

Notes to the accounts

1 Principal accounting policies

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of hotel and investment properties and other investments and in accordance with accounting principles generally accepted in Hong Kong.

During the year, the Group adopted the new Statement of Standard Accounting Practices ("SSAP") 12 "Income taxes" issued by the Hong Kong Institute of Certified Public Accountants which is effective for accounting periods commencing on or after 1st January 2003.

A summary of the accounting policies and the effect of adopting SSAP 12 is set out below:

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and all of its subsidiaries made up to 30th June, and include the Group's share of the results for the year and undistributed post-acquisition reserves of its associated companies and jointly controlled entities. The results of subsidiaries, associated companies and jointly controlled entities acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition and up to the effective dates of disposal respectively.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to net assets of subsidiaries, associated companies or jointly controlled entities acquired.

Goodwill on acquisition of subsidiaries, associated companies or jointly controlled entities occurring before 1st July 2001 was written off directly to reserves in the year of acquisition.

Goodwill on acquisitions occurring on or after 1st July 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not more than twenty years. Any impairment of the goodwill will be recognised as an expense in the profit and loss account immediately.

(d) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

Negative goodwill on acquisition of subsidiaries, associated companies or jointly controlled entities occurring before 1st July 2001 was taken directly to reserves in the year of acquisition.

For acquisitions on or after 1st July 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average life of those non-monetary assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

(e) Subsidiaries

Subsidiaries are companies, including equity and co-operative joint ventures in the People's Republic of China ("PRC"), in which the Group has the power to exercise control governing the financial and operating policies of the companies. Investments in subsidiaries are carried at cost. Provision is made when the directors consider that there is long term impairment in value.

(f) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised through representatives on the board of directors and there is no contractual arrangement to establish joint control over the economic activities of the company. The Group's investments in associated companies also include joint ventures in the PRC in which the composition of the board of directors is controlled by the Group's associated companies.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year. The consolidated balance sheet includes the Group's share of the net assets of the associated companies and any unamortised goodwill/negative goodwill on acquisition.

(g) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define their joint control over the economic activity of the entity.

The Group's interests in jointly controlled entities are stated at cost plus the Group's share of their post-acquisition results and reserves and any unamortised goodwill/negative goodwill on acquisition, less provision for diminution in value other than temporary in nature. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities explained as follows:

(i) *Equity joint ventures*

Equity joint ventures are joint ventures in respect of which the venturers' capital contribution ratios are defined in the joint venture contracts and the venturers' profit sharing ratios are in proportion to the capital contribution ratios.

(ii) *Co-operative joint ventures*

Co-operative joint ventures are joint ventures in respect of which the venturers' profit sharing ratios and share of net assets upon expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts.

(iii) *Companies limited by shares*

Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interest therein is in accordance with the amount of the voting share capital held thereby.

(h) Joint ventures in the PRC

(i) *Equity joint ventures*

The Group's investments in these Sino-foreign joint ventures are accounted for as subsidiaries (where the Group has the power to exercise control governing the financial and operating policies) or as jointly controlled entities (where the Group and the other venturers of the equity joint venture established joint control over the economic activity thereof).

(ii) *Co-operative joint ventures*

The Group's investments in these Sino-foreign joint ventures are accounted for as subsidiaries (where the Group has the power to exercise control governing the financial and operating policies) or as jointly controlled entities (where the Group and the other venturers of the co-operative joint venture established joint control over the economic activity thereof).

1 Principal accounting policies (continued)

(i) Other investments

Other investments represent securities which are held for non-trading purpose. They are stated at fair value at the balance sheet date. Fair value is estimated by the directors by reference to the market price or, in case of unlisted investments, net asset value of the respective investment. Changes in the fair value of individual investment are credited or debited to the investment revaluation reserve until the investment is sold or determined to be impaired. Where the directors determine that there is impairment loss, the accumulated changes in fair value are removed from the investment revaluation reserve and recognised in the profit and loss account. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant investment, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

(j) Fixed assets and depreciation

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential. The investment properties are stated at open market value based on an annual professional valuation at the balance sheet date. Increases in valuation are credited to the investment properties revaluation reserve; decreases in value are first set off against earlier revaluation surplus on a portfolio basis and thereafter charged to the profit and loss account. Any subsequent increases are credited to operating profit up to the amount previously debited. Upon sale of an investment property, the relevant portion of the revaluation surplus in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account. No depreciation is provided on investment properties held on leases of more than twenty years.

(ii) *Hotel properties*

Hotel properties are interests in land and buildings and their integral fixed plant which are collectively used in the operation of hotel. They are stated in the balance sheet at their open market value on the basis of an annual professional valuation. Increases in valuation are credited to the hotel properties revaluation reserve; decreases in value are first set off against earlier revaluation surplus and thereafter charged to the profit and loss account. No depreciation is provided on hotel properties held on leases of more than twenty years. It is the Group's practice to maintain the buildings in a continual state of sound repairs and to make improvements thereto from time to time and accordingly, the directors consider that given the estimated lives of the hotel properties, any depreciation would be insignificant due to their high residual value. Such expenditures on repairs and improvements are charged to the profit and loss account in the year in which they are incurred.

(iii) *Assets under construction*

No depreciation is provided on assets under construction. All direct and indirect costs relating to the construction of fixed assets including interest and financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as the cost of the fixed assets.

(iv) *Other fixed assets*

Other fixed assets, including other properties which are interests in land and buildings other than investment properties and hotel properties, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of fixed assets is calculated to write off the cost of assets over their estimated useful lives, using the straight line method. Estimated useful lives are summarised as follows:

Land held on long or medium term lease	Unexpired period of the lease
Buildings	20 years
Leasehold improvements	5–10 years or over the relevant lease period
Furniture, fixtures and equipment	5 years
Motor vehicles	3 years

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives. The carrying amounts of fixed assets are reviewed regularly. When the recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amount. Expected future cash flows have been discounted in determining the recoverable amount.

Profits or losses on disposal of fixed assets are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account.

(k) Deferred expenditure

Loan procurement expenses are amortised on a straight line basis over the relevant loan periods.

(l) Properties held for/under development

Properties held for/under development are stated at cost less provision for any possible loss. Cost comprises land cost, development expenditure, professional fees and interest capitalised. On completion, the properties are transferred to investment properties or to completed properties held for sale.

(m) Completed properties held for sale

Completed properties held for sale is stated at the lower of cost and net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(n) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

(ii) *Pension obligations*

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(o) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1 Principal accounting policies (continued)

(p) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable to such operating leases, net of incentives received from the lessors, are charged to the profit and loss account on a straight line basis over the periods of the leases.

(q) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In previous years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As a result, opening retained profit at 1st July 2002 has been reduced by HK\$19,427,000 and opening accumulated losses at 1st July 2003 has been increased by HK\$13,961,000. The loss attributable to shareholders has been reduced by HK\$5,466,000 for the year ended 30th June 2003. In addition, opening investment properties revaluation reserve at 1st July 2002 and 2003 have been reduced by HK\$151,305,000 and HK\$174,521,000 respectively. This has also resulted in the following changes as at 30th June 2003:

	HK\$'000
Decrease in associated companies	(5,077)
Decrease in jointly controlled entities	(71,321)
Decrease in other investments	(19,262)
Increase in deferred tax assets	2,932
Increase in deferred tax liabilities	(110,097)
Decrease in minority interests	14,343
Decrease in reserves	(188,482)

(r) Capitalisation of interest and finance charges

Interest and finance charges on borrowings relating to properties under development are included in the cost of the development during the period of development. Interest and finance charges on borrowings that are directly attributable to the financing of the Group's investments in joint ventures investing in property development projects are capitalised as the cost of investments in these joint ventures up to the respective date of completion of construction of the related properties. All other borrowing costs are expensed in the profit and loss account in the year in which they are incurred, other than those dealt with in note (j) (iii) above.

