

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2004

1. GENERAL

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 43.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKICPA.

SSAP 12 (Revised)

Income taxes

SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the revised accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly. As a result of this change in accounting policy, the balance of retained profits at 30th June, 2003 has been decreased by HK\$102,765,004 (at 30th June, 2002: HK\$86,883,006, representing the cumulative effect of the change in policy on the results for periods prior to 1st July, 2002). The Group's interests in associates at 30th June, 2004 have been decreased by HK\$81,832,306 (at 30th June, 2003: HK\$70,520,521). This change in accounting policy has also resulted in an increase in taxation and share of taxation attributable to associates for the year ended 30th June, 2004 of HK\$7,770,860 (2003: HK\$3,948,549) and HK\$7,651,845 (2003: HK\$8,273,509), respectively. The goodwill arising from the acquisition of an associate for the year ended 30th June, 1997 has been increased from HK\$179,717,551 to HK\$252,916,351 and the net amortisation charge of goodwill for the year ended 30th June, 2004 has been increased by HK\$3,659,940 (2003: HK\$3,659,940).

3. PRINCIPAL ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate and amortised on a straight line basis over its useful economic life.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate and is released to income based on an analysis of the circumstances from which the balance resulted.

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

Investments in subsidiaries

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

Interests in associates

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments in securities

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

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

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

Investment properties

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

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

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

No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewable period, is twenty years or less.

Hotel property

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Properties under development

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

Stocks of unsold properties

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

Hotel inventories

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Other non-current assets

Other non-current assets represent club memberships and are stated at cost less any identified impairment loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

Deferred loan arrangement fees

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

Convertible notes

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue and profit recognition

- (a) Revenue and profit on the sales of properties are recognised upon completion of the sales agreements or transfer of risk and reward of ownership, whichever is earlier.
- (b) Income from properties developed for sale is recognised on the execution of a binding sale agreement or when the relevant occupation permit is issued by the respective building authority, whichever is later. Payments received from the purchasers prior to this stage are recorded as deposits received on sales of properties and presented as current liabilities.
- (c) Sales of listed investments are recognised on a trade date basis.
- (d) Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.
- (e) Building management and service fee income is recognised on an appropriate basis over the relevant period in which the services are rendered.
- (f) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.
- (g) Where properties are sold under deferred terms, the difference between the sales prices with and without such terms is treated as deferred interest income and is released to the income statement on a straight line basis over the repayment period commencing from the completion of the relevant sales agreements.
- (h) Dividend income from investments is recognised when the Group's rights to receive payment have been established.
- (i) Hotel income is recognised when services are provided.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

Foreign currencies

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

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

Retirement benefits costs

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

4. TURNOVER

	2004 HK\$	2003 HK\$
Sales of properties held for sale	2,592,400,047	2,523,490,191
Gross rental income from properties	830,446,466	830,293,109
Building management and service fee income	421,210,100	392,981,569
Hotel operations	253,072,006	196,670,559
Interest income from loans receivable	54,277,759	102,321,162
Sales of investment properties	19,727,900	92,233,000
Dividend income		
listed investments	49,824,480	34,955,519
unlisted investments	9,282,031	10,529,661
	4,230,240,789	4,183,474,770

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

INCOME STATEMENT

For the year ended 30th June, 2004

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET

At 30th June, 2004

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$
ASSETS						
Segment assets	29,457,891,299	1,922,451,855	1,106,466,770	1,653,660,691	1,376,071,292	35,516,541,907
Interests in associates	9,735,247,727	3,873,567	(3,840,887)	775,240,936	(43,033,858)	10,467,487,485
Unallocated corporate assets						180,398,723
Consolidated total assets						<u>46,164,428,115</u>
LIABILITIES						
Segment liabilities	7,241,176,280	23,018,095	52,810,654	271,554,117	72,939,762	7,661,498,908
Borrowings						6,651,252,792
Unallocated corporate liabilities						157,666,152
Consolidated total liabilities						<u>14,470,417,852</u>

OTHER INFORMATION

For the year ended 30th June, 2004

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

INCOME STATEMENT

For the year ended 30th June, 2003

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$ (As restated)
REVENUE							
Turnover							
Property rental	830,293,109	—	—	—	—	—	830,293,109
Property sales	2,615,723,191	—	—	—	—	—	2,615,723,191
Hotel operations	—	—	—	196,670,559	—	—	196,670,559
Management services	61,551,606	—	—	—	331,429,963	—	392,981,569
Share investment and dealing	—	45,485,180	—	—	—	—	45,485,180
Financing	—	—	102,321,162	—	—	—	102,321,162
	<u>3,507,567,906</u>	<u>45,485,180</u>	<u>102,321,162</u>	<u>196,670,559</u>	<u>331,429,963</u>	<u>—</u>	<u>4,183,474,770</u>
Other operating income	22,509,300	753,799	273,909	—	32,159,374	—	55,696,382
Inter-segment sales *	—	—	—	—	23,919,078	(23,919,078)	—
	<u>3,530,077,206</u>	<u>46,238,979</u>	<u>102,595,071</u>	<u>196,670,559</u>	<u>387,508,415</u>	<u>(23,919,078)</u>	<u>4,239,171,152</u>
Total revenue							
SEGMENT RESULT	<u>969,201,285</u>	<u>(330,499,085)</u>	<u>102,595,071</u>	<u>77,064,213</u>	<u>178,957,395</u>	<u>—</u>	<u>997,318,879</u>
Unallocated corporate expenses							<u>(394,326,211)</u>
Profit from operations							602,992,668
Net finance costs							(432,845,575)
Results attributable to associates	(104,642,853)	69,209	(1,434,347)	22,389,580	5,287,586	—	(78,330,825)
Profit on disposal of an associate	30,528,060	—	—	—	—	—	30,528,060
Profit before taxation							122,344,328
Income tax expense							<u>(88,957,165)</u>
Profit before minority interests							33,387,163
Minority interests							<u>1,650,987</u>
Net profit for the year							<u>35,038,150</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, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET

At 30th June, 2003

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$ (As restated)
ASSETS						
Segment assets	24,663,663,755	1,395,674,936	1,048,918,082	1,680,301,405	832,973,295	29,621,531,473
Interests in associates	10,347,546,727	3,850,761	(2,644,980)	740,810,525	(41,359,746)	11,048,203,287
Unallocated corporate assets						21,620,306
Consolidated total assets						<u>40,691,355,066</u>
LIABILITIES						
Segment liabilities	5,550,272,792	15,249,497	402,007,720	264,186,275	120,889,457	6,352,605,741
Borrowings						8,479,446,530
Convertible notes						1,489,378,714
Unallocated corporate liabilities						137,854,254
Consolidated total liabilities						<u>16,459,285,239</u>

