

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006

## 1. GENERAL

The Company is a public listed limited liability company incorporated in Hong Kong. Its ultimate holding company is Tsim Sha Tsui Properties Limited, a public limited company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is 12th Floor, Tsim Sha Tsui Centre, Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 48.

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

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005 except for HKAS 40 "Investment Property" and HKAS - INT 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" which the Group had early adopted in the financial statements for the year ended 30th June, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of taxation of associates has been changed. The changes in presentation have been applied retrospectively.

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

### **Business Combinations**

In 2005, the Group has applied HKFRS 3 "Business Combinations", which is applicable for business combinations for which agreement date is on or after 1st January, 2005. As there was no goodwill or discount on acquisition arose from those acquisitions for which the agreement date is on or after 1st January, 2005, the application of HKFRS 3 did not have a material impact on the Group for the year ended 30th June, 2005. The impact of the application of HKFRS 3 to the Group for the year ended 30th June, 2006 is summarised below:

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

### **Business Combinations** *(Continued)*

#### Goodwill

In previous years, goodwill arising on acquisitions of associates prior to 1st January, 2005 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously included in interests in associates, the Group eliminated the carrying amount of the related accumulated amortisation of HK\$116,589,852 with a corresponding decrease in the cost of goodwill on 1st July, 2005 (see Note 23). The Group has discontinued amortising such goodwill from 1st July, 2005 onwards and such goodwill, which is included in the cost of the investment of the relevant associate, will not be tested for impairment separately. Instead, the entire carrying amount of the interests in associates is tested for impairment by comparing the Group's share of the present value of the estimated future cash flows expected to be generated by the associates with their corresponding carrying amounts. Any impairment loss identified is recognised and is allocated first to goodwill. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses, if any, after initial recognition and will be tested for impairment at least annually. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated (see Note 3 for the financial impact).

#### Discount on acquisition (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss in the year in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1st January, 2005 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on 1st July, 2005 of HK\$84,618,548 previously presented as a deduction from interests in associates. A corresponding adjustment to the Group's retained profits of HK\$84,618,548 has been made (see Note 3 for the financial impact).

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

### **Financial Instruments**

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

#### Convertible bonds

The principal impact of HKAS 32 on the Group is in relation to convertible bonds issued by the Group that contain both liability and equity components. Previously, convertible bonds were classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent years, the liability component is carried at amortised cost using the effective interest method. HKAS 39 requires derivatives embedded in a non-derivative host contract to be accounted for separately when the economic risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. The Group has applied HKAS 32 on the convertible bonds in respect of the liability and equity components retrospectively and HKAS 39 on the embedded derivatives regarding the convertible bonds prospectively.

As a result of the adoption of HKAS 32 in relation to the convertible bonds, the interest charge on the convertible bonds, calculated based on the effective interest method, in respect of the year ended 30th June, 2006 increased by HK\$41,843,133 (2005: HK\$23,789,202). The deferred taxation arising from the convertible bonds of HK\$38,746,870 has been credited to the equity component of convertible bonds. Comparative figures for 2005 have been restated (see Note 3 for the financial impact). The adoption of HKAS 39 in relation to the embedded derivative on the convertible bonds has had no material impact on the financial position of the Group as at 1st July, 2005.

The principal impact of HKAS 32 on the Company is in relation to convertible bonds issued by a wholly-owned subsidiary of the Company that contain both liability and equity components. As a result of the adoption of HKAS 32, the Company recognises the equity component of HK\$182,663,817, net of deferred taxation of HK\$38,746,870, on the initial recognition through the current account with the subsidiary. The Company has applied HKAS 32 on the convertible bonds in respect of equity component retrospectively. Comparative figures for 2005 have been restated (see Note 3 for the financial impact).

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

### **Financial Instruments** *(Continued)*

#### Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 30th June, 2005, the Group classified and measured its investments in equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for Investments in Securities" issued by the HKICPA. Under SSAP 24, investments in equity securities were classified as "trading securities" or "non-trading securities" as appropriate. Both "trading securities" and "non-trading securities" were measured at fair value. Unrealised gains or losses of "trading securities" were reported in profit or loss for the period in which gains or losses arose. Unrealised gains or losses of "non-trading securities" were reported in equity until the securities were sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity was included in the profit or loss for that period. From 1st July, 2005 onwards, the Group has classified and measured its investments in equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets" or "loans and receivables". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition. "Loans and receivables" are measured at amortised cost using the effective interest method after initial recognition.