(s) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates of exchange ruling at that date. Exchange differences arising in these cases are dealt with in the profit and loss account, other than those dealt with in note (j) (iii) above.

The balance sheet of overseas subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences arising therefrom are dealt with as a movement in reserves.

(t) Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably on the following bases:

(i) *Property sales*

Revenue from sale of properties is recognised either when the sale agreement is completed or when the development is completed which is determined by the issuance of the completion certificate by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(ii) *Interest income*

(a) Interest income in respect of loan financing provided to associated companies and jointly controlled entities financing the development of property projects during the development periods is deferred and recognised on the same basis as property sales (note (t) (i)) above.

(b) Interest income in respect of loan financing provided to associated companies and jointly controlled entities other than those engaged in property development during their pre-operational period is deferred and amortised over the repayment period of the loan.

(c) Other than those described in (a) and (b) above, interest income is recognised on a time proportion basis.

(iii) *Rental income*

Rental income is recognised on a straight line accrual basis over the terms of lease agreements or on a specified basis according to the terms of lease agreements in respect of contingent rental income.

(iv) *Hotel operating income*

Hotel operating income is recognised when the services are rendered.

(v) *Project management fee income*

Project management fee income in respect of management services provided to associated companies and jointly controlled entities engaged in property development during the development periods is deferred and recognised on the same basis as property sales (note (t) (i)) above.

(vi) *Property management services fee income*

Property management services fee income is recognised when services are rendered.

(vii) *Dividend income*

Dividend income is recognised when the shareholder's right to receive payment is established.

2 Turnover and segment information

- (a) The Group is principally engaged in investment and development of property projects in the PRC. Turnover comprises gross proceeds from sales of properties, revenue from rental and hotel operations, property management services fee income, project management fee income and interest income in respect of loan financing provided to associated companies and jointly controlled entities, net of withholding tax.

	2004	2003
	HK\$'000	HK\$'000
Sales of properties	2,186,222	373,814
Rental income	139,954	127,107
Income from hotel operations	108,829	2,188
Property management services fee income	23,407	20,253
Project management fee income	4,893	5,129
	2,463,305	528,491
Interest income less withholding tax	58,479	17,093
	2,521,784	545,584

- (b) The Group is organised into four main business segments, comprising property sales, rental operation, hotel operation and property management. There is no other significant identifiable separate business segment. Segment assets consist primarily of fixed assets, properties held for/under development, other non-current assets, debtors, deposits and other receivables, and completed properties held for sale. Segment liabilities comprise mainly creditors and accruals, bank and other loans and deferred income.

No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

Year ended 30th June 2004	Property					Total
	Property sales	Rental operation	Hotel operation	management operation	Other operations	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	2,249,594	140,336	121,774	10,080	—	2,521,784
Segment results	2,979	11,102	238,346	(346)	(1,614)	250,467
Bank and other interest income						19,853
Corporate administrative expenses						(117,685)
Operating profit before financing						152,635
Finance costs						(74,701)
Share of results of						
Associated companies	2,293	16,459	6,738	(691)	—	24,799
Jointly controlled entities	37,160	70,572	7,486	(4,539)	(1,812)	108,867
Profit before taxation						211,600
Taxation charge						(44,788)
Profit after taxation						166,812
Minority interests						(39,466)
Profit attributable to shareholders						127,346

Year ended 30th June 2003	Property					Total
	Property sales	Rental operation	Hotel operation	management operation	Other operations	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(As restated)
Segment revenues	390,817	143,331	7,317	3,759	360	545,584
Segment results	(661,015)	12,599	(481,320)	(6,547)	7,903	(1,128,380)
Bank and other interest income						7,824
Corporate administrative expenses						(124,307)
Operating loss before financing						(1,244,863)
Finance costs						(90,058)
Share of results of						
Associated companies	(26,450)	6,358	(78,495)	(856)	—	(99,443)
Jointly controlled entities	(280,950)	(20,906)	(101,675)	(5,505)	(1,158)	(410,194)
Loss before taxation						(1,844,558)
Taxation credit						2,727
Loss after taxation						(1,841,831)
Minority interests						136,269
Loss attributable to shareholders						(1,705,562)

2 Turnover and segment information (continued)

	Property					Total
	Property sales	Rental operation	Hotel operation	management operation	Other operations	
As at 30th June 2004	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	9,409,822	2,585,916	1,138,545	17,260	6,422	13,157,965
Associated companies and jointly controlled entities	6,156,816	5,028,971	400,157	(11,057)	43,479	11,618,366
Unallocated assets						242,911
Total assets						25,019,242
Segment liabilities	5,019,902	1,773,087	934,958	9,328	779	7,738,054
Minority interests						(1,141)
Unallocated liabilities						913,107
Total liabilities and minority interests						8,650,020
Capital expenditure	11,049	195,183	173,424	226	2,772	382,654
Depreciation	14,396	24,255	9,779	198	2,410	51,038
Reversal of impairment loss of fixed assets	—	—	(205,120)	—	—	(205,120)
Provision for/(write back of provision for) jointly controlled entities, associated companies and other investments	104,612	(62)	(2,380)	483	—	102,653
Provision for properties	47,317	—	—	—	—	47,317

	Property					Total
	Property sales	Rental operation	Hotel operation	management operation	Other operations	
As at 30th June 2003	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	9,946,652	3,801,866	776,705	260	—	14,525,483
Associated companies and jointly controlled entities	4,823,094	4,756,499	289,232	(1,189)	37,018	9,904,654
Unallocated assets						220,455
Total assets						24,650,592
Segment liabilities	5,592,024	2,053,395	568,371	3,628	—	8,217,418
Minority interests						(15,719)
Unallocated liabilities						446,212
Total liabilities and minority interests						8,647,911
Capital expenditure	168,615	133,679	155,997	958	1,080	460,329
Depreciation	10,490	38,039	—	371	2,092	50,992
Provision for jointly controlled entities, associated companies and other investments	335,378	4,936	85,074	7,134	—	432,522
Provision for/impairment of/ revaluation deficit of properties	281,247	23,508	386,242	—	—	690,997

3 Other revenue

	2004	2003
	HK\$'000	HK\$'000
Bank and other interest income	19,853	7,824

4 Other income/(charges)

	2004	2003
	HK\$'000	HK\$'000
Reversal of/(impairment loss) of fixed assets	205,120	(295,044)
Provision against other investments	(94,793)	(281,021)
Provision for diminution in value of properties under development and completed properties held for sale	(47,317)	(217,638)
Provision for investments in/amounts due by jointly controlled entities	(5,614)	(134,695)
Provision for amount due by an associated company	(2,246)	(16,806)
Write back of/(revaluation deficit) of a hotel property	3,672	(178,315)
Net profit/(loss) on disposal of a jointly controlled entity	3,636	(21,266)
Net gain on disposal and partial disposal of subsidiaries	—	109,127
	62,458	(1,035,658)

5 Operating profit/(loss) before financing

	2004	2003
	HK\$'000	HK\$'000
Operating profit/(loss) before financing is arrived at after crediting:		
Gross rental income from investment properties	72,807	102,849
and after charging:		
Cost of properties sold	1,896,724	363,534
Staff costs including directors' emoluments	117,604	117,901
Depreciation	51,038	50,992
Rental for leased premises	36,031	37,167
Outgoings in respect of investment properties	29,706	13,653
Amortisation of deferred expenditure	5,773	9,634
Auditors' remuneration	4,160	3,682
Retirement benefits costs	3,794	4,138
Loss on disposal of fixed assets	1,347	1,144

5 Operating profit/(loss) before financing (continued)

There is no contingent rent included in rental income for both years.