OTHER INFORMATION

For the year ended 30th June, 2003

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$ (As restated)
Amortisation of goodwill	308,611	—	—	12,645,817	—	12,954,428
Capital additions	794,428	—	—	2,282,809	5,439,097	8,516,334
Depreciation	414,895	873,415	—	7,968,960	7,421,572	16,678,842
Hotel property additions	—	—	—	24,349,375	—	24,349,375
Impairment loss on investments in other securities	—	252,397,016	—	—	—	252,397,016
Investment property additions	27,797,214	—	—	—	—	27,797,214
Unrealised holding loss on investments in trading securities	—	124,091,924	—	—	—	124,091,924

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)*

For the year ended 30th June, 2004

6. PROFIT FROM OPERATIONS

	2004 HK\$	2003 HK\$
Profit from operations has been arrived at after charging (crediting):		
Staff costs including Directors' remuneration	432,861,515	407,718,679
Retirement benefits scheme contributions	20,074,613	20,078,446
Total staff costs	<u>452,936,128</u>	<u>427,797,125</u>
Auditors' remuneration	1,815,454	1,946,193
Cost of hotel inventories recognised	43,146,687	19,909,539
Depreciation	14,613,195	16,678,842
Loss on disposal of investment properties	4,152,457	17,927,321
Loss on disposal of property, plant and equipment	1,495,281	31,353
Net exchange (gain) loss	(296,621)	3,715,761
Profit on disposal of investments in other securities	<u>(20,136)</u>	<u>—</u>

7. FINANCE INCOME

	2004 HK\$	2003 HK\$
Interest income on:		
advances to associates	61,243,187	63,939,858
advances to investee companies	6,861,545	6,972,510
bank deposits	14,524,911	26,759,589
	<u>82,629,643</u>	<u>97,671,957</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

8. FINANCE COSTS

	2004 HK\$	2003 HK\$
Interest on:		
bank loans and overdrafts wholly repayable within five years	105,429,514	158,012,092
other loans wholly repayable within five years convertible notes	46,854,001 21,718,750	198,506,843 56,250,000
Provision for premium on redemption of convertible notes	8,423,671	16,710,000
Write-back of premium on redemption of convertible notes upon conversion	(27,010,685)	—
Amortisation of issue costs of convertible notes	3,787,405	7,513,059
Write-off of unamortised issue costs of convertible notes upon conversion	25,420,895	—
Amortisation of loan arrangement fees	9,081,698	20,094,129
Write-off of deferred loan arrangement fees upon early repayment of loans	1,240,556	7,590,415
Commitment fees	19,615,465	4,514,314
Finance costs upon early repayment of loans	—	107,999,777
	<u>214,561,270</u>	<u>577,190,629</u>
Less: Amounts capitalised to properties under development	(57,305,510)	(46,673,097)
	<u>157,255,760</u>	<u>530,517,532</u>

9. RESULTS ATTRIBUTABLE TO ASSOCIATES

	2004 HK\$	2003 HK\$ (As restated)
Results attributable to associates comprises:		
Share of profits (losses) of associates	517,965,185	(70,504,794)
Amortisation of goodwill arising on acquisition of associates	(12,954,428)	(12,954,428)
Release of negative goodwill arising on acquisition of an associate	5,128,398	5,128,397
	<u>510,139,155</u>	<u>(78,330,825)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

10. DIRECTORS' REMUNERATION

	2004 HK\$	2003 HK\$
Directors' fees:		
Executive Directors	130,000	190,000
Independent Non-executive Directors	360,000	120,000
	<u>490,000</u>	<u>310,000</u>
Other emoluments:		
Executive Directors		
Salaries and other benefits	12,427,473	14,320,948
Retirement benefits scheme contributions	115,500	112,500
	<u>13,032,973</u>	<u>14,743,448</u>

Note: During the year, each Independent Non-executive Director received a director's fee of HK\$60,000 and an additional fee of HK\$120,000 for acting as a member of the Audit Committee.

The remuneration of the Directors was within the following bands:

	Number of Directors	
HK\$	2004	2003
Nil – 1,000,000	3	5
1,000,001 – 1,500,000	1	2
2,000,001 – 2,500,000	2	1
2,500,001 – 3,000,000	1	—
3,000,001 – 3,500,000	—	1
3,500,001 – 4,000,000	1	—
4,000,001 – 4,500,000	—	1
	<u>—</u>	<u>1</u>

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2003: two) are Executive Directors of the Company whose emoluments are included in note 10 above. The emoluments of the remaining two (2003: three) individuals disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") are as follows:

	2004 HK\$	2003 HK\$
Salaries and other emoluments (including basic salaries, housing allowances, other allowances and benefits in kind)	5,113,060	8,286,889
Retirement benefits scheme contributions	18,000	36,000
	<u>5,131,060</u>	<u>8,322,889</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

11. EMPLOYEES' EMOLUMENTS (Continued)

The emoluments were within the following bands:

<i>HK\$</i>	Number of individuals	
	2004	2003
2,000,001 – 2,500,000	1	1
2,500,001 – 3,000,000	1	2
	<u>1</u>	<u>2</u>

For the years ended 30th June, 2004 and 2003, 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.

12. INCOME TAX EXPENSE

	2004 <i>HK\$</i>	2003 <i>HK\$</i> (As restated)
The charge comprises:		
Taxation attributable to the Company and its subsidiaries		
Hong Kong Profits Tax		
Provision for the year	97,458,759	60,056,282
(Over)underprovision in previous years	(415,276)	1,862,356
	<u>97,043,483</u>	<u>61,918,638</u>
Taxation in other jurisdiction	13,473,449	—
	<u>110,516,932</u>	<u>61,918,638</u>
Deferred taxation (Note 31)	7,770,860	3,948,549
Share of taxation attributable to associates		
Hong Kong Profits Tax	109,842,267	14,816,469
Deferred taxation	7,651,845	8,273,509
	<u>117,494,112</u>	<u>23,089,978</u>
	<u>235,781,904</u>	<u>88,957,165</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year. Taxation in other jurisdiction is provided for in accordance with the respective local requirements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

12. INCOME TAX EXPENSE *(Continued)*

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

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Profit before taxation	<u>1,651,864,747</u>	<u>122,344,328</u>
Tax at the Hong Kong Profits Tax rate of 17.5% (2003: 17.5%)	289,076,331	21,410,257
Tax effect of results attributable to associates	28,219,760	36,797,873
Tax effect of expenses not deductible for tax purpose	6,679,380	49,480,462
Tax effect of income not taxable for tax purpose	(11,874,177)	(14,944,952)
(Over)underprovision in previous years	(415,276)	1,862,356
Tax effect of tax losses not recognised	65,771,859	48,498,618
Tax effect of deferred tax assets not recognised	272,624	18,984,129
Utilisation of tax losses previously not recognised	(112,644,917)	(59,961,361)
Utilisation of deferred tax assets previously not recognised	(31,551,231)	(15,867,849)
Effect of different tax rates of subsidiaries operating in other jurisdiction	2,247,551	44,888
Increase in opening deferred tax liabilities resulting from an increase in Hong Kong Profits Tax rate	—	2,652,744
Tax expense for the year	<u>235,781,904</u>	<u>88,957,165</u>

Details of deferred taxation are set out in note 31.

