100,000,000
Total short-term bank loans	–	4,564,000	3,456,797,081	3,098,942,600
Long-term unsecured bank loans				
On demand or within one year	–	–	–	62,792,470
More than one year but not exceeding two years	–	–	99,683,741	807,792,470
More than two years but not exceeding three years	–	–	496,236,007	224,415,060
	–	–	595,919,748	1,095,000,000
Less: Current portion shown under current liabilities	–	–	–	(62,792,470)
	–	–	595,919,748	1,032,207,530
Long-term secured bank loans				
On demand or within one year	–	–	319,078,313	349,034,000
More than one year but not exceeding two years	–	–	1,728,879,971	3,334,534,000
More than two years but not exceeding three years	–	–	6,286,393,689	1,593,634,000
More than three years but not exceeding four years	–	–	2,722,157,501	6,076,583,000
More than four years but not exceeding five years	–	–	431,933,951	1,328,861,340
	–	–	11,488,443,425	12,682,646,340
Less: Current portion shown under current liabilities	–	–	(319,078,313)	(349,034,000)
	–	–	11,169,365,112	12,333,612,340
Total bank loans				
– due after one year	–	–	11,765,284,860	13,365,819,870
Total bank loans	–	4,564,000	15,541,160,254	16,876,588,940

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

For the year ended 30th June, 2007

31. BANK BORROWINGS *(Continued)*

All of the bank borrowings carry contracted interest rates (which are also the effective interest rates) at HIBOR/SIBOR plus a margin per annum.

The Group's bank borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	HK\$ equivalent of United States Dollars <i>HK\$</i>
As at 30th June, 2007	–
As at 30th June, 2006	300,000,000

32. SECURED OTHER LOANS

The secured other loans of the Group carry contracted interest rate (which are also the effective interest rates) at prime rate plus a margin per annum.

The Group's secured other loans that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	HK\$ equivalent of United States Dollars <i>HK\$</i>
As at 30th June, 2007	–
As at 30th June, 2006	17,413,760

33. CONVERTIBLE BONDS

On 30th November, 2004, a 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. The convertible bonds carry 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 anti-dilutive adjustments. During the year, the Company adjusted the conversion price from HK\$9.225 per share to HK\$9.100 per share in accordance with the anti-dilutive provisions of the convertible bonds agreements. The adjustment of the conversion price became effective on 14th December, 2006.

All or some of the convertible 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 the convertible 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.

For the year ended 30th June, 2007

33. CONVERTIBLE BONDS (Continued)

The convertible bonds were split between the liability and equity elements. The equity element is presented in equity heading "Recognition of equity component of convertible bonds". The effective interest rate of the liability component is 4.05%.

In accordance with HKAS 39, the redemption element at the option of the bondholders of the convertible bonds prior to maturity represents an embedded derivative instrument which is not closely related to the bond and hence, should be accounted for separately. The Directors had assessed the fair value of the redemption option at the right of the bondholders of the convertible bonds at 1st July, 2005, at respective dates of conversion and at the balance sheet date and consider its fair value is insignificant.

The movements of the liability component of the convertible bonds for the year are set out below:

	THE GROUP	
	2007	2006
	HK\$	HK\$
Liability component at 1st July	2,221,745,487	2,258,927,488
Interest charged	21,974,323	91,376,659
Interest paid	(1,620,343)	(39,706,286)
Conversion during the year	(2,242,099,467)	(88,852,374)
Liability component at 30th June	–	2,221,745,487

The principal amount of the convertible bonds of HK\$2,403,540,000 as at 30th June, 2006, was fully converted during the year.