On 1st July, 2005, the Company and the Group classified and measured its investments in equity securities in accordance with the transitional provisions of HKAS 39. Non-trading securities and club debenture classified under non-current asset and trading securities classified under current assets at 30th June, 2005 have been reclassified to "available-for-sale investments" and "trading securities", respectively. The reclassifications in accordance with the transitional provisions of HKAS 39 has had no material effect on the Company's and the Group's retained profits. Accordingly, no adjustment has been required.

#### Financial assets and financial liabilities other than equity securities

From 1st July, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets" or "loans and receivables". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". "Financial liabilities at fair value through profit or loss" are measured at fair value, with changes in fair value being recognised in profit or loss directly. "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

### **Financial Instruments** *(Continued)*

#### *Financial assets and financial liabilities other than equity securities (Continued)*

Prior to the application of HKAS 39, non-current interest-free advances to the associates and advances from associates were stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such interest-free advances are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Group has applied the relevant transitional provisions in HKAS 39. As a result of this change in the accounting policy, the carrying amount of the advances to associates and advances from associates as at 1st July, 2005 have been decreased by HK\$69,506,421 and HK\$26,738,264, respectively in order to state the advances at amortised cost in accordance with HKAS 39. The Group's interest in associates as at 1st July, 2005 has been increased by HK\$42,768,157. The adoption of HKAS 39 has had no other material effects on the Group's retained profits (see Note 3 for the financial impact).

### **Hotel Properties**

In previous years, hotel properties of the Group and its associate were stated at cost and no depreciation was provided on the hotel properties held on leases of more than twenty years. It was the Group's practice to maintain its hotel properties on a continual state of sound repairs and maintenance. In current year, the Group and its associate have applied HKAS 16 "Property, plant and equipment". Under HKAS 16, the depreciable amount of the property, plant and equipment shall be allocated on a systematic basis over their useful lives. In addition, the residual values and the useful lives of property, plant and equipment shall be reviewed at least at each financial year-end.

Upon application of HKAS 16, the Group and its associate reviewed the residual values and useful lives of their hotel properties, depreciation is provided on hotel properties and these changes are accounted for in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (see Note 3 for the financial impact).

### **Owner-occupied Leasehold Interest in Land**

In previous years, owner-occupied leasehold land and buildings were included in hotel properties and measured using the cost model. In the current year, the Group and its associate have applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and building elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact).

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

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

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

	Effect of adopting	2006 HK\$	2005 HK\$
Increase (decrease) in share of results of associates			
– Decrease in release of negative goodwill to income statement	HKFRS 3	<b>(5,128,398)</b>	–
– Depreciation expenses for owner-operated hotel property	HKAS 16	<b>(14,891,901)</b>	(15,095,781)
– Decrease in deferred taxation relating to depreciation expenses for owner-operated hotel property	HKAS 16	<b>2,606,083</b>	2,641,761
– Non-amortisation of goodwill	HKFRS 3	<b>12,954,428</b>	–
– Increase in imputed interest expense on non-current interest-free advances from the Group	HKAS 39	<b>(118,976,897)</b>	–
– Increase in imputed interest income on non-current interest-free advances to the Group	HKAS 39	<b>26,738,264</b>	–
Depreciation expenses for owner-operated hotel property	HKAS 16	<b>(8,800,763)</b>	(8,576,926)
Amortisation of prepaid lease payments	HKAS 17	<b>(4,370,279)</b>	(4,259,126)
Increase in effective interest expenses on the liability component of convertible bonds	HKAS 32	<b>(41,843,133)</b>	(23,789,202)
Increase in imputed interest income on non-current interest-free advances to associates	HKAS 39	<b>118,976,897</b>	–
Increase in imputed interest expense on non-current interest-free advances from associates	HKAS 39	<b>(26,738,264)</b>	–
Decrease in profit for the year		<b><u>(59,473,963)</u></b>	<b><u>(49,079,274)</u></b>
Analysis of decrease in profit for the year by line items presented according to their function:			
Decrease in share of results of associates		<b>(399,487,190)</b>	(289,998,370)
Increase in administrative expenses		<b>(13,171,042)</b>	(12,836,052)
Increase in finance costs		<b>(68,581,397)</b>	(23,789,202)
Increase in finance income		<b>118,976,897</b>	–
Decrease in income tax expense		<b>302,788,769</b>	277,544,350
Decrease in profit for the year		<b><u>(59,473,963)</u></b>	<b><u>(49,079,274)</u></b>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