	2004 HK\$'000	2003 HK\$'000
The future minimum rental payments receivable under non-cancellable leases are as follows:		
Within one year	121,810	86,966
Between two and five years	159,359	166,837
Beyond five years	508,222	360,128
	789,391	613,931

Generally the Group's operating leases are for terms of two to five years except for six (2003: four) long term leases which are beyond five years.

6 Finance costs

	2004 HK\$'000	2003 HK\$'000
Interest on bank loans	164,466	144,589
Interest on loans from fellow subsidiaries wholly repayable within five years	20,071	39,831
Interest on loans from minority shareholders	3,640	4,495
Interest on short term loans	4,022	6,063
	192,199	194,978
Amount capitalised in properties held for/under development and assets under construction	(97,906)	(83,019)
Reimbursement from an associated company	(19,592)	(21,901)
	74,701	90,058

7 Retirement benefit costs

The Group has established a defined contribution retirement scheme under the Occupational Retirement Scheme Ordinance for all employees in Hong Kong since September 1999. The contributions to the scheme are based on a percentage of the employees' salaries ranging from 5% to 10%, depending upon the length of service of the employees. The Group's contributions to the scheme are expensed as incurred and are not forfeited in respect of those employees who leave the scheme prior to vesting fully in the contributions.

With the implementation of the Mandatory Provident Fund ("MPF") Scheme Ordinance on 1st December 2000, the Group established a new MPF Scheme. Except for employees who commenced employment after 1st October 2000, all the existing employees were given an option to select between the existing defined contribution scheme and the MPF Scheme. The employees who commenced employment after 1st October 2000 are required to join the MPF Scheme. The Group's contributions to the MPF scheme are based on fixed percentages of members' salary, ranging from 5% of MPF relevant income to 10% of the basic salary. Members' mandatory contributions are fixed at 5% of MPF relevant income.

The Group also contributes to retirement plans for its employees in the PRC at a percentage in compliance with the requirements of the respective municipal governments in the PRC.

The assets of all retirement schemes are held separately from those of the Group in independently administered funds. The total cost charged to the profit and loss account amounted to HK\$3,794,000 (2003: HK\$4,138,000).

8 Directors' and senior management remuneration

(i) Details of the directors' emoluments are as follows:

	2004	2003
	HK\$'000	HK\$'000
Fees	800	800
Salaries, discretionary bonus, other allowances and other benefits in kind	1,188	1,027
Contribution to retirement benefit scheme	—	103
	1,988	1,930

The emoluments of the directors fall within the following bands:

		Number of directors	
		2004	2003
Nil	– HK\$500,000	12	13
HK\$1,000,001	– HK\$1,500,000	1	1
		13	14

Fees include HK\$300,000 paid to independent non-executive directors during the year (2003: HK\$300,000). There were no other emoluments paid to independent non-executive directors during the year (2003: Nil).

None of the directors has waived his right to receive his emoluments (2003: Nil).

(ii) The five individuals whose emoluments were the highest in the Group for the year do not include any emoluments of the directors (2003: Nil). Details of the emoluments paid to those five (2003: five) individuals in the Group are as follows:

	2004	2003
	HK\$'000	HK\$'000
Salaries, discretionary bonus, other allowances and other benefits in kind	8,247	7,291
Contribution to retirement benefit scheme	565	540
	8,812	7,831

The emoluments fall within the following bands:

		Number of individuals	
		2004	2003
HK\$1,000,001	– HK\$1,500,000	—	3
HK\$1,500,001	– HK\$2,000,000	4	1
HK\$2,000,001	– HK\$2,500,000	1	1
		5	5

9 Taxation charge/(credit)

	2004 HK\$'000	2003 HK\$'000 (As restated)
PRC income tax — deferred tax		
Company and subsidiaries	33,141	344
Associated companies	1,875	(3,859)
Jointly controlled entities	9,772	788
	44,788	(2,727)

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the rate of taxation prevailing in the PRC in which the Group operates as follows:

	2004 HK\$'000	2003 HK\$'000
Profit/(loss) before taxation	211,600	(1,844,558)
Calculated at a taxation rate of 33% (2003: 33%)	69,828	(608,704)
Income not subject to taxation	(33,071)	(64,924)
Expenses not deductible for taxation purposes	100,320	171,227
Tax losses not recognised	81,896	155,518
Utilisation of previously unrecognised tax losses	(68,617)	(60,492)
Temporary differences not recognised	(105,568)	404,648
Taxation charge/(credit)	44,788	(2,727)

No provision for Hong Kong profits tax has been made within the Group as the Group has no assessable profits in Hong Kong for the year (2003: Nil). PRC income tax has been provided on the estimated assessable profits of subsidiaries, associated companies and jointly controlled entities operating in the PRC at the rate of 33% (2003: 33%).

In July 1999, a deed of tax indemnity was entered into between the ultimate holding company and the Group whereby the ultimate holding company undertakes to indemnify the Group in respect of, inter alia, certain PRC income tax ("IT") and land appreciation tax ("LAT") payable in consequence of the disposal of certain properties held by the Group as at 31st March 1999. During the year, no such tax indemnity was effected (2003: Nil).

10 Dividend

The directors do not propose the payment of a dividend for the year ended 30th June 2004 (2003: Nil).

11 Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit attributable to shareholders of HK\$127,346,000 (2003: loss attributable to shareholders of HK\$1,705,562,000) and the weighted average of 1,485,096,441 shares (2003: 1,481,944,294 shares) in issue during the year.

Diluted earnings/(loss) per share is not presented as the exercise of the outstanding share options has no dilutive effect on earnings/(loss) per share.

12 Fixed assets

Group

	Investment properties	Hotel properties	Other properties	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Assets under construction	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation								
At 30th June 2003	2,164,217	202,291	94,368	198,639	135,026	30,266	1,784,027	4,608,834
Additions	168,265	66	411	27,500	54,583	3,140	128,689	382,654
Acquisition of interests in a subsidiary	—	—	—	—	958	1,894	—	2,852
Disposals	—	—	(5,921)	(46)	(5,087)	(1,034)	—	(12,088)
Reversal of impairment	—	—	—	—	—	—	205,120	205,120
Reclassifications	(65,195)	803,739	(38,757)	—	(5,214)	—	(2,117,836)	(1,423,263)
Revaluation surplus	32,114	3,672	—	—	—	—	—	35,786
At 30th June 2004	2,299,401	1,009,768	50,101	226,093	180,266	34,266	—	3,799,895
Accumulated depreciation								
At 30th June 2003	—	—	33,054	50,513	64,513	18,311	—	166,391
Charge for the year	—	—	3,333	24,280	19,671	3,754	—	51,038
Acquisition of interests in a subsidiary	—	—	—	—	300	758	—	1,058
Disposals	—	—	(348)	(46)	(978)	(560)	—	(1,932)
Reclassifications	—	—	(29,555)	—	(3,867)	—	—	(33,422)
At 30th June 2004	—	—	6,484	74,747	79,639	22,263	—	183,133
Net book value								
At 30th June 2004	2,299,401	1,009,768	43,617	151,346	100,627	12,003	—	3,616,762
At 30th June 2003	2,164,217	202,291	61,314	148,126	70,513	11,955	1,784,027	4,442,443

Notes:

- (i) Investment properties and hotel properties were revalued on 30th June 2004 on an open market value basis by Chesterton Petty Limited, independent professional valuers, and are held in the PRC under the following leases:

	Investment properties		Hotel properties	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Long term leases	—	86,916	—	—
Medium term leases	2,299,401	2,077,301	1,009,768	202,291
	2,299,401	2,164,217	1,009,768	202,291

- (ii) Other properties are stated at cost and held in the PRC under the following leases:

	2004 HK\$'000	2003 HK\$'000
Long term leases	34,844	76,855
Medium term leases	15,257	17,513
	50,101	94,368

- (iii) Certain interests in investment properties and hotel properties pledged as securities for short term loans and long term loans amount to HK\$266,579,000 (2003: HK\$297,862,000) and HK\$803,739,000 (2003: Nil) respectively. As at 30th June 2003, assets under construction of HK\$910,412,000 were pledged as securities for short term loans and long term loans.