For the year ended 30th June, 2007

34. SHARE CAPITAL

	2007		2006	
	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	6,000,000,000	6,000,000,000	6,000,000,000	6,000,000,000
Issued and fully paid:				
At 1st July	4,303,699,473	4,303,699,473	4,348,057,662	4,348,057,662
Issue of shares in lieu of cash dividends	89,247,550	89,247,550	77,073,444	77,073,444
Issued upon conversion of convertible bonds	261,459,644	261,459,644	10,456,367	10,456,367
Cancellation upon repurchase of own shares	(44,020,000)	(44,020,000)	(131,888,000)	(131,888,000)
At 30th June	4,610,386,667	4,610,386,667	4,303,699,473	4,303,699,473

During the year, 44,020,000 ordinary shares repurchased on the Stock Exchange were cancelled. The nominal value of HK\$44,020,000 of all the shares cancelled during the year was credited to capital redemption reserve and the relevant aggregate consideration of HK\$733,975,785 was paid out from the Company's retained profits.

On 14th December, 2006 and 16th May, 2007, the Company issued and allotted a total of 70,548,824 ordinary shares and 18,698,726 ordinary shares of HK\$1.00 each at an issue price of HK\$14.644 and HK\$17.416 each, respectively, in lieu of cash for the 2006 final and 2007 interim dividends.

During the year, a total of HK\$2,403,540,000 in principal amount of the convertible bonds of the Group were converted into 261,459,644 ordinary shares of HK\$1.00 each of the Company at a conversion price of HK\$9.225 per share (applicable to conversion before 14th December, 2006) or HK\$9.100 per share (applicable to conversion on or after 14th December, 2006).

These shares rank pari passu in all respects with the existing shares.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2007

35. SHARE PREMIUM AND RESERVES

	Share premium HK\$	Investment revaluation reserve HK\$	Recognition of equity component of convertible bonds HK\$	Capital redemption reserve HK\$	Retained profits HK\$	Total HK\$ (as restated)
THE COMPANY						
At 30th June, 2005 – originally stated	11,080,547,676	269,232,471	182,663,817	192,050,000	11,995,515,022	23,720,008,986
Effect of changes in accounting policies (Note 3)	–	–	–	–	80,726	80,726
At 1st July, 2005 – as restated	11,080,547,676	269,232,471	182,663,817	192,050,000	11,995,595,748	23,720,089,712
Deficit on revaluation recognised directly in equity	–	(2,229,506)	–	–	–	(2,229,506)
Profit for the year – as restated	–	–	–	–	2,069,707,032	2,069,707,032
Total recognised (expenses) income for the year	–	(2,229,506)	–	–	2,069,707,032	2,067,477,526
Premium on issue of shares upon scrip dividends	669,574,617	–	–	–	–	669,574,617
Shares issue expenses	(90,000)	–	–	–	–	(90,000)
Cancellation upon repurchase of own shares	–	–	–	131,888,000	(1,330,323,360)	(1,198,435,360)
Issue of shares upon conversion of convertible bonds	86,938,917	–	(8,542,910)	–	–	78,396,007
Final dividend – 2005	–	–	–	–	(491,050,421)	(491,050,421)
Interim dividend – 2006	–	–	–	–	(365,390,456)	(365,390,456)
At 30th June, 2006 – as restated	11,836,971,210	267,002,965	174,120,907	323,938,000	11,878,538,543	24,480,571,625
Surplus on revaluation recognised directly in equity	–	130,401,884	–	–	–	130,401,884
Profit for the year	–	–	–	–	3,674,994,063	3,674,994,063
Total recognised income for the year	–	130,401,884	–	–	3,674,994,063	3,805,395,947
Premium on issue of shares upon scrip dividends	1,269,526,439	–	–	–	–	1,269,526,439
Shares issue expenses	(627,698)	–	–	–	–	(627,698)
Cancellation upon repurchase of own shares	–	–	–	44,020,000	(733,975,785)	(689,955,785)
Issue of shares upon conversion of convertible bonds	2,193,507,600	–	(212,867,777)	–	–	1,980,639,823
Reversal of deferred taxation on conversion of convertible bonds	–	–	38,746,870	–	–	38,746,870
Final dividend – 2006	–	–	–	–	(1,347,557,347)	(1,347,557,347)
Interim dividend – 2007	–	–	–	–	(391,672,138)	(391,672,138)
At 30th June, 2007	15,299,377,551	397,404,849	–	367,958,000	13,080,327,336	29,145,067,736