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

The cumulative effects of the application of the new HKFRSs as at 30th June 2005 and 1st July, 2005 are summarised below:

### THE GROUP

	As at 30th June, 2005		Effect of		Effect of		Effect of		As at 30th June, 2005		Effect of		Effect of		As at 1st July, 2005	
	(originally stated)	Reclassification	HKAS 1	HKAS 16 & 17	HKAS 32	(as restated)	HKAS 39	HKFRS 3	(as restated)							
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Balance sheet items</b>																
Hotel property	1,179,346,094	-	-	(415,774,870)	-	763,571,224	-	-	-	763,571,224						
Prepaid lease payments	-	-	-	361,325,664	-	361,325,664	-	-	-	361,325,664						
Interests in associates	10,862,541,981	(7,144,920,210)	-	(105,859,166)	-	3,611,762,605	42,768,157	84,618,548	3,739,149,310							
Investments in securities	2,116,085,953	-	-	-	-	2,116,085,953	(2,116,085,953)	-	-							
Available-for-sale investments	-	-	-	-	-	-	1,541,360,100	-	1,541,360,100							
Advances to associates	-	7,144,920,210	-	-	-	7,144,920,210	(69,506,421)	-	7,075,413,789							
Other non-current asset	300,000	-	-	-	-	300,000	(300,000)	-	-							
Trading securities	-	-	-	-	-	-	575,025,853	-	575,025,853							
Convertible bonds	-	-	-	-	(2,258,927,488)	(2,258,927,488)	-	-	(2,258,927,488)							
Long term bank borrowings																
- due after one year	(10,096,297,482)	-	-	-	2,456,548,973	(7,639,748,509)	-	-	(7,639,748,509)							
Advances from minority shareholders	(368,892,334)	(13,421,105)	-	-	-	(382,313,439)	-	-	(382,313,439)							
Deferred taxation	(1,666,269,332)	-	-	-	(38,746,870)	(1,705,016,202)	-	-	(1,705,016,202)							
Advances from associates	(1,877,508,835)	-	-	-	-	(1,877,508,835)	26,738,264	-	(1,850,770,571)							
Other assets and liabilities	34,519,890,940	-	-	-	-	34,519,890,940	-	-	34,519,890,940							
	<u>34,669,196,985</u>	<u>(13,421,105)</u>	<u>-</u>	<u>(160,308,372)</u>	<u>158,874,615</u>	<u>34,654,342,123</u>	<u>-</u>	<u>84,618,548</u>	<u>34,738,960,671</u>							
Retained profits	(18,825,897,063)	-	-	160,308,372	23,789,202	(18,641,799,489)	-	(84,618,548)	(18,726,418,037)							
Capital reserve - equity component of convertible bonds	-	-	-	-	(182,663,817)	(182,663,817)	-	-	(182,663,817)							
Minority interests	-	13,421,105	(40,657,133)	-	-	(27,236,028)	-	-	(27,236,028)							
Capital and other reserves	(15,802,642,789)	-	-	-	-	(15,802,642,789)	-	-	(15,802,642,789)							
Total equity	(34,628,539,852)	13,421,105	(40,657,133)	160,308,372	(158,874,615)	(34,654,342,123)	-	(84,618,548)	(34,738,960,671)							
Minority interests	(40,657,133)	-	40,657,133	-	-	-	-	-	-							
	<u>(34,669,196,985)</u>	<u>13,421,105</u>	<u>-</u>	<u>160,308,372</u>	<u>(158,874,615)</u>	<u>(34,654,342,123)</u>	<u>-</u>	<u>(84,618,548)</u>	<u>(34,738,960,671)</u>							