The Inland Revenue Department (“IRD”) initiated tax inquiries for the years of assessment 1995/96, 1996/97 and 1997/98, respectively, 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\$165,514,000 were issued to Sing-Ho Finance for the years under review and objections were properly lodged with the IRD by Sing-Ho Finance. IRD also initiated a tax inquiry for the years of assessment 1998/99 to 2001/02 on a wholly-owned subsidiary, City Empire Limited (“City Empire”). Notices of assessment for additional tax of approximately HK\$263,438,000 were issued to City Empire for the years under review and objections were properly lodged with the IRD by City Empire. In the opinion of the Directors, in view of the tax inquiries are still at the stage of collation of evidence, the ultimate outcome of these tax inquiries cannot presently be determined with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

13. DIVIDENDS

	2004 HK\$	2003 HK\$
Final dividend paid for the year ended 30th June, 2003: HK2 cents (2002: HK2 cents) per share	77,726,686	77,288,637
Interim dividend paid for the year ended 30th June, 2004: HK5 cents (2003: HK2 cents) per share	<u>208,453,423</u>	<u>77,369,560</u>
	<u>286,180,109</u>	<u>154,658,197</u>

During the year, scrip dividends were offered in respect of the 2003 final and 2004 interim dividends. These scrip alternatives were accepted by the majority of shareholders, as follows:

	2004 Interim HK\$	2003 Final HK\$
Dividends:		
Cash	66,994,104	11,296,429
Scrip alternatives	<u>141,459,319</u>	<u>66,430,257</u>
	<u>208,453,423</u>	<u>77,726,686</u>

A final dividend of HK7 cents per share for the year ended 30th June, 2004 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, 2004

14. EARNINGS PER SHARE

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

	2004 HK\$	2003 HK\$ (As restated)
Earnings for the purposes of basic earnings per share	1,408,826,625	<u>35,038,150</u>
Effect of dilutive potential ordinary shares: Reduction of finance costs, net of tax	<u>24,867,498</u>	
Earnings for the purposes of diluted earnings per share	<u>1,433,694,123</u>	
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,988,279,742	<u>3,871,889,199</u>
Effect of dilutive potential ordinary shares: Convertible notes	<u>285,386,856</u>	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>4,273,666,598</u>	

No diluted earnings per share had been compiled and presented for the year ended 30th June, 2003 as the effect of the assumed conversion of the Group's outstanding convertible notes resulted in an increase in net profit per share.

The adjustment to comparative basic earnings per share, arising from the changes in accounting policy shown in note 2 above, is as follows:

	<i>HK cents</i>
Reconciliation of basic earnings per share for the year ended 30th June, 2003	
Reported figure before adjustments	1.32
Adjustments arising from the adoption of SSAP 12 (Revised)	<u>(0.42)</u>
As restated	<u>0.90</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

15. INVESTMENT PROPERTIES

	Investment properties in Hong Kong held under long leases <i>HK\$</i>	Investment properties in Hong Kong held under medium- term leases <i>HK\$</i>	Investment property in Singapore held under a long lease <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP				
VALUATION				
At 1st July, 2003	883,000,000	12,074,815,500	335,091,650	13,292,907,150
Exchange realignment	—	—	9,339,350	9,339,350
Transfer from properties under development	—	71,340,167	72,862,859	144,203,026
Additions	—	3,167,506	207,858	3,375,364
Disposals	—	(22,432,617)	—	(22,432,617)
Surplus (deficit) on revaluation	124,000,000	3,359,249,564	(34,978,017)	3,448,271,547
At 30th June, 2004	<u>1,007,000,000</u>	<u>15,486,140,120</u>	<u>382,523,700</u>	<u>16,875,663,820</u>

The investment properties of the Group located in Hong Kong and in Singapore are stated at independent professional valuations on an open market value basis at 30th June, 2004 conducted by Chesterton Petty Limited and Knight Frank Pte. Ltd., Chartered Surveyors, respectively. The net surplus on revaluation has been credited to the investment property revaluation reserve.

16. HOTEL PROPERTY

	Hotel property in Singapore held under a long lease <i>HK\$</i>
THE GROUP	
COST	
At 1st July, 2003	1,178,578,081
Additions	768,013
At 30th June, 2004	<u>1,179,346,094</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

17. 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, 2003	38,405,487	71,913,662	18,789,270	13,085,514	6,387,434	148,581,367
Additions	1,618,907	2,210,901	678,237	1,747,648	691,236	6,946,929
Disposals	(8,681,828)	(402,537)	—	(1,537,012)	(18,700)	(10,640,077)
At 30th June, 2004	31,342,566	73,722,026	19,467,507	13,296,150	7,059,970	144,888,219
DEPRECIATION						
At 1st July, 2003	25,515,219	20,761,845	16,156,693	9,593,433	4,725,393	76,752,583
Provided for the year	3,755,064	7,655,426	1,428,178	731,471	1,043,056	14,613,195
Eliminated on disposals	(7,260,275)	(310,063)	—	(1,537,012)	(16,495)	(9,123,845)
At 30th June, 2004	22,010,008	28,107,208	17,584,871	8,787,892	5,751,954	82,241,933
NET BOOK VALUES						
At 30th June, 2004	9,332,558	45,614,818	1,882,636	4,508,258	1,308,016	62,646,286
At 30th June, 2003	12,890,268	51,151,817	2,632,577	3,492,081	1,662,041	71,828,784

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK\$	HK\$
At cost, less impairment losses recognised	80,137,850	90,612,522
Advances to subsidiaries, less allowances	23,694,005,740	22,116,970,480
	23,774,143,590	22,207,583,002