For the year ended 30th June, 2007

36. DEFERRED TAXATION

The following are 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>	Equity component of convertible bonds <i>HK\$</i>	Tax losses <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
At 1st July, 2005	146,726,517	1,601,612,675	38,746,870	(78,016,755)	(4,053,105)	1,705,016,202
Exchange realignment	-	-	-	-	3,411,987	3,411,987
Charged to income for the year	45,096,090	130,288,158	-	1,517,437	290,381	177,192,066
At 30th June, 2006	191,822,607	1,731,900,833	38,746,870	(76,499,318)	(350,737)	1,885,620,255
Exchange realignment	-	-	-	-	2,808,208	2,808,208
Charged (credited) to income for the year	38,625,169	358,456,619	-	(3,043,862)	(1,843,773)	392,194,153
Credited to equity on conversion of convertible bonds	-	-	(38,746,870)	-	-	(38,746,870)
At 30th June, 2007	230,447,776	2,090,357,452	-	(79,543,180)	613,698	2,241,875,746

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

At 30th June, 2007, the Group had unused tax losses of approximately HK\$1,864,896,000 (2006: HK\$1,914,045,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$454,532,000 (2006: HK\$437,139,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$1,410,364,000 (2006: HK\$1,476,906,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At 30th June, 2007, the Group had deductible temporary differences of approximately HK\$2,054,486,000 (2006: HK\$2,338,482,000). 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.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK\$54,913,583 (2006: HK\$26,429,630). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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37. ADVANCES FROM ASSOCIATES

The advances from associates of the Group are unsecured and have no fixed repayment terms. At 30th June, 2007, HK\$481,657,809 (2006: HK\$419,667,556) of the advances bears interest at effective rate determined based on cost-of-funds plus a margin per annum 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.

38. ADVANCES FROM MINORITY SHAREHOLDERS

The advances from minority shareholders of the Group are unsecured, bear interest at effective rate determined based on cost-of-funds plus a margin per annum and have no fixed repayment terms. The minority shareholders agreed not to demand repayment within the next twelve months from the balance sheet date and the advances are therefore shown as non-current.

39. JOINTLY CONTROLLED OPERATIONS

The Group has entered into a joint venture agreement in the form of a jointly controlled operation to jointly develop a residential/commercial project in Hong Kong.

At 30th June, 2007, the aggregate amount of assets, liabilities, income and expenses recognised in the consolidated financial statements in relation to interests in jointly controlled operations are as follows:

	2007 HK\$	2006 HK\$
Assets	<u>3,726,568,752</u>	<u>2,966,461,749</u>
Liabilities	<u>1,930,455,874</u>	<u>2,145,362,346</u>
Income	<u>2,980,203,962</u>	–
Expense	<u>1,981,961,927</u>	<u>12,554</u>

40. MAJOR NON-CASH TRANSACTIONS

On 14th December, 2006 and 16th May, 2007, the Company issued and allotted a total of 70,548,824 ordinary shares and 18,698,726 ordinary shares of HK\$1.00 at HK\$14.644 and HK\$17.416 each, respectively, in the Company in lieu of cash for the 2006 final and 2007 interim dividends.

For the year ended 30th June, 2007

41. PLEDGE OF ASSETS

- (a) At 30th June, 2007, the aggregate facilities of bank loans, overdrafts and other loans amounting to HK\$20,766,056,000 (2006: HK\$20,990,851,000) were secured by certain of the Group's listed investments, properties, bank deposits and bank balances, amounting to approximately HK\$39,948,000,000 (2006: HK\$43,323,000,000). At that date, the facilities were utilised to the extent of HK\$14,222,726,000 (2006: HK\$14,726,141,000).
- (b) At 30th June, 2007, investments in and advances to certain associates amounting to approximately HK\$3,899,000,000 (2006: HK\$2,225,000,000), in addition to certain assets pledged by the associates, were pledged to 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\$7,580,450,000 (2006: HK\$4,836,384,000), of which HK\$5,581,150,000 (2006: HK\$4,067,384,000) was utilised by the associates and guaranteed by the Company.

42. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) Other than as disclosed in Note 15, at the balance sheet date, the Company and the Group had commitments and contingent liabilities as follows:

	THE COMPANY		THE GROUP	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
(i) Commitments in respect of property development expenditure:				
Authorised but not contracted for	-	-	135,066,909	62,054,172
Contracted but not provided for	-	-	4,538,738,608	2,800,447,836
	<u>-</u>	<u>-</u>	<u>4,673,805,517</u>	<u>2,862,502,008</u>
(ii) Guarantees in respect of banking facilities of:				
Subsidiaries				
– Utilised	15,370,926,000	15,964,127,360	-	-
Associates				
– Utilised	5,581,150,000	4,067,384,000	5,581,150,000	4,067,384,000
	<u>20,952,076,000</u>	<u>20,031,511,360</u>	<u>5,581,150,000</u>	<u>4,067,384,000</u>

Out of the guarantee amounts at 30th June, 2007, HK\$9,366,238 (2006, restated: HK\$8,521,566) was recognised in the Group's financial statements as financial guarantee contracts.

For the year ended 30th June, 2007

42. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

- (b) At the balance sheet date, share of capital commitments and contingent liabilities of associates are as follows:

	THE COMPANY		THE GROUP	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
(i) Share of capital commitments in respect of property development expenditure:				
Authorised but not contracted for	–	–	163,552	–
Contracted but not provided for	–	–	105,829,744	152,273,820
	–	–	105,993,296	152,273,820
(ii) Share of contingent liabilities (Note 23)	–	–	131,021,000	131,021,000

- (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 Group 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 ruled in favour of Hang Lung on the 2nd day of August, 2004 (the "Judgment").

On legal advice Mariner lodged an appeal against the Judgment, which was heard in the Court of Appeal in November 2005. The Court of Appeal on 30th December, 2005 handed down a judgment dismissing Mariner's appeal against the Judgment, finding in favour of Hang Lung. Acting on legal advice, Mariner has lodged an appeal with the Court of Final Appeal against the judgment of the Court of Appeal. The Court of Final Appeal on 5th February, 2007 handed down a judgment to allow the appeal by Mariner against Hang Lung so as to : (i) set aside the judgments of the High Court and the Court of Appeal; (ii) declare that Hang Lung repudiated the Agreement; (iii) order repayment by Hang Lung to Mariner of its deposit with interest to be assessed by the High Court if not agreed; (iv) award Mariner damages to be assessed by the High Court; and (v) direct that costs in the proceedings (at all levels) to be dealt with on written submissions by the parties.

On 6th February, 2007, Hang Lung repaid the deposit sum of HK\$321,000,000 to Mariner. Damages, claims for interest and costs against Hang Lung have not been able to be accounted for in the financial statements of Mariner as these amounts have yet to be agreed or decided by the courts.

For the year ended 30th June, 2007

43. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year, net of outgoings of HK\$174,700,772 (2006: HK\$122,543,692), was HK\$973,940,674 (2006: HK\$875,791,151). 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:

	2007 HK\$	2006 HK\$
Within one year	843,559,351	831,690,809
In the second to fifth year inclusive	852,891,958	955,920,695
After five years	39,194,320	13,820,364
	<u>1,735,645,629</u>	<u>1,801,431,868</u>

The Group as lessee

Minimum lease payments paid under operating leases during the year was approximately HK\$30,680,994 (2006: HK\$26,034,000).

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

	2007 HK\$	2006 HK\$
Within one year	29,163,340	11,874,196
In the second to fifth year inclusive	12,685,500	4,688,801
	<u>41,848,840</u>	<u>16,562,997</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.

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44. 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.