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

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

### THE COMPANY

	As at 30th June, 2005 (originally stated) <i>HK\$</i>	Reclassification <i>HK\$</i>	Effect of HKAS 32 <i>HK\$</i>	As at 30th June, 2005 (as restated) <i>HK\$</i>	Effect of HKAS 39 <i>HK\$</i>	As at 1st July, 2005 (as restated) <i>HK\$</i>
<b>Balance sheet items</b>						
Interests in associates	518,581,342	(2,840,000)	-	515,741,342	-	515,741,342
Investments in securities	1,520,992,313	-	-	1,520,992,313	(1,520,992,313)	-
Available-for-sale investments	-	-	-	-	948,538,960	948,538,960
Advances to associates	-	2,840,000	-	2,840,000	-	2,840,000
Other non-current assets	300,000	-	-	300,000	(300,000)	-
Amounts due from subsidiaries	8,702,604,142	-	182,663,817	8,885,267,959	-	8,885,267,959
Trading securities	-	-	-	-	572,753,353	572,753,353
Other assets and liabilities	17,142,925,034	-	-	17,142,925,034	-	17,142,925,034
	<u>27,885,402,831</u>	<u>-</u>	<u>182,663,817</u>	<u>28,068,066,648</u>	<u>-</u>	<u>28,068,066,648</u>
Retained profits	(11,995,515,022)	-	-	(11,995,515,022)	-	(11,995,515,022)
Capital reserve – equity component of convertible bonds	-	-	(182,663,817)	(182,663,817)	-	(182,663,817)
Capital and other reserves	(15,889,887,809)	-	-	(15,889,887,809)	-	(15,889,887,809)
Total equity	<u>(27,885,402,831)</u>	<u>-</u>	<u>(182,663,817)</u>	<u>(28,068,066,648)</u>	<u>-</u>	<u>(28,068,066,648)</u>

The financial effects of the application of the new HKFRSs to the Group's equity at 30th June, 2004 are summarised as follows:

	As at 30th June, 2004 (originally stated) <i>HK\$</i>	Reclassification <i>HK\$</i>	Effects of HKAS 16 & 17 <i>HK\$</i>	As at 30th June, 2004 (as restated) <i>HK\$</i>
Retained profits	14,476,376,002	-	(135,018,300)	14,341,357,702
Capital and other reserves	15,286,442,843	-	-	15,286,442,843
Minority interests	(585,933)	(94,796,404)	-	(95,382,337)
Total effects on equity	<u>29,762,232,912</u>	<u>(94,796,404)</u>	<u>(135,018,300)</u>	<u>29,532,418,208</u>

The application of new HKFRSs has not had material effects to the Company's equity at 30th June, 2004.



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

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

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group, except for HKAS 39 & HKFRS 4 (Amendments) "Financial guarantee contracts" which require all financial guarantee contracts to be initially measured at fair value. The Directors consider that the impact resulting from its amendment cannot be reasonably estimated as at the balance sheet date.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures <sup>2</sup>
HKAS 21 (Amendment)	The effects of changes in foreign exchange rates – Net investment in a foreign operation <sup>2</sup>
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions <sup>2</sup>
HKAS 39 (Amendment)	The fair value option <sup>2</sup>
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts <sup>2</sup>
HKFRS 6	Exploration for and evaluation of mineral resources <sup>2</sup>
HKFRS 7	Financial instruments: disclosures <sup>1</sup>
HKFRS – INT 4	Determining whether an arrangement contains a lease <sup>2</sup>
HKFRS – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds <sup>2</sup>
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment <sup>3</sup>
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 "Financial reporting in hyperinflationary economies" <sup>4</sup>
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>5</sup>
HK(IFRIC) – INT 9	Reassessment of embedded derivatives <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st December, 2005.

<sup>4</sup> Effective for annual periods beginning on or after 1st March, 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>6</sup> Effective for annual periods beginning on or after 1st June, 2006.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 4. PRINCIPAL ACCOUNTING POLICIES

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

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

### **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.

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

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

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

### **Goodwill**

#### *Goodwill arising on acquisitions prior to 1st January, 2005*

Goodwill arising on an acquisition of an associate for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant associate at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of associates prior to 1st January, 2005, the Group has discontinued amortisation from 1st July, 2005 onwards, and such goodwill, which is included in the cost of the investment of the relevant associates, will not be tested for impairment separately (see the accounting policy below).

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Goodwill** *(Continued)*

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

Goodwill arising on an acquisition of an associate for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of an associate is included in the cost of the investment of the relevant associate. The goodwill included in the carrying amount of interests in associates is not separately tested for impairment. Instead, the entire carrying amount of the interests in associates is tested for impairment by comparing the Group's share of the present value of the estimated future cash flows expected to be generated by the associates with their corresponding carrying amounts. Any impairment loss identified is recognised and is allocated first to goodwill.