The advances to subsidiaries are unsecured and have no fixed repayment terms. At 30th June, 2004, of the advances, HK\$15,530,371,016 (2003: HK\$12,426,176,217) bears interest at prevailing market rates and the remaining balance is interest-free. In the opinion of the Directors, the Company will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

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

Particulars of the Company's principal subsidiaries at 30th June, 2004 are set out in note 43.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

19. INTERESTS IN ASSOCIATES

	THE COMPANY		THE GROUP	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$ (As restated)
Unlisted shares, at cost	516,687,714	516,687,714	—	—
Share of net assets	—	—	2,517,969,742	1,595,730,713
Goodwill (Note)	—	—	155,453,144	168,407,572
Negative goodwill (Note)	—	—	(89,746,946)	(94,875,344)
	<u>516,687,714</u>	<u>516,687,714</u>	<u>2,583,675,940</u>	<u>1,669,262,941</u>
Advances to associates, less allowances	2,840,000	76,520,443	7,883,811,545	9,378,940,346
	<u>519,527,714</u>	<u>593,208,157</u>	<u>10,467,487,485</u>	<u>11,048,203,287</u>

Note:

	THE GROUP	
	Goodwill HK\$	Negative goodwill HK\$
GROSS AMOUNTS		
At 1st July, 2003		
– as originally stated	185,889,768	(102,567,940)
– prior period adjustment (Note 2)	73,198,800	—
	<u>259,088,568</u>	<u>(102,567,940)</u>
– as restated and at 30th June, 2004		
AMORTISATION		
At 1st July, 2003		
– as originally stated	65,061,416	(7,692,596)
– prior period adjustment (Note 2)	25,619,580	—
	<u>90,680,996</u>	<u>(7,692,596)</u>
– as restated	90,680,996	(7,692,596)
Charged for the year	12,954,428	—
Released for the year	—	(5,128,398)
	<u>103,635,424</u>	<u>(12,820,994)</u>
At 30th June, 2004	103,635,424	(12,820,994)
CARRYING AMOUNTS		
At 30th June, 2004	155,453,144	(89,746,946)
At 30th June, 2003 (as restated)	168,407,572	(94,875,344)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

19. INTERESTS IN ASSOCIATES *(Continued)*

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

The investment properties of the Group's principal associates are stated at independent professional valuations on an open market value basis at 30th June, 2004 conducted by Chesterton Petty Limited and Debenham Tie Leung, Chartered Surveyors. The carrying value of the interests in associates shown above includes the Group's attributable share of the revaluation reserve.

The advances to associates are unsecured and have no fixed repayment terms. At 30th June, 2004, of the Group's advances, HK\$1,787,233,502 (2003: HK\$1,924,961,754) bears interest at prevailing market rates and the remaining balance is interest-free. The advances to associates of the Company are interest-free. In the opinion of the Directors, the Group will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

The amounts due from associates of the Group and the Company grouped under current assets are unsecured and due within one year. At 30th June, 2004, of the amounts due from associates of the Group, HK\$451,511,280 (2003: HK\$795,542,954) bears interest at prevailing market rates and the remaining balance is interest-free.

The amounts due to associates of the Group and the Company grouped under current liabilities are unsecured and due within one year. At 30th June, 2004, of the amounts due to associates of the Group, HK\$204,500,000 (2003: Nil) bears interest at prevailing market rates and the remaining balance is interest-free.

Particulars of the principal associates at 30th June, 2004 are set out in note 44.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

19. INTERESTS IN ASSOCIATES (Continued)

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

	Million Success Limited		Greenroll Limited		Grace Sign Limited	
	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(As restated)		(As restated)			
Results for the year						
Turnover	195,263,792	209,303,037	480,127,000	370,144,000	4,599,470,380	—
Profit (loss) from ordinary activities before taxation	106,273,741	87,264,694	169,609,000	99,690,000	1,684,537,325	(76,000)
Profit (loss) from ordinary activities before taxation attributable to the Group	26,568,435	21,816,174	50,882,700	29,907,000	505,361,198	(22,800)
Financial position						
Non-current assets	10,962,243,344	10,938,919,541	3,375,862,000	3,380,422,000	—	—
Current assets	307,432,628	301,628,135	177,175,000	93,864,000	2,228,382,721	3,134,262,801
Current liabilities	(219,176,404)	(215,747,054)	(158,400,000)	(126,511,000)	(479,644,806)	(43,336,735)
	88,256,224	85,881,081	18,775,000	(32,647,000)	1,748,737,915	3,090,926,066
Non-current liabilities	(5,696,976,059)	(5,754,789,345)	(1,017,176,780)	(1,110,140,880)	(359,205,636)	(3,091,182,510)
Net assets (liabilities)	5,353,523,509	5,270,011,277	2,377,460,220	2,237,634,120	1,389,532,279	(256,444)
Net assets (liabilities) attributable to the Group	1,338,380,877	1,317,502,819	713,238,066	671,290,236	416,859,684	(76,933)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

19. INTERESTS IN ASSOCIATES (Continued)

The IRD initiated tax inquiries for the years of assessment 1994/95 to 2002/03 on a wholly-owned subsidiary, Wide Harvest Investment Limited (“WHI”), of the Group’s associate, Million Success Limited (“MSL”) and for the years of assessment 1994/95 to 1997/98 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\$37,759,000 were issued to WHI and MII for the years under review, respectively, and objections were properly lodged with the IRD by WHI and MII. The effective share of the amount attributable to the Group as at 30th June, 2004 is estimated to be approximately HK\$99,022,000 and HK\$16,992,000, respectively. In view of the tax inquiries are still at the stage of collation of evidence, the management of WHI and of MII are of the opinion that the ultimate outcome of the tax inquiries cannot presently be determined with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made in the financial statements of WHI and MII.