- (iv) As at 30th June 2003, included in assets under construction was interest capitalised of HK\$145,250,000.

13 Subsidiaries

	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost (2004 and 2003: HK\$10)	—	—
Amounts due by, net of provision	14,635,621	15,350,701
	14,635,621	15,350,701

Details of principal subsidiaries are given in note 37.

14 Properties held for development

	Group	
	2004 HK\$'000	2003 HK\$'000
Leasehold land, at cost		
Long term	2,221,746	1,847,602
Medium term	1,156,362	1,131,857
Development and incidental costs	422,675	614,394
Interest capitalised	146,442	149,453
	3,947,225	3,743,306

The aggregate carrying value of properties held for development pledged as securities for long term loan amounts to HK\$919,892,000 (2003: HK\$91,215,000).

15 Associated companies

	Group	
	2004 HK\$'000	2003 HK\$'000 (As restated)
Group's shares of net assets	63,631	41,828
Amounts due by, net of provision (note (i))	1,277,360	1,196,042
Amounts due to (note (i))	(42,619)	(39,622)
	1,298,372	1,198,248

(i) The amounts receivable and payable are unsecured, interest free and have no specific repayment terms except for an amount receivable of HK\$311,526,000 (2003: HK\$336,449,000 and HK\$19,626,000) which carries interest at 5.76% (2003: 5.76% and 6.01%, respectively) per annum and is repayable by instalments up to 2016.

(ii) Details of principal associated companies are given in note 37.

16 Jointly controlled entities

	Group	
	2004 HK\$'000	2003 HK\$'000 (As restated)
Equity joint ventures		
Group's share of net assets	38,217	45,223
Amounts due by		
Interest bearing (note (i))	55,352	57,221
Non-interest bearing (note (ii))	77,639	62,487
Amounts due to (note (ii))	(42,456)	—
	128,752	164,931
Co-operative joint ventures		
Cost of investments	3,560,419	3,413,615
Goodwill	14,946	14,946
Less: accumulated amortisation	(2,242)	(1,494)
Share of undistributed post-acquisition results and reserves	(523,031)	(688,168)
	3,050,092	2,738,899
Amounts due by, net of provision		
Interest bearing (note (iii))	6,407,882	5,314,883
Non-interest bearing (note (ii))	508,864	200,130
Amounts due to (note (ii))	(107,374)	(136,454)
	9,859,464	8,117,458
Companies limited by shares		
Group's share of net liabilities	(251,395)	(163,134)
Amounts due by		
Interest bearing (note (iv))	173,655	173,289
Non-interest bearing (note (ii))	406,153	410,627
Amounts due to (note (ii))	—	(130)
	328,413	420,652
Deposits for proposed joint ventures (note (v))	3,365	3,365
	10,319,994	8,706,406

Notes:

- (i) The amount receivable is unsecured, carries interest ranging from 5.85% to 5.94% (2003: 5.85% to 5.94%) per annum and have repayment terms as specified in the relevant loan agreements.
- (ii) The amounts receivable and payable are unsecured, interest free and have repayment terms as specified in the joint venture contracts.
- (iii) The amounts receivable are unsecured, carry interest ranging from 5.31% to 12% (2003: 5.31% to 12%) per annum and have repayment terms as specified in the joint venture contracts.
- (iv) The amounts receivable are unsecured, carry interest ranging from 1.5% above Hongkong Interbank Offered Rate ("HIBOR") to 4% (2003: 1.5% above HIBOR to 4%) per annum and have repayment terms as specified in the joint venture contracts.
- (v) The balances represent payments on account of proposed joint ventures for which only preliminary agreements have been signed and the joint venture companies have not been established as at the balance sheet date. Upon the establishment of the relevant joint venture companies, the relevant amounts will be reclassified to respective joint venture balances.
- (vi) Details of principal jointly controlled entities are given in note 37.
- (vii) A summary of the financial information of the significant jointly controlled entities is set out in note 35.

17 Other investments

	Group	
	2004 HK\$'000	2003 HK\$'000 (As restated)
Investment securities		
Unlisted shares, at cost	350	350
Amount due from an investee company, net of provision	48,782	143,575
	49,132	143,925
Other joint ventures		
Cost of investments, net of provision	—	87,273
Amounts due by		
Interest bearing, net of provision (note (i))	—	1,281,828
Non-interest bearing (note (ii))	—	336,055
Amounts due to (note (ii))	—	(90,508)
	—	1,614,648
	49,132	1,758,573

Notes:

- (i) As at 30th June 2003, the amounts receivable were unsecured, carried interest at 5.31% to 10% per annum and had repayment terms as specified in the joint venture contracts.
- (ii) As at 30th June 2003, the amounts receivable and payable were unsecured, interest free and had repayment terms as specified in the joint venture contracts.
- (iii) Certain other joint ventures were reclassified as jointly controlled entities during the year upon changes of the terms of profit sharing in these entities.

18 Other non-current assets

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Deferred expenditure				
Loan procurement expenses	10,398	19,029	5,358	11,522
Less: accumulated amortisation	(9,470)	(15,514)	(5,358)	(8,934)
	928	3,515	—	2,588
Cash and bank balances, restricted (note 22)	33,903	46,778	—	—
	34,831	50,293	—	2,588

19 Debtors, deposits and other receivables

Debtors, deposits and other receivables include trade debtors, utility and other deposits, interest and other receivables and prepayment for land cost.

The ageing analysis of trade debtors is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
0 to 30 days	132,027	40,519
31 to 60 days	20,064	6,491
61 to 90 days	39,977	8,656
Over 90 days	40,166	11,353
	232,234	67,019

Sales proceed receivables in respect of sale of properties are settled in accordance with the instalment schedules as stipulated in the sale and purchase agreements. Monthly rental in respect of rental properties are payable in advance by tenants in accordance with the lease agreements.

20 Properties under development

	Group	
	2004 HK\$'000	2003 HK\$'000
Leasehold land, at cost		
Long term	481,217	1,069,047
Medium term	171,228	110,232
Development and incidental costs	1,586,658	1,536,587
Interest capitalised	118,271	44,869
	2,357,374	2,760,735
Less: provision	(240,567)	(204,500)
	2,116,807	2,556,235

The aggregate carrying value of properties under development pledged as securities for long term loans amounts to HK\$285,600,000 (2003: HK\$808,478,000).

21 Completed properties held for sale

The aggregate carrying value of completed properties held for sale that were carried at net realisable values amounts to HK\$363,360,000 (2003: HK\$62,677,000).

The aggregate carrying value of completed properties held for sale pledged as securities for short term loans amounts to HK\$657,517,000 (2003: HK\$116,642,000).

22 Cash and bank balances

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Restricted balances	74,128	427,635	—	—
Unrestricted balances	817,166	902,570	175,876	159,411
Cash and bank balances	891,294	1,330,205	175,876	159,411
Restricted balances included in other non-current assets (note 18)	(33,903)	(46,778)	—	—
	857,391	1,283,427	175,876	159,411

The restricted balances have been pledged as securities for certain short term loans and long term loans.