On subsequent disposal of an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

### **Discount on acquisition (previously known as "negative goodwill")**

A discount on acquisition arising on an acquisition of an associate for which an agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

As explained in Note 3 above, all negative goodwill as at 1st July, 2005 has been derecognised with a corresponding adjustment to the Group's retained profits.

### **Investments in subsidiaries**

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

### **Interests in associates**

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Interests in associates** *(Continued)*

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

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

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

### **Investment properties**

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

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

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

### **Impairment**

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

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Properties under development**

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

### **Stocks of unsold properties**

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

### **Hotel inventories**

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

### **Borrowing costs**

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

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

### **Financial instruments**

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

#### Financial assets

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

#### *Financial assets at fair value through profit or loss*

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### Financial assets *(Continued)*

##### *Loans and receivables*

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

##### *Available-for-sale financial assets*

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

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

#### Financial liabilities and equity

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

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### Financial liabilities and equity *(Continued)*

##### *Financial liabilities*

Financial liabilities including accounts and other payables, amounts due to associates, bank and other loans, convertible bonds and advances from associates and minority shareholders are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

##### *Convertible bonds*

The convertible bonds issued by the Group contain financial liability, equity and embedded derivative components. The equity component represents the embedded call option for the holder to convert the bonds into equity. The embedded derivative component represents the options to redeem the convertible bond prior to their maturity.

#### (a) Application of HKAS 32 on convertible bonds

Upon the application of HKAS 32 by the Group, the convertible bonds are classified separately into the respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component is included in equity as equity component of the convertible bonds.

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

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

#### (b) Application of HKAS 39 on convertible bonds

Upon the application of HKAS 39 by the Group, the embedded derivative component is recognised in the financial statements on a prospective basis at fair value with changes in fair value through profit or loss.

##### *Equity instruments*

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### Derecognition

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

For financial liabilities, they are removed from the Group's balance sheet when they are extinguished (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

#### Embedded derivatives

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

### **Leasing**

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

#### The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

#### The Group as lessee

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



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Revenue recognition

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

- (a) Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:
  - the significant risks and rewards of ownership of the properties are transferred to buyers;
  - neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
  - the amount of revenue can be measured reliably;
  - it is probable that the economic benefits associated with the transaction will flow to the Group; and
  - the costs incurred or to be incurred in respect of the transaction can be measured reliably.
- (b) Income from properties developed for sale is recognised on the execution of a binding sales agreement or when the relevant occupation permit is issued by the respective building authority, whichever is later. Payments received from the purchasers prior to this stage are recorded as deposits received on sales of properties and presented as current liabilities.
- (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 from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- (g) Where properties are sold under deferred terms, the difference between the sales prices with and without such terms is treated as deferred interest income and is released to the income statement on a straight-line basis over the repayment period commencing from the completion of the relevant sales agreements.
- (h) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.
- (i) Hotel income is recognised when services are provided.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Taxation**

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

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

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

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

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

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

### **Foreign currencies**

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

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Foreign currencies *(Continued)*

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

### Retirement benefits costs

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

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY/CRITICAL ACCOUNTING JUDGMENTS

In the process of applying the Group's accounting policies, management makes various estimates and judgments based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty and critical judgments that may significantly affect the amounts recognised in the financial statements are disclosed below:

### Estimated impairment on properties under development

Management reviews the recoverability of the Group's properties under development with reference to its intended use and current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether impairment on properties under development is required, the Group takes into consideration the intended use of the properties, the current market environment, the estimated market value of the properties and/or the present value of future cash flow expected to receive. Impairment is recognised based on the higher of estimated future cash flow and estimated market value. If the market environment/circumstances changes significantly, resulting in a decrease in the recoverable amount of these properties interest, additional impairment loss may be required.

### Allowance for stocks of unsold properties

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY/CRITICAL ACCOUNTING JUDGMENTS *(Continued)*

### **Income taxes**

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

The Directors are of the opinion, together with the advice from the Company’s tax advisors, that the outcome of these assessments cannot presently be estimated with an acceptable degree of certainty and no provision has been made in the financial statements of the associates.

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

### **Pending litigations**

As detailed in Note 44, the Group had pending litigation with Hang Lung Development Company Limited and its subsidiary for the termination of an agreement by the Group in respect of acquisition of a company which owned a property that was to be developed into a hotel.

The Directors are of the opinion, together with the legal advice, that the outcome of the litigation cannot presently be estimated with an acceptable degree of certainty and no provision should be made in the financial statements.