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

20. INVESTMENTS IN SECURITIES

THE COMPANY

	Trading securities		Other securities		Total	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Equity securities:						
Listed	439,365,162	360,227,955	857,926,311	669,987,264	1,297,291,473	1,030,215,219
Unlisted	—	—	19,949,305	19,949,305	19,949,305	19,949,305
	439,365,162	360,227,955	877,875,616	689,936,569	1,317,240,778	1,050,164,524
Total:						
Listed						
Hong Kong	439,323,176	360,205,485	499,563,742	366,050,980	938,886,918	726,256,465
Elsewhere	41,986	22,470	358,362,569	303,936,284	358,404,555	303,958,754
Unlisted	—	—	19,949,305	19,949,305	19,949,305	19,949,305
	439,365,162	360,227,955	877,875,616	689,936,569	1,317,240,778	1,050,164,524
Market value of listed securities	439,365,162	360,227,955	857,926,311	669,987,264	1,297,291,473	1,030,215,219
Carrying value analysed for reporting purposes as:						
Current	439,365,162	360,227,955	—	—	439,365,162	360,227,955
Non-current	—	—	877,875,616	689,936,569	877,875,616	689,936,569
	439,365,162	360,227,955	877,875,616	689,936,569	1,317,240,778	1,050,164,524

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

20. INVESTMENTS IN SECURITIES (Continued)

THE GROUP

	Trading securities		Other securities		Total	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Equity securities:						
Listed	441,090,161	361,634,955	1,366,968,602	936,495,675	1,808,058,763	1,298,130,630
Unlisted	—	—	40,663,618	66,918,469	40,663,618	66,918,469
	441,090,161	361,634,955	1,407,632,220	1,003,414,144	1,848,722,381	1,365,049,099
Total:						
Listed						
Hong Kong	441,048,176	361,612,485	923,142,642	571,552,122	1,364,190,818	933,164,607
Elsewhere	41,985	22,470	443,825,960	364,943,553	443,867,945	364,966,023
Unlisted	—	—	40,663,618	66,918,469	40,663,618	66,918,469
	441,090,161	361,634,955	1,407,632,220	1,003,414,144	1,848,722,381	1,365,049,099
Market value of listed securities	441,090,161	361,634,955	1,366,968,602	936,495,675	1,808,058,763	1,298,130,630
Carrying value analysed for reporting purposes as:						
Current	441,090,161	361,634,955	—	—	441,090,161	361,634,955
Non-current	—	—	1,407,632,220	1,003,414,144	1,407,632,220	1,003,414,144
	441,090,161	361,634,955	1,407,632,220	1,003,414,144	1,848,722,381	1,365,049,099

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

21. ADVANCES TO INVESTEE COMPANIES

The advances to investee companies of the Group are unsecured and have no fixed repayment terms. At 30th June, 2004, of the advances, HK\$19,592,325 (2003: HK\$22,175,697) bears interest at prevailing market rates and the remaining balance is interest-free. In the opinion of the Directors, the Group will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

22. LONG-TERM LOANS RECEIVABLE

	THE GROUP	
	2004	2003
	HK\$	HK\$
Total loans receivable	698,390,620	595,682,276
Less: Current portion shown under current assets	(126,700,514)	(22,097,946)
	<u>571,690,106</u>	<u>573,584,330</u>

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

23. STOCKS OF UNSOLD PROPERTIES

At 30th June, 2004, the amount of stocks of unsold properties of the Group carried at net realisable value is HK\$156,108,032 (2003: HK\$263,338,168).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

24. ACCOUNTS AND OTHER RECEIVABLES

At 30th June, 2004, included in accounts and other receivables of the Group are trade receivables of HK\$97,659,576 (2003: HK\$404,488,915) mainly comprising sales proceeds receivables and rental receivables which are billed in advance and settlements are expected upon receipt of billings.

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

	THE GROUP	
	2004	2003
	HK\$	HK\$
0 – 30 days	46,899,315	343,569,680
31 – 60 days	5,607,267	10,672,402
61 – 90 days	5,531,392	8,474,451
Over 90 days	39,621,602	41,772,382
	<u>97,659,576</u>	<u>404,488,915</u>

Trade receivables over 90 days amounting to HK\$39,621,602 (2003: HK\$41,772,382) 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.

25. ACCOUNTS AND OTHER PAYABLES

At 30th June, 2004, included in accounts and other payables of the Group are trade payables of HK\$54,121,726 (2003: HK\$97,654,470).

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

	THE GROUP	
	2004	2003
	HK\$	HK\$
0 – 30 days	48,246,869	35,316,475
31 – 60 days	1,419,455	9,028,714
61 – 90 days	336,045	799,531
Over 90 days	4,119,357	52,509,750
	<u>54,121,726</u>	<u>97,654,470</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

26. LONG-TERM BORROWINGS

	THE GROUP	
	2004	2003
	HK\$	HK\$
Unsecured bank loans		
Within one year	13,102,740	13,100,640
More than one year but not exceeding two years	82,984,020	13,100,640
More than two years but not exceeding five years	—	82,970,720
	96,086,760	109,172,000
Less: Current portion shown under current liabilities	(13,102,740)	(13,100,640)
	82,984,020	96,071,360
Secured bank loans		
Within one year	212,000,000	277,753,200
More than one year but not exceeding two years	1,848,728,000	1,858,747,765
More than two years but not exceeding five years	2,488,307,765	3,854,966,300
	4,549,035,765	5,991,467,265
Less: Current portion shown under current liabilities	(212,000,000)	(277,753,200)
	4,337,035,765	5,713,714,065
Unsecured other loan		
Within one year	—	300,000,000
More than one year but not exceeding two years	—	300,000,000
More than two years but not exceeding five years	500,000,000	750,000,000
	500,000,000	1,350,000,000
Less: Current portion shown under current liabilities	—	(300,000,000)
	500,000,000	1,050,000,000
Total bank and other loans	4,920,019,785	6,859,785,425
Less: Deferred loan arrangement fees <i>(Note 27)</i>	(12,686,553)	(18,695,841)
	4,907,333,232	6,841,089,584
Convertible notes <i>(Note 28)</i>	—	1,489,378,714
	4,907,333,232	8,330,468,298

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

At 30th June, 2004, unsecured other loan of the Group in an amount of HK\$500,000,000 (2003: HK\$1,350,000,000) bears interest at prevailing market rates and is repayable by instalments over a period of three years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

27. DEFERRED LOAN ARRANGEMENT FEES

	THE GROUP	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
COST		
At 1st July	57,701,262	90,311,612
Additions	4,312,966	9,621,667
Write-off upon early repayment of loans	(16,275,000)	(42,232,017)
	<hr/>	<hr/>
At 30th June	45,739,228	57,701,262
	<hr/>	<hr/>
AMORTISATION		
At 1st July	39,005,421	53,552,894
Provided for the year	9,081,698	20,094,129
Eliminated upon early repayment of loans	(15,034,444)	(34,641,602)
	<hr/>	<hr/>
At 30th June	33,052,675	39,005,421
	<hr/>	<hr/>
Deferred loan arrangement fees at 30th June	12,686,553	18,695,841
	<hr/>	<hr/>