23 Creditors and accruals

Creditors and accruals include trade creditors, retention payable of construction costs, other payables and various accruals. The ageing analysis of trade creditors is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
0 to 30 days	509,895	81,367
31 to 60 days	20,053	1,413
61 to 90 days	33,530	6
Over 90 days	293,078	305,254
	856,556	388,040

24 Amounts due from/to fellow subsidiaries

The amounts due from fellow subsidiaries are unsecured, interest free and repayable within 30 days.

The amounts due to fellow subsidiaries are unsecured, interest free and have no specific repayment terms.

25 Taxes payable

	Group	
	2004 HK\$'000	2003 HK\$'000
Income tax payable	7,122	9,639
Withholding tax payable	76,401	88,271
Other PRC taxes payable	14,023	8,389
	97,546	106,299

26 Share capital

	2004 HK\$'000	2003 HK\$'000
Authorised: 8,000,000,000 shares of HK\$0.1 each	800,000	800,000
Issued and fully paid: 1,488,862,294 shares of HK\$0.1 each (2003: 1,481,944,294 shares of HK\$0.1 each)	148,886	148,194

Details of the movement in the issued share capital of the Company are summarised as follows:

	Number of shares of HK\$0.1 each	HK\$'000
At 30th June 2002	1,481,901,894	148,190
Exercise of share options	42,400	4
At 30th June 2003	1,481,944,294	148,194
Exercise of share options (note)	6,918,000	692
At 30th June 2004	1,488,862,294	148,886

Note: Pursuant to the share option schemes adopted on 18th December 2000 and 26th November 2002, the Company may grant options to executive directors and employees of the Company to subscribe for shares in the Company. The movements in the number of share options granted during the year and the balance outstanding at 30th June 2004 are as follows:

Date of offer to grant	Exercise price per share HK\$	Number of shares				At 30th June 2004
		At 1st July 2003	Granted during the year	Exercised during the year	Lapsed during the year	
5th February 2001	1.955	44,873,600	—	(5,462,400)	(1,972,800)	37,438,400
2nd May 2001	2.605	458,400	—	(56,400)	—	402,000
29th June 2001	3.192	2,328,000	—	—	(230,800)	2,097,200
31st August 2001	2.380	2,130,000	—	(339,200)	(1,200,800)	590,000
26th March 2002	2.265	1,543,200	—	(128,000)	(554,000)	861,200
3rd January 2003	1.330	1,344,000	—	(472,400)	(194,800)	676,800
12th May 2003	1.000	2,214,400	—	(431,600)	(238,800)	1,544,000
28th October 2003	1.810	—	265,600	(28,000)	—	237,600
31st January 2004	1.830	—	1,300,000	—	—	1,300,000
30th April 2004	2.470	—	976,000	—	—	976,000
		54,891,600	2,541,600	(6,918,000)	(4,392,000)	46,123,200

Note: Except for the share options with exercise price per share of HK\$1.830 which are divided into 2 tranches and exercisable within a period of 2 years commencing on the expiry of one month after the dates on which the options were accepted, all the share options are divided into 5 tranches and exercisable within a period of 5 years commencing on the expiry of one month after the dates on which the options were accepted.

27 Reserves

Group	Contributed	Share	Investment	Hotel	Exchange	Retained	Total
	surplus	premium	properties	properties	reserve	profit/ loss	
	HK\$'000	HK\$'000	revaluation reserve HK\$'000	revaluation reserve HK\$'000	reserve HK\$'000	(accumulated loss) HK\$'000	HK\$'000
As at 30th June 2002, as previously reported	14,751,973	1,282,308	516,996	6,912	19,437	1,155,684	17,733,310
Change in accounting policy in respect of deferred taxation	—	—	(151,305)	—	—	(19,427)	(170,732)
As at 30th June 2002, as restated	14,751,973	1,282,308	365,691	6,912	19,437	1,136,257	17,562,578
Loss for the year, as restated	—	—	—	—	—	(1,705,562)	(1,705,562)
2002 final dividend paid	(29,639)	—	—	—	—	—	(29,639)
Premium on issue of shares	—	78	—	—	—	—	78
Release of reserve upon disposal of							
A subsidiary	—	—	—	—	(6,438)	—	(6,438)
A jointly controlled entity	—	—	—	—	(337)	—	(337)
Revaluation surplus/(deficit)							
Company and subsidiaries	—	—	8,381	—	—	—	8,381
Associated companies	—	—	17,393	—	—	—	17,393
Jointly controlled entities	—	—	15,173	(6,912)	—	—	8,261
Translation differences	—	—	—	—	(228)	—	(228)
As at 30th June 2003	14,722,334	1,282,386	406,638	—	12,434	(569,305)	15,854,487
Retained by:							
Company and subsidiaries	14,722,334	1,282,386	71,040	—	1,859	428,072	16,505,691
Associated companies	—	—	167,242	—	4,395	(157,456)	14,181
Jointly controlled entities	—	—	168,356	—	6,180	(839,921)	(665,385)
	14,722,334	1,282,386	406,638	—	12,434	(569,305)	15,854,487
As at 30th June 2003, as previously reported	14,722,334	1,282,386	581,159	—	12,434	(555,344)	16,042,969
Change in accounting policy in respect of deferred taxation	—	—	(174,521)	—	—	(13,961)	(188,482)
As at 30th June 2003, as restated	14,722,334	1,282,386	406,638	—	12,434	(569,305)	15,854,487
Profit for the year	—	—	—	—	—	127,346	127,346
Premium on issue of shares	—	12,343	—	—	—	—	12,343
Release of reserves upon disposal of properties	—	—	—	—	—	8,229	8,229
Revaluation surplus/(deficit)							
Company and subsidiaries	—	—	63,798	—	—	—	63,798
Associated companies	—	—	(11,016)	—	—	—	(11,016)
Jointly controlled entities	—	—	163,536	—	—	—	163,536
Translation differences	—	—	—	—	1,613	—	1,613
As at 30th June 2004	14,722,334	1,294,729	622,956	—	14,047	(433,730)	16,220,336
Retained by:							
Company and subsidiaries	14,722,334	1,294,729	134,837	—	5,480	517,924	16,675,304
Associated companies	—	—	156,227	—	4,395	(134,532)	26,090
Jointly controlled entities	—	—	331,892	—	4,172	(817,122)	(481,058)
	14,722,334	1,294,729	622,956	—	14,047	(433,730)	16,220,336

Company

	Contributed surplus HK\$'000 (note (i))	Share premium HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
As at 30th June 2002	14,772,134	1,282,308	(217,491)	15,836,951
2002 final dividend paid	(29,639)	—	—	(29,639)
Premium on issue of new shares	—	78	—	78
Loss for the year	—	—	(958,242)	(958,242)
As at 30th June 2003	14,742,495	1,282,386	(1,175,733)	14,849,148
Premium on issue of new shares	—	12,343	—	12,343
Loss for the year	—	—	(385,642)	(385,642)
As at 30th June 2004	14,742,495	1,294,729	(1,561,375)	14,475,849

Notes:

- (i) The contributed surplus of the Company represents the excess of the consolidated net asset value of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange thereof as a result of a reorganisation took place in 1999.
- (ii) Under the Companies Law in the Cayman Islands, the contributed surplus and share premium are both distributable. Accordingly, distributable reserves of the Company amount to HK\$14,475,849,000 as at 30th June 2004 (2003: HK\$14,849,148,000).