45. RELATED PARTY DISCLOSURES

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

	2007 HK\$	2006 HK\$
(a) Related companies		
Service fees received therefrom (Note i)	43,773,841	40,829,084
Rental paid thereto (Note i)	30,680,994	26,033,699
Consultancy fee paid thereto (Note ii)	<u>1,666,664</u>	<u>1,666,664</u>
<p>Note i: Mr. Robert Ng Chee Siong, Director of the Company, was interested in these transactions as a director of the related companies.</p> <p>Note ii: The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP, Non-executive Director of the Company, was interested in this transaction as a sole proprietor of the related company.</p>		
(b) Associates		
Service fees paid thereto	10,793,540	10,521,671
Management fees received therefrom	14,779,470	12,848,644
Interest income received therefrom	61,786,703	61,515,841
Interest expenses paid thereto	7,717,271	9,572,393
Imputed interest income on non-current interest-free advances to associates	237,078,415	118,976,897
Imputed interest expense on non-current interest-free advances from associates	<u>60,900,450</u>	<u>26,738,264</u>

Certain of the above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed on pages 40 to 52 in the Directors' report.

For the year ended 30th June, 2007

45. RELATED PARTY DISCLOSURES *(Continued)*

Details of the outstanding balances with associates at the balance sheet date are set out in the balance sheet and in Notes 23 and 37.

In addition, as set out in Notes 41 and 42, the Company and the Group have granted guarantees and pledged certain assets to banks and financial institutions for facilities granted to the associates.

Compensation of key management personnel

The remuneration of Directors during the year was as follows:

	2007 HK\$	2006 HK\$
Short-term benefits	32,859,906	21,180,848
Retirement benefits scheme contributions	90,000	90,000
	<u>32,949,906</u>	<u>21,270,848</u>

The remuneration of the Directors is determined by Remuneration Committee having regard to the performance of individuals and market trends.

46. 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, 2007, 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/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered 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

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46. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<i>Direct: (Continued)</i>					
Glorypark Limited	Hong Kong	Ordinary	HK\$1,000	100	Property investment
Hong Kong Elite Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
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
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
World Ace Limited	Hong Kong	Ordinary	HK\$2	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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46. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<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 trading and investment
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 investment
Apex Speed Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2007

46. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
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
Forlink Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
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
Fullerton Hotels & Resorts Pte. Limited	Singapore	Ordinary	S\$10,000	100	Management services
Fung Yuen Construction Company Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Building construction
Glenery Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment

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46. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Global Honest Finance Limited	Hong Kong	Ordinary	HK\$2	100	Mortgage loan financing
Globaland Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Golden Leaf Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Grace Rays Limited	Hong Kong	Ordinary	HK\$2	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
Grand Empire Investment Limited	Hong Kong	Ordinary	HK\$2	100	Project management
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
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
Harvestrade Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property trading and investment
Hickson Limited	Hong Kong	Ordinary	HK\$20	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2007

46. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
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 Line Limited	Hong Kong	Ordinary	HK\$2	100	Property 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
Jet Rise Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
King Century 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
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

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46. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
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
Nice Scene International Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Investment holding
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
Precious Land Pte. Limited	Singapore	Ordinary	S\$2	100	Property investment
Precious Quay Pte. Ltd.	Singapore	Ordinary	S\$10,000	100	Property development

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2007

46. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Precious Treasure Pte Ltd	Singapore	Ordinary	S\$20,000,000	100	Hotel operation and property investment
Premium Living Limited	Hong Kong	Ordinary	HK\$2	100	Premium living services
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 trading and investment
Primewin Properties Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Profit Land Limited	Hong Kong	Ordinary	HK\$2	100	Decoration services provider
Rainbow City Limited	Hong Kong	Ordinary	HK\$2	100	Property development
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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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For the year ended 30th June, 2007

46. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Richtune Investment Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Rickson Investment Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Investment holding
Roystar Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Investment holding
Ruddiman Trading Company Limited	Hong Kong	Ordinary	HK\$100,000	100	Investment holding
Saky Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Salia Limited	Hong Kong/PRC	Ordinary	HK\$2	100	Property development
Shine Harvest International Limited	Hong Kong	Ordinary	HK\$2	100	Property development
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 Land Finance Limited	Hong Kong	Ordinary	HK\$2	100	Deposit placing
Sino Land (Fuzhou) Company Limited <i>(Note)</i>	PRC	Registered	HK\$50,000,000	100	Property development
Sino Land (Guangzhou) Company Limited <i>(Note)</i>	PRC	Registered	US\$3,200,000	100	Property development
Sino Land (Zhangzhou) Company Limited <i>(Note)</i>	PRC	Registered	HK\$94,150,000	100	Property development

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2007

46. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Sino Land Investment (Holdings) Ltd.	Cayman Islands/ Hong Kong	Ordinary	US\$6,000,000	100	Investment holding
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
Super One Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Success United Limited	Hong Kong	Ordinary	HK\$2	100	Financing
Sunrise Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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For the year ended 30th June, 2007

46. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Vasilon Pte Ltd	Singapore	Ordinary	S\$2	100	Investment holding
Weiland Development Company Limited	Hong Kong	Ordinary	HK\$33,140,000	100	Property investment
Well Growth International Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Investment holding
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
Wingreat International Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
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

Note:

Sino Land (Fuzhou) Company Limited, Sino Land (Guangzhou) Company Limited and Sino Land (Zhangzhou) Company Limited are wholly foreign owned enterprises established in the PRC.

For the year ended 30th June, 2007

47. 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, 2007, 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/ establishment/ operation	Class of shares held	Proportion of nominal value of issued share capital/registered capital held by the Company			Principal activities
			Directly %	Indirectly %	Total %	
Ace Glory Limited	Hong Kong	Ordinary	–	25	25	Property development
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
Best Profit Limited	Hong Kong	Ordinary	–	50	50	Property development
Better Chief Limited	Hong Kong	Ordinary	50	–	50	Property investment
Beverhill Limited	Hong Kong	Ordinary	–	20	20	Property investment
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
Century Rise Limited	Hong Kong	Ordinary	–	50	50	Property development
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 trading

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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For the year ended 30th June, 2007

47. PRINCIPAL ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ establishment/ operation	Class of shares held	Proportion of nominal value of issued share capital/registered capital held by the Company			Principal activities
			Directly %	Indirectly %	Total %	
Dramstar Company Limited	Hong Kong	Ordinary	–	22	22	Property trading
Empire Funds Limited	Hong Kong	Ordinary	–	50	50	Property trading
Enterprico Investment Limited	Hong Kong	Ordinary	–	50	50	Loan financing
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
Full Raise International Limited	British Virgin Islands/ Hong Kong	Ordinary	–	25	25	Investment holding
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
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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2007

47. PRINCIPAL ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ establishment/ operation	Class of shares held	Proportion of nominal value of issued share capital/registered capital held by the Company			Principal activities
			Directly %	Indirectly %	Total %	
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
Nimble Limited	British Virgin Islands/ Hong Kong	Ordinary	–	45	45	Investment holding
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
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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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For the year ended 30th June, 2007

47. PRINCIPAL ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ establishment/ operation	Class of shares held	Proportion of nominal value of issued share capital/registered capital held by the Company			Principal activities
			Directly %	Indirectly %	Total %	
Tat Lee Construction Company Limited	Hong Kong	Ordinary	25	–	25	Building construction
Union Empire Limited	Hong Kong	Ordinary	–	50	50	Property development
Union King (Hong Kong) Limited	Hong Kong	Ordinary	–	45	45	Property development
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
Wisekey Investment Limited	British Virgin Islands/ Hong Kong	Ordinary	–	50	50	Investment holding
深圳中海信和地產開發有限公司	PRC	Registered	–	50	50	Property trading
中海信和(成都)物業發展有限公司	PRC	Registered	–	20	20	Property development and trading