28. CONVERTIBLE NOTES

	THE GROUP	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Principal amount		
At 1st July	1,500,000,000	1,500,000,000
Conversion	(1,500,000,000)	—
	<hr/>	<hr/>
At 30th June	—	1,500,000,000
	<hr/>	<hr/>
Add: Provision for premium on redemption		
At 1st July	18,587,014	1,877,014
Provided for the year	8,423,671	16,710,000
Write-back upon conversion	(27,010,685)	—
	<hr/>	<hr/>
At 30th June	—	18,587,014
	<hr/>	<hr/>
Less: Issue costs		
At 1st July	29,208,300	36,721,359
Amortised for the year	(3,787,405)	(7,513,059)
Write-off upon conversion	(25,420,895)	—
	<hr/>	<hr/>
At 30th June	—	29,208,300
	<hr/>	<hr/>
Carrying value at 30th June	—	1,489,378,714
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

28. CONVERTIBLE NOTES (Continued)

In 2002, a wholly-owned subsidiary of the Company, Golden Million Finance Corporation (“Golden Million”), issued HK\$1,500,000,000 3.75% guaranteed convertible notes due in May 2007 (“2007 Notes”). The 2007 Notes carried a right to convert at any time from 20th June, 2002 to 14th May, 2007 into ordinary shares of the Company at an initial conversion price of HK\$4.00 per share (subject to adjustment). All or some of the 2007 Notes were redeemable at the option of the relevant holder at a premium of 3.184% of their outstanding principal amount on 21st May, 2005. Golden Million could redeem all or some of the 2007 Notes at any time during the period from 21st May, 2004 to 21st May, 2007, both dates inclusive, upon satisfying certain requirements. The 2007 Notes were redeemable at a premium of 5.57% of their outstanding principal amount on 21st May, 2007. All of the 2007 Notes were converted into ordinary shares of the Company by the noteholders during the year.

29. SHARE CAPITAL

	2004		2003	
	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	3,886,334,280	3,886,334,280	3,874,211,830	3,874,211,830
Issued in lieu of cash dividends	44,688,695	44,688,695	51,548,450	51,548,450
Issued upon conversion of convertible notes	375,000,000	375,000,000	—	—
Cancellation upon repurchase of own shares	—	—	(39,426,000)	(39,426,000)
At 30th June	4,306,022,975	4,306,022,975	3,886,334,280	3,886,334,280

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

On 17th December, 2003 and 18th May, 2004, the Company issued and allotted a total of 16,649,187 ordinary shares and 28,039,508 ordinary shares of HK\$1.00 each at an issue price of HK\$3.99 and HK\$5.045 each, respectively, in lieu of cash for the 2003 final and 2004 interim dividends. These shares rank pari passu in all respects with the existing shares.

During the year ended 30th June, 2003, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 39,426,000 ordinary shares of HK\$1.00 each of the Company at an aggregate consideration of HK\$90,262,382, all of these shares were subsequently cancelled. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration was paid out of the retained profits.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

30. SHARE PREMIUM AND RESERVES

	Share premium <i>HK\$</i>	Other security revaluation reserve <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY					
At 1st July, 2002	9,283,178,408	(34,709,215)	124,820,000	10,340,701,563	19,713,990,756
Premium on issue of shares upon scrip dividends	68,644,731	—	—	—	68,644,731
Shares issue expenses	(260,100)	—	—	—	(260,100)
Cancellation upon repurchase of own shares	—	—	39,426,000	(90,262,382)	(50,836,382)
Impairment loss charged to income statement	—	13,500,000	—	—	13,500,000
Surplus on revaluation	—	62,883,155	—	—	62,883,155
Net profit for the year	—	—	—	97,406,425	97,406,425
Final dividend – 2002	—	—	—	(77,288,637)	(77,288,637)
Interim dividend – 2003	—	—	—	(77,369,560)	(77,369,560)
At 30th June, 2003 and 1st July, 2003	9,351,563,039	41,673,940	164,246,000	10,193,187,409	19,750,670,388
Premium on issue of shares upon scrip dividends	163,200,881	—	—	—	163,200,881
Premium on issue of shares upon conversion of convertible notes	1,125,000,000	—	—	—	1,125,000,000
Shares issue expenses	(482,065)	—	—	—	(482,065)
Surplus on revaluation	—	173,681,583	—	—	173,681,583
Net profit for the year	—	—	—	442,774,566	442,774,566
Final dividend – 2003	—	—	—	(77,726,686)	(77,726,686)
Interim dividend – 2004	—	—	—	(208,453,423)	(208,453,423)
At 30th June, 2004	10,639,281,855	215,355,523	164,246,000	10,349,781,866	21,368,665,244

Note: The reserve available for distribution by the Company to the shareholders at 30th June, 2004 is HK\$10,349,781,866 (2003: HK\$10,193,187,409).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

31. 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 HK\$	Tax losses HK\$	Others HK\$	Total HK\$
At 1st July, 2002				
– as originally stated	—	—	—	—
– adjustment on adoption of SSAP 12 (Revised)	31,387,933	(8,249,556)	5,157,557	28,295,934
– as restated	31,387,933	(8,249,556)	5,157,557	28,295,934
Charge (credit) to income for the year	3,804,949	3,131,934	(5,641,078)	1,295,805
Effect of change in tax rate charge (credit) to income statement	2,942,619	(773,396)	483,521	2,652,744
At 30th June, 2003 and 1st July, 2003	38,135,501	(5,891,018)	—	32,244,483
Exchange realignment	—	—	108,609	108,609
Charge (credit) to income for the year	13,128,167	(4,970,835)	(386,472)	7,770,860
At 30th June, 2004	51,263,668	(10,861,853)	(277,863)	40,123,952

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

At 30th June, 2004, the Group had unused tax losses of approximately HK\$2,298,217,000 (2003: HK\$2,537,658,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$62,068,000 (2003: HK\$33,663,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$2,236,149,000 (2003: HK\$2,503,995,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At 30th June, 2004, the Group had deductible temporary differences of approximately HK\$292,609,000 (2003: HK\$471,343,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

32. ADVANCES FROM SUBSIDIARIES

The advances from subsidiaries of the Company are unsecured, interest-free and have no fixed repayment terms. The advances will not be repayable within twelve months from the balance sheet date and the advances are therefore shown as non-current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

33. ADVANCES FROM ASSOCIATES

The advances from associates of the Group are unsecured and have no fixed repayment terms. At 30th June, 2004, of the advances, HK\$368,749,611 (2003: HK\$383,086,114) bears interest at prevailing market rates 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.

34. ADVANCES FROM INVESTEE COMPANIES

The advances from investee companies of the Group were unsecured, interest-free and were fully repaid during the year.