28 Bank and other borrowings

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank loans (note (i))				
Secured	1,246,807	1,450,254	—	—
Unsecured	871,009	1,471,553	—	500,000
Loans from fellow subsidiaries (note (ii))	3,249,909	2,484,165	—	—
	5,367,725	5,405,972	—	500,000
Current portion included in current liabilities	(1,731,562)	(1,418,479)	—	(500,000)
	3,636,163	3,987,493	—	—

Notes:

- (i) The bank loans are repayable as follows:

	Group					
	Secured		Unsecured		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	620,040	410,691	455,122	816,776	1,075,162	1,227,467
Between one and two years	186,221	710,903	144,860	421,132	331,081	1,132,035
Between two and five years	253,630	116,822	168,223	233,645	421,853	350,467
After five years	186,916	211,838	102,804	—	289,720	211,838
	1,246,807	1,450,254	871,009	1,471,553	2,117,816	2,921,807

Included in the total bank loan balance is an amount of HK\$311,526,000 (2003: HK\$336,449,000) which is wholly repayable by instalments up to December 2016 and has been on-lent to an associated company (note 15(i)).

28 Bank and other borrowings (continued)

(ii) The loans from fellow subsidiaries are repayable as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Within one year	656,400	191,012
Between one and two years	2,164,952	768,858
Between two and five years	428,557	1,524,295
	3,249,909	2,484,165

The loans from fellow subsidiaries are unsecured and bear interest ranging from three months HIBOR to 1% above London Interbank Offered Rate ("LIBOR") (2003: three months HIBOR to 0.5% above LIBOR) per annum.

29 Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences using the rate of taxation prevailing in the PRC in which the Group operates.

The movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

Group

Deferred tax assets/(liabilities)

	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Recognition of income from sale of properties HK\$'000	Tax losses HK\$'000	Provisions HK\$'000	Total HK\$'000
At 30th June 2002	(47,025)	(62,721)	(2,058)	39,538	—	(72,266)
(Charged)/credited to profit and loss account	(19,736)	—	(3,146)	3,466	19,072	(344)
Charged to investment properties revaluation reserve	—	(35,266)	—	—	—	(35,266)
Acquisition of interests in subsidiaries	—	—	711	—	—	711
At 30th June 2003	(66,761)	(97,987)	(4,493)	43,004	19,072	(107,165)
(Charged)/credited to profit and loss account	(31,117)	—	(34,249)	43,287	(11,062)	(33,141)
Credited to investment properties revaluation reserve	—	395	—	—	—	395
At 30th June 2004	(97,878)	(97,592)	(38,742)	86,291	8,010	(139,911)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of HK\$472,014,000 (2003: HK\$291,555,000) to carry forward against future taxable income. These tax losses will expire at various dates up to 2009.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes related to the same legal entity. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group	
	2004 HK\$'000	2003 HK\$'000
Deferred tax assets	—	2,932
Deferred tax liabilities	(139,911)	(110,097)
	(139,911)	(107,165)

30 Minority interests and loans from minority shareholders

	Group	
	2004 HK\$'000	2003 HK\$'000 (As restated)
Minority interests	(1,141)	(15,719)
Loans from minority shareholders (note)	410,321	396,013
	409,180	380,294

Note: Except for loans of HK\$126,492,000 (2003: HK\$39,376,000) which are unsecured, bear interest at 5% to 5.76% (2003: 7.48%) per annum and have repayment terms as specified in the joint venture contracts, the remaining balances are unsecured, interest free and have no specific repayment terms.

31 Contingent liabilities

Group

The Group has contingent liabilities of approximately HK\$2,598,081,000 (2003: HK\$2,068,623,000) relating to corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities. As at 30th June 2004, the Group's attributable portion of the outstanding amount under these bank loan facilities granted to the associated companies and jointly controlled entities was approximately HK\$1,811,365,000 (2003: HK\$1,464,162,000).

Company

The Company has contingent liabilities relating to corporate guarantees given in respect of bank loan facilities extended to certain subsidiaries, associated companies and jointly controlled entities of approximately HK\$1,705,242,000 (2003: HK\$2,003,693,000), HK\$231,505,000 (2003: HK\$196,452,000), HK\$2,366,576,000 (2003: HK\$1,872,171,000) respectively.

32 Commitments

(i) Capital expenditure commitments

(a) The capital expenditure commitments of the Group are as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Contracted but not provided for		
Fixed assets	161,420	388,557
Investments in associated companies	12,214	—
	173,634	388,557

(b) The Group did not have any share of capital commitments of the jointly controlled entities (2003: Nil).

32 Commitments (continued)

(ii) Lease commitments

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
As at 30th June 2004, future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:				
The first year	37,375	37,722	4,916	4,916
The second to fifth years	130,107	134,636	—	4,916
After five years	408,329	440,909	—	—
	575,811	613,267	4,916	9,832

(iii) Other commitments

As at 30th June 2004, the Group had issued performance guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by certain subsidiaries and jointly controlled entities of the Group and the outstanding mortgage loans under these guarantees amounted to HK\$889,533,000 (2003: HK\$382,347,000). Pursuant to the terms of the performance guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

33 Notes to consolidated cash flow statement

(a) Reconciliation of operating profit/(loss) before financing to net cash generated from/(used in) operations

	2004 HK\$'000	2003 HK\$'000
Operating profit/(loss) before financing	152,635	(1,244,863)
Finance costs	(74,701)	(90,058)
Interest income	(78,332)	(24,917)
Interest expense	74,701	90,058
Depreciation	51,038	50,992
Amortisation of deferred expenditure	5,773	9,634
Loss on disposal of fixed assets	1,347	1,144
Provision for investments in/amounts due by jointly controlled entities	5,614	134,695
Net gain on disposal and partial disposal of subsidiaries	—	(109,127)
Provision for diminution in value of properties under development and completed properties	47,317	217,638
Provision for an amount due by an associated company	2,246	16,806
(Reversal of)/impairment loss of fixed assets	(205,120)	295,044
(Write back of)/revaluation deficit of a hotel property	(3,672)	178,315
Provision against other investments	94,793	281,021
Net (profit)/loss on disposal of jointly controlled entities	(3,636)	21,266
Exchange differences	1,614	(91)
Operating profit/(loss) before working capital changes	71,617	(172,443)
Decrease/(increase) in properties held for/under development	389,375	(939,180)
(Increase)/decrease in debtors, deposits and other receivables	(523,575)	91,839
Increase/(decrease) in balances with fellow subsidiaries	255,433	(2,996)
(Decrease)/increase in deposits received on sale of properties	(160,284)	214,346
Increase in creditors and accruals	618,446	172,246
Net cash generated from/(used in) operations	651,012	(636,188)

(b) Acquisition of interests in subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets acquired		
Fixed assets	1,794	651,200
Deferred tax assets	—	711
Debtors, deposits and other receivables	10,412	72,407
Properties under development	35,888	107,706
Cash and bank balances	10,838	15,608
Bank loans	—	(79,076)
Creditors and accruals	(12,216)	(21,117)
Balances with fellow subsidiaries	1,701	(43,934)
Minority interests	—	(619)
Taxation	—	(450)
Interest originally held by the Group as jointly controlled entities	(48,417)	(540,599)
Consideration satisfied by cash	—	161,837

33 Notes to consolidated cash flow statement (continued)

(c) Analysis of net inflow/(outflow) of cash and cash equivalents in respect of acquisition of subsidiaries

	2004 HK\$'000	2003 HK\$'000
Cash consideration	—	(161,837)
Cash and bank balances acquired	10,838	15,608
Net inflow/(outflow) of cash and cash equivalents in respect of acquisition of subsidiaries	10,838	(146,229)

(d) Disposal of interest in subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets disposed		
Debtors, deposits and other receivables	—	7,986
Investment in associated companies	—	289,405
Net gain on disposal of interests in subsidiaries	—	297,391
Consideration satisfied by cash	—	350,162

(e) Analysis of changes in financing during the year

	Share capital, share premium and contributed surplus HK\$'000	Short term bank loans HK\$'000	Bank and other borrowings HK\$'000	Restricted cash and bank balances HK\$'000	Minority interests and loans from minority shareholders HK\$'000
Balance at 30th June 2002	16,182,471	679,439	4,788,530	(603,114)	452,721
Net cash (outflow)/inflow from financing	(29,557)	366,560	496,556	175,479	29,752
Minority interests' share of loss and reserves	—	—	—	—	(138,593)
Acquisition of subsidiaries	—	—	79,076	—	—
Acquisition of additional interests in subsidiaries	—	—	—	—	3,013
Disposal of partial interests in subsidiaries	—	—	—	—	28,923
Accrual of interest payable	—	—	41,810	—	4,478
Balance at 30th June 2003	16,152,914	1,045,999	5,405,972	(427,635)	380,294
Net cash inflow/(outflow) from financing	13,035	(644,130)	(56,401)	353,507	—
Minority interests' share of profit and reserves	—	—	—	—	26,067
Exchange differences	—	—	(231)	—	—
Accrual of interest payable	—	—	18,385	—	2,819
Balance at 30th June 2004	16,165,949	401,869	5,367,725	(74,128)	409,180

34 Related party transactions

The following is a summary of significant related party transactions during the year carried out by the Group in the normal course of its business:

(i)

	Note	2004 HK\$'000	2003 HK\$'000
Interest on loans from fellow subsidiaries	(a)	20,071	39,831
Rental for leased premises to a fellow subsidiary	(b)	4,896	5,025
Rental for leased premises to an associated company	(b)	28,972	28,972
Property agency fee to a fellow subsidiary	(c)	6,071	—
Interest income from jointly controlled entities	(d)	(65,665)	(21,579)
Estate management fee income from a fellow subsidiary and jointly controlled entities	(e)	(3,701)	(9,587)
Rental income from fellow subsidiaries	(f)	(51,013)	(24,569)
Rental income from an associated company	(f)	(5,607)	(5,607)

Notes:

- (a) Interest is charged at rates as specified in note 28(ii) on the outstanding balances due to certain fellow subsidiaries.
- (b) The rental is charged at fixed monthly/annual fees in accordance with the terms of the tenancy agreements.
- (c) The property agency fee is charged by the fellow subsidiary in accordance with the terms of the property agency agreement.
- (d) This represents interest income in respect of loan financing provided to jointly controlled entities. These loans are unsecured and carry interest at rates as specified in note 16.
- (e) The estate management fees are charged at fixed amounts to a fellow subsidiary and certain jointly controlled entities as specified in the management contracts.
- (f) The rental income is charged at fixed monthly fees in accordance with the terms of the tenancy agreements.
- (ii) Total fees for the provision of project management, construction and engineering consultancy services in respect of certain of the Group's property development projects and payable to certain fellow subsidiaries amount to HK\$283,614,000 (2003: HK\$401,929,000). Such fees are charged at fixed amounts in accordance with the terms of the respective contracts.
- (iii) A deed of tax indemnity was entered into between NWD and the Group whereby NWD undertakes to indemnify the Group in respect of IT and LAT payable in consequence of the disposal of certain properties (note 9).
- (iv) In October 2004, the Group obtained an unsecured revolving credit facility of HK\$1.4 billion from a fellow subsidiary for a period of 18 months.

35 Significant jointly controlled entities

Set out below is a summary of the financial information of three significant jointly controlled entities whose principal activity is the investment in certain property development projects in Beijing.

(1) Beijing Chong Wen — New World Properties Development Co., Ltd.

(a) Results for the year

	2004	2003
	HK\$'000	HK\$'000
Turnover	451,630	202,342
Profit/(loss) for the year	87,952	(77,610)
Group's share of operating profit/(loss)	61,566	(54,327)

(b) Net assets as at year end

	2004	2003
	HK\$'000	HK\$'000
Fixed assets	1,473,072	1,312,723
Other assets	3,805,338	4,095,050
Current assets	425,907	308,043
Current liabilities	(649,699)	(716,545)
Long term liabilities (other than amounts due to the Group)	(1,220,731)	(1,590,790)
	3,833,887	3,408,481

(2) Beijing Chong Yu Real Estate Development Co., Ltd.

(a) Results for the year

	2004	2003
	HK\$'000	HK\$'000
Turnover	52,452	145,260
Loss for the year	(74,672)	(146,690)
Group's share of operating loss	(52,270)	(102,683)

(b) Net assets as at year end

	2004	2003
	HK\$'000	HK\$'000
Fixed assets	1,771,667	1,575,285
Other assets	695,956	412,296
Current assets	630,644	672,470
Current liabilities	(201,524)	(83,357)
Long term liabilities (other than amounts due to the Group)	(951,119)	(914,313)
	1,945,624	1,662,381

(3) China New World Electronics Ltd.

(a) *Results for the year*

	2004	2003
	HK\$'000	HK\$'000
Turnover	49,729	32,324
Profit for the year	23,900	7,144
Group's share of operating profit	16,730	5,001

(b) *Net assets as at year end*

	2004	2003
	HK\$'000	HK\$'000
Fixed assets	944,180	885,711
Other assets	551,411	691,358
Current assets	113,868	147,691
Current liabilities	(17,181)	(218,201)
Long term liabilities (other than amounts due to the Group)	—	—
	1,592,278	1,506,559

36 Ultimate holding company

The directors of the Company consider New World Development Company Limited, incorporated and listed in Hong Kong, as being the ultimate holding company.

37 Particulars of principal subsidiaries, associated companies and jointly controlled entities

Details of the principal subsidiaries, associated companies and jointly controlled entities which materially affect the results for the year and/or assets of the Group as at 30th June 2004 are set out below:

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
<i>Subsidiaries</i>						
<i>Incorporated and operated in Hong Kong</i>						
Billion Huge (International) Limited	HK\$950,001 950,001 ordinary shares of HK\$1 each	—	—	100%	100%	Investment holding
Billion Park Investment Limited	HK\$1,000,000 1,000,000 ordinary shares of HK\$1 each	—	—	78.6%	78.6%	Investment holding
China Joy International Limited	HK\$2 2 ordinary shares of HK\$1 each	—	—	100%	100%	Investment holding
Lingal Limited	HK\$2,000 1,800 ordinary shares of HK\$1 each 200 non-voting deferred shares of HK\$1 each	—	—	100%	100%	Investment holding
Max Charm Investment Limited	HK\$2 2 ordinary shares of HK\$1 each	—	—	100%	100%	Investment holding
New World Development (China) Limited	HK\$4 2 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	100%	100%	100%	100%	Investment holding

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
Sunny Trend Development Limited	HK\$2 2 ordinary shares of HK\$1 each	—	—	100%	100%	Investment holding
Trend Island Limited	HK\$2 2 ordinary shares of HK\$1 each	—	—	100%	100%	Investment holding
<i>Incorporated in the British Virgin Islands</i>						
Banyan Developments Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Conful Enterprises Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Ever Brisk Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Hinto Developments Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Keep Bright Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Magic Chance Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Radiant Glow Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Sparkling Rainbow Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Sweet Prospects Enterprises Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
True Blue Developments Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding
Twin Glory Investments Limited	US\$1 1 share of US\$1	—	—	100%	100%	Investment holding