35. ADVANCES FROM MINORITY SHAREHOLDERS

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

36. ACQUISITION OF A SUBSIDIARY

On 26th June, 2003, the Group acquired the entire equity interest in Jade Bird Development Limited at a consideration of HK\$100,000.

The acquisition had been accounted for using the acquisition method and particulars of the acquisition were:

	2004 HK\$	2003 HK\$
Net assets acquired:		
Investment properties	—	11,000,000
Stocks of unsold properties	—	84,000,000
Accounts and other receivables	—	988,249
Bank balances and cash	—	222,321
Accounts and other payables	—	(3,345,160)
Unsecured loan payable	—	(92,765,410)
	<hr/>	<hr/>
	—	100,000
	<hr/>	<hr/>
Satisfied by:		
Cash	—	100,000
	<hr/>	<hr/>
Net cash inflow arising on acquisition:		
Cash consideration	—	(100,000)
Bank balances and cash acquired	—	222,321
	<hr/>	<hr/>
	—	122,321
	<hr/>	<hr/>

The subsidiary acquired during the year ended 30th June, 2003 did not contribute significantly to the turnover, operating results or cash flows of the Group for that year.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

37. MAJOR NON-CASH TRANSACTIONS

During the year, properties under development of HK\$144,203,026 (2003: HK\$164,235,090) and HK\$1,899,072,383 (2003: HK\$2,526,157,276) were transferred to investment properties and stocks of unsold properties, respectively.

On 17th December, 2003 and 18th May, 2004, the Company issued and allotted a total of 16,649,187 ordinary shares and 28,039,508 ordinary shares of HK\$1.00 at HK\$3.99 and HK\$5.045 each, respectively, in the Company in lieu of cash for the 2003 final and 2004 interim dividends.

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

38. PLEDGE OF ASSETS

- (a) At 30th June, 2004, the aggregate facilities of bank loans, overdrafts and other loans amounting to HK\$11,918,419,585 (2003: HK\$12,616,308,971) were secured by certain of the Group's listed investments, properties, bank deposits and bank balances. At that date, the facilities were utilised to the extent of HK\$5,849,473,585 (2003: HK\$6,805,030,371).
- (b) At 30th June, 2004, investments and the benefits in the advances to certain associates were pledged or assigned to secure loan facilities made available by banks or financial institutions to such associates. The Group's attributable portion of these facilities amounted to HK\$2,699,860,049 (2003: HK\$3,952,733,333), of which HK\$2,537,624,606 (2003: HK\$2,894,146,090) was utilised by the associates and was guaranteed by the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

39. COMMITMENTS AND CONTINGENT LIABILITIES

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

	THE COMPANY		THE GROUP	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
(a) Commitments in respect of property development expenditure:				
Authorised but not contracted for	—	—	46,056,752	1,184,813,547
Contracted but not provided for	—	—	2,760,051,382	973,447,137
	<u>—</u>	<u>—</u>	<u>2,806,108,134</u>	<u>2,158,260,684</u>
(b) Guarantees in respect of banking facilities and other liabilities of:				
Subsidiaries				
– Utilised	6,514,053,016	9,572,286,964	—	—
– Not utilised	6,603,510,000	6,299,842,600	—	—
	<u>13,117,563,016</u>	<u>15,872,129,564</u>	<u>—</u>	<u>—</u>
Associates				
– Utilised	2,537,624,606	2,894,146,090	2,537,624,606	2,894,146,090
– Not utilised	164,740,443	1,061,092,243	164,740,443	1,061,092,243
	<u>2,702,365,049</u>	<u>3,955,238,333</u>	<u>2,702,365,049</u>	<u>3,955,238,333</u>
	<u>15,819,928,065</u>	<u>19,827,367,897</u>	<u>2,702,365,049</u>	<u>3,955,238,333</u>

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

Mariner will appeal against the judgment on legal advice. The Directors have been advised that the appeal will not be heard until some time in the year of 2005 at the earliest. On the basis of the uncertainty of the outcome of the intended appeal, the Directors are of the opinion that no provision in respect of the deposit and other liabilities contingent upon the outcome of the appeal should be made for the year ended 30th June, 2004.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

40. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year, net of outgoings of HK\$104,574,547 (2003: HK\$100,367,039), was HK\$725,871,919 (2003: HK\$729,926,070). 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:

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Within one year	586,523,233	583,954,180
In the second to fifth year inclusive	484,163,674	576,630,421
After five years	2,672,936	60,000
	<u>1,073,359,843</u>	<u>1,160,644,601</u>

The Company did not have any significant operating lease commitment at the balance sheet date.

41. 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 Schemes 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 Group's subsidiaries operating in Singapore. The Group has no other obligations under this state pension scheme other than the contribution payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

42. RELATED PARTY TRANSACTIONS

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

	2004 HK\$	2003 HK\$
(a) Related companies		
Service fees received therefrom (Note 1)	46,037,604	45,006,588
Management fees received therefrom (Note 1)	630,265	640,914
Rental paid thereto (Note 2)	<u>19,400,000</u>	<u>18,200,000</u>

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

(b) Associates

Service fees paid thereto (Note 1)	11,129,240	11,431,592
Management fees received therefrom (Note 1)	12,009,900	17,679,215
Management fees paid thereto (Note 1)	813,000	7,488,675
Interest income received therefrom (Note 3)	61,243,187	63,939,858
Interest expenses paid thereto (Note 3)	<u>3,964,958</u>	<u>7,068,668</u>

(c) Awarding of construction contract

During the year, a construction contract was awarded by an associate to a wholly-owned subsidiary of the Company. The contract was awarded, after a highly competitive tendering process, on 22nd August, 2003 at the same price as the lowest tender on a back-to-back basis. The construction contract was for the interior fitting-out works for tenancy areas at NKIL5846, 12 Kai Shun Road, Kowloon Bay, Kowloon and the contract sum was approximately HK\$58.3 million.

(d) Advances to a non wholly-owned subsidiary

During the year ended 30th June, 2004, the Group made advances totalling HK\$17,185,240 to Firm Wise Investment Limited ("Firm Wise"), a 70% owned subsidiary of the Company, to finance the operating cost of the property, the Centrium. The advances are unsecured, bear interest at cost of funds plus a margin and have no fixed repayment terms. The advances made are proportional to the shareholding interest of the Group in Firm Wise, the remaining share interests in which are held by an independent third party which is connected to the Group only through its substantial shareholding in Firm Wise.

Details of the balances with associates at the balance sheet date are set out in the balance sheets and in notes 19 and 33.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

42. RELATED PARTY TRANSACTIONS (Continued)

Notes:

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

43. PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 30th June, 2004, which materially affect the results or assets and liabilities of the Group.

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

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
Direct:					
Best Result Cleaning Services Limited	Hong Kong	Ordinary	HK\$2	100	Cleaning services
Fu King Investment Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Investment holding
Glorypark Limited	Hong Kong	Ordinary	HK\$1,000	100	Property investment
Golden Million Finance Corporation	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Financing
King Chance Development Limited	Hong Kong	Ordinary	HK\$2	100	Investment holding
Landscape Investment Limited	Hong Kong/ 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	60	Building management

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

43. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
Direct (Continued):					
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 Security Services Limited (formerly known as Sing-Ho Security Services Limited)	Hong Kong	Ordinary	HK\$2	100	Security services
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
Indirect:					
Ackerley Estates Limited	Hong Kong	Ordinary	HK\$20,000,000	100	Property investment
Active Success Development Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Advance Profit Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Alfaso Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Allways Success Finance Limited	Hong Kong	Ordinary	HK\$10	60	Mortgage loan financing
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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

43. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Indirect (Continued):</i>					
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
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
Famous General Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Famous Palace Properties Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Firm Wise Investment Limited	Hong Kong	Ordinary	HK\$10	70	Property investment
Fo Tan Construction Consultant Limited	Hong Kong	Ordinary	HK\$2	100	Project management
Forlink Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

43. PRINCIPAL SUBSIDIARIES *(Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

43. PRINCIPAL SUBSIDIARIES *(Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

43. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Indirect (Continued):</i>					
Mass Success Limited	Hong Kong	Ordinary	HK\$1,000	55	Property trading
Morbest Profits Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Multipurpose Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property trading and investment
Ocean Treasure (Hong Kong) Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Octerworth Enterprises Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Pacific Elite Limited	Hong Kong	Ordinary	HK\$2	100	Financing
Parason Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Peace Success Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading
Perfect Sun Properties Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Pioneer Parking Limited	Hong Kong	Ordinary	HK\$2	100	Carpark operation
port88 Limited	Hong Kong	Ordinary	HK\$2	100	Internet services provider
Precious Land Pte. Limited	Singapore	Ordinary	S\$2	100	Property investment
Precious Treasure Pte Ltd	Singapore	Ordinary	S\$20,000,000	100	Hotel operation and property investment
Pridegate (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

43. PRINCIPAL SUBSIDIARIES *(Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

43. PRINCIPAL SUBSIDIARIES (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Indirect (Continued):</i>					
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
Union Development Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Vasilon Pte Ltd	Singapore	Ordinary	S\$2	100	Investment holding
Weiland Development Company Limited	Hong Kong	Ordinary	HK\$33,140,000	100	Property investment
Wendia Limited	Hong Kong	Ordinary	HK\$20	100	Property investment
Wicorp Development Limited	Hong Kong/ PRC	Ordinary	HK\$2	100	Property trading
Will Glory Company (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
World Empire Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

44. PRINCIPAL ASSOCIATES

The Directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the following list contains only the particulars of associates at 30th June, 2004, which materially affect the results of the year or form a substantial portion of the net assets of the Group.

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

Name of associate	Place of incorporation/ operation	Class of shares held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
Asian Success Investments Limited	Hong Kong	Ordinary	—	33.3	33.3	Property development
Astoria Estate Management Company Limited	Hong Kong	Ordinary	—	50	50	Building management
Benefit Bright Limited	Hong Kong	Ordinary	—	42.5	42.5	Property trading and investment
Better Chief Limited	Hong Kong	Ordinary	50	—	50	Property investment
Beverhill Limited	Hong Kong	Ordinary	—	20	20	Property investment
Boatswain Enterprises Limited	Hong Kong	Ordinary	—	20	20	Property investment
Brisbane Trading Company Limited	Hong Kong	Ordinary and non-voting deferred	—	50	50	Property trading
Cheer City Properties Limited	Hong Kong	Ordinary	—	20	20	Property investment
C.H.K.C. Building Management Limited	Hong Kong	Ordinary	—	25	25	Building management
Cosmos Door Limited	Hong Kong	Ordinary	—	50	50	Property investment
Credit World Limited	Hong Kong	Ordinary	—	20	20	Property trading
Direct Win Development Limited	Hong Kong	Ordinary	—	33.3	33.3	Property development
Dramstar Company Limited	Hong Kong	Ordinary	—	22	22	Property trading
Empire Funds Limited	Hong Kong	Ordinary	—	50	50	Property trading

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

44. PRINCIPAL ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ operation	Class of shares held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
Eternal Honest Finance Company Limited	Hong Kong	Ordinary	—	50	50	Mortgage loan financing
Famous Empire Finance Limited	Hong Kong	Ordinary	—	40	40	Mortgage loan financing
Famous Empire Properties Limited	Hong Kong	Ordinary	—	40	40	Property trading and investment
Finedale Industries Limited	Hong Kong	Ordinary	—	33.3	33.3	Property investment
Gloryland Limited	Hong Kong	Ordinary	—	33.3	33.3	Property investment
Golden Famous International Limited	Hong Kong	Ordinary	—	25	25	Property development
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
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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2004

44. PRINCIPAL ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ operation	Class of shares held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
Murdoch Investments Inc.	Republic of Panama/ Hong Kong	Ordinary	—	45	45	Property investment
Olympian City 1 (Project Management) Limited	Hong Kong	Ordinary	—	30	30	Project management
Olympian City 2 Finance Company Limited	Hong Kong	Ordinary	—	50	50	Mortgage loan financing
Olympian City 2 (Project Management) Limited	Hong Kong	Ordinary	—	42.5	42.5	Project management
Prime Force Limited	Hong Kong	Ordinary	—	50	50	Property development
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
Tat Lee Construction Company Limited	Hong Kong	Ordinary	25	—	25	Building construction
Victory World Finance Limited	Hong Kong	Ordinary	—	50	50	Mortgage loan financing
Victory World Limited	Hong Kong	Ordinary	—	50	50	Property trading and investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2004

44. PRINCIPAL ASSOCIATES (Continued)

Name of associate	Place of incorporation/ operation	Class of shares held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
Wide Harvest Investment Limited	Hong Kong	Ordinary	—	25	25	Property investment
Win Chanford Enterprises Limited	Hong Kong	Ordinary	5	45	50	Property investment
深圳盛輝物業發展有限公司	PRC	Registered	—	50	50	Property development
中海信和（成都）物業發展有限公司	PRC	Registered	—	20	20	Property development