37 Particulars of principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
<i>Subsidiaries</i>						
<i>(continued)</i>						
<i>Incorporated and operated in the PRC</i>						
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	—	—	100%	100%	Property development
Dalian New World Plaza International Co., Ltd.	RMB58,000,000	—	—	88%	88%	Property investment and development
Fung Seng Estate Development (Shanghai) Co., Ltd.	US\$10,000,000	—	—	70%	70%	Property development
Guangzhou Xin Hua Chen Real Estate Co., Ltd.	RMB200,000,000	—	—	100%	100%	Property development
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	RMB244,000,000	—	—	100%	100%	Property development
Guangzhou Xin Yi Development Limited	HK\$286,000,000	—	—	90.5%	90.5%	Property development
Nanjing Huawei Real Estate Development Co., Ltd.	US\$12,000,000	—	—	92%	92%	Property development
New World Anderson (Tianjin) Development Co., Ltd.	US\$10,000,000	—	—	100%	100%	Property investment and development
New World Development (Wuhan) Co., Ltd.	US\$12,000,000	—	—	100%	100%	Property investment and development
New World (Shenyang) Property Development Limited	RMB97,720,000	—	—	90%	90%	Property development

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
New World (Shenyang) Property Development No. 2 Limited	RMB97,720,000	—	—	90%	90%	Property development
New World (Shenyang) Property Development No. 3 Limited	RMB164,600,000	—	—	90%	90%	Property development
New World (Shenyang) Property Development No. 4 Limited	RMB97,720,000	—	—	90%	90%	Property development
New World (Shenyang) Property Development No. 5 Limited	RMB99,320,000	—	—	90%	90%	Property development
New World (Shenyang) Property Development No. 6 Limited	RMB97,720,000	—	—	90%	90%	Property development
Shanghai Heyu Properties Co., Ltd.	US\$12,000,000	—	—	64%	64%	Property development
Shanghai Ju Yi Real Estate Development Co., Ltd	RMB350,000,000	—	—	70%	70%	Property development
Shanghai Ramada Plaza Ltd.	US\$42,000,000	—	—	65%	61.75%	Property investment and hotel operation
Shenyang New World Hotel Co., Ltd.	RMB68,000,000	—	—	100%	100%	Hotel operation
Shenzhen Topping Real Estate Development Co., Ltd.	HK\$182,000,000	—	—	90%	90%	Property development

37 Particulars of principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
<i>Subsidiaries</i>						
<i>(continued)</i>						
<i>Incorporated and operated in the PRC</i>						
<i>(continued)</i>						
Wuhan New Eagle Properties Co., Limited	US\$2,830,000	—	—	95%	95%	Property investment
Wuhan Xinhan Development Co., Ltd.	RMB55,000,000	—	—	70%	70%	Property development
Zhuhai New World Housing Development Limited	US\$8,000,000	—	—	100%	—	Property development
<i>Associated companies</i>						
<i>Incorporated and operated in Hong Kong</i>						
Global Perfect Development Limited	HK\$1,000,000 1,000,000 ordinary shares of HK\$1 each	—	—	50%	50%	Investment holding
Sun City Holdings Limited	HK\$8,000,000 8,000,000 ordinary shares of HK\$1 each	—	—	30.6%	30.6%	Investment holding

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
<i>Incorporated in the British Virgin Islands</i>						
Faith Yard Property Limited	US\$2 2 shares of US\$1 each	—	—	50%	50%	Property investment
Fortune Star Worldwide Limited	US\$100 100 shares of US\$1 each	—	—	40%	40%	Investment holding
Grand Make International Limited	US\$100 100 shares of US\$1 each	—	—	45%	45%	Investment holding
<i>Incorporated and operated in the PRC</i>						
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	—	—	44.1%	44.1%	Property investment
<i>Jointly controlled entities</i>						
<i>Incorporated and operated in Hong Kong</i>						
New World Sun City Limited	HK\$1,000 1,000 ordinary shares of HK\$1 each	—	—	—	49.2%	Investment holding
<i>Incorporated in the British Virgin Islands</i>						
Concord Properties Holding (Guangzhou) Limited	US\$10 10 shares of US\$1 each	—	—	40%	40%	Investment holding

37 Particulars of principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
<i>Jointly controlled entities (continued)</i>						
<i>Incorporated and operated in the PRC</i>						
Beijing Chong Wen — New World Properties Development Co., Ltd.	US\$104,100,000	—	—	70%	70%	Property investment and development
Beijing Chong Yu Real Estate Development Co., Ltd.	US\$81,840,000	—	—	70%	70%	Property investment and development
Beijing Xin Kang Real Estate Development Co., Ltd.	US\$12,000,000	—	—	70%	70%	Property development
Beijing Xin Lian Hotel Co., Ltd.	US\$12,000,000	—	—	55%	59%	Hotel operation
China New World Electronics Ltd.	US\$57,200,000	—	—	70%	70%	Property investment and development
Dongguan New World Garden Trade Construction Co., Ltd.	US\$12,000,000	—	—	—	38%	Property development
Dongguan New World Square Trade Construction Co., Ltd.	US\$12,000,000	—	—	—	38%	Property development
Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd.	US\$16,950,000	—	—	34.1%	34.1%	Golf club and resort

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd.	US\$13,880,000	—	—	34.1%	34.1%	Property development
Guangzhou Bosson Real Estate Co., Ltd.	RMB20,003,000	—	—	60%	60%	Property development
Guangzhou Fong Chuen New world Property Development Co., Ltd	RMB330,000,000	—	—	60%	60%	Property development
Guangzhou Fucheng Property Development Co., Ltd	HK\$80,000,000	—	—	60%	60%	Property development
Guangzhou Hemsell Real Estate Development Co., Ltd.	RMB79,597,000	—	—	60%	60%	Property development
Guangzhou Jixian Zhuang New World City Garden Development Limited	US\$24,000,000	—	—	60%	60%	Property development
Huizhou New World Housing Development Limited	RMB80,000,000	—	—	60%	note 2	Property development
Jinan New World Sunshine Development Ltd.	US\$10,000,000	—	—	65%	65%	Property development
Shanghai Trio Property Development Co., Ltd.	US\$54,000,000	—	—	47.5%	47.5%	Property development
Tianjin New World Housing Development Co., Ltd	RMB80,000,000	—	—	60%	note 2	Property development

37 Particulars of principal subsidiaries, associated companies and jointly controlled entities (continued)

Company name	Issued/registered and fully paid up share capital	Attributable interest held (note 1)				Principal activities
		By the Company		By the Group		
		2004	2003	2004	2003	
<i>Jointly controlled entities (continued)</i>						
<i>Incorporated and operated in the PRC (continued)</i>						
Tianjin New World Properties Development Co., Ltd.	US\$12,000,000	—	—	70%	70%	Property development
Wuhan New World Housing Development Limited	RMB96,000,000	—	—	60%	note 2	Property development
Wuhan Wuxin Hotel Co. Ltd.	US\$13,500,000	—	—	60%	60%	Property investment
Zhaoqing New World Property Development Limited	US\$10,000,000	—	—	40%	40%	Property development
Zhuhai New World Housing Development Limited	US\$8,000,000	—	—	—	60%	Property development

Notes:

- (1) Represent equity interest in case of companies incorporated outside the PRC or the percentage of equity interest in case of equity joint ventures or profit sharing ratio in accordance with the joint venture contracts in case of co-operative joint ventures in the PRC.
- (2) In previous years, the Group was entitled to investment income in accordance with the provisions of the joint venture contracts in respect of development of low-cost community housing. These joint ventures were reclassified as jointly controlled entities during the year upon changes of the terms of profit sharing in these entities (note 17).

38 Approval of accounts

The accounts were approved by the board of directors on 15th October 2004.