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s major financial instruments include investments in debt and equity securities, advances to associates/investees companies, amounts due from subsidiaries/associates, accounts and other receivables, loans receivable, accounts and other payables, amounts due to associates, borrowings, convertible bonds, bank deposits and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### **Currency risk**

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Credit risk

The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 30th June, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet. Also, the Group is subject to concentration of credit risks as over 60% of the Group's debts are receivables from a number of associates/investee companies. In order to minimise the credit risk and the concentration of credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regards, the Directors of the Company consider that the Group's credit risk is significantly reduced.

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

### Interest rate risk

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

### Price risk

The Group's available-for-sale investments and trading securities are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

## 7. TURNOVER

	2006 HK\$	2005 HK\$
Sales of properties held for sale	6,472,869,330	2,483,157,612
Gross rental income from properties	998,334,843	868,215,942
Building management and service fee income	439,011,988	417,884,427
Hotel operations	321,495,767	278,708,249
Interest income from loans receivables	16,511,849	24,154,396
Sales of investment properties	2,285,000	15,717,000
Sales of listed investments	417,186	–
Dividend income		
listed investments	66,568,871	53,453,837
unlisted investments	10,838,718	9,450,339
	<u>8,328,333,552</u>	<u>4,150,741,802</u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

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

### CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2006

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$
<b>REVENUE</b>							
Turnover							
Property rental	998,334,843	-	-	-	-	-	998,334,843
Property sales	6,475,154,330	-	-	-	-	-	6,475,154,330
Hotel operations	-	-	-	321,495,767	-	-	321,495,767
Management services	67,013,448	-	-	-	371,998,540	-	439,011,988
Share investment and dealing	-	77,824,775	-	-	-	-	77,824,775
Financing	-	-	16,511,849	-	-	-	16,511,849
	<u>7,540,502,621</u>	<u>77,824,775</u>	<u>16,511,849</u>	<u>321,495,767</u>	<u>371,998,540</u>	-	<u>8,328,333,552</u>
Other income	17,424,413	7,569,073	2,223,332	256,894	36,727,626	-	64,201,338
Inter-segment sales*	-	-	-	-	22,266,605	(22,266,605)	-
Total revenue	<u>7,557,927,034</u>	<u>85,393,848</u>	<u>18,735,181</u>	<u>321,752,661</u>	<u>430,992,771</u>	<u>(22,266,605)</u>	<u>8,392,534,890</u>
<b>SEGMENT RESULT</b>	<u>5,867,088,712</u>	<u>170,436,019</u>	<u>18,735,181</u>	<u>167,604,427</u>	<u>177,341,499</u>	-	<u>6,401,205,838</u>
Unallocated corporate expenses							(456,310,491)
Net finance costs							(201,003,346)
Share of results of associates	1,255,941,400	(43,338)	911,632	34,699,018	(21,420,923)	-	1,270,087,789
Profit before taxation							7,013,979,790
Income tax expense							(963,377,068)
Profit for the year							<u>6,050,602,722</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, 2006

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

### Business segments *(Continued)*

#### CONSOLIDATED BALANCE SHEET

At 30th June, 2006

	Property <i>HK\$</i>	Investments in securities <i>HK\$</i>	Financing <i>HK\$</i>	Hotel <i>HK\$</i>	Building management and services <i>HK\$</i>	Consolidated <i>HK\$</i>
<b>ASSETS</b>						
Segment assets	45,247,685,827	4,282,135,182	1,136,527,605	1,710,747,236	654,580,012	53,031,675,862
Interests in associates	4,135,062,783	3,606,890	(2,743,192)	829,881,604	(63,254,354)	4,902,553,731
Advances to associates	7,129,785,386	-	-	-	992,966,169	8,122,751,555
Amounts due from associates	787,548,177	11,398,057	29,231,151	-	70,691,863	898,869,248
Unallocated corporate assets						239,375,867
Consolidated total assets						<u>67,195,226,263</u>
<b>LIABILITIES</b>						
Segment liabilities	2,862,149,088	7,382,656	346,107,595	54,794,130	79,177,304	3,349,610,773
Amounts due to associates	205,400,855	2,929,356	-	-	12,271,759	220,601,970
Advances from associates	1,691,489,929	-	-	236,676,793	-	1,928,166,722
Borrowings						19,115,748,187
Unallocated corporate liabilities						2,795,533,966
Consolidated total liabilities						<u>27,409,661,618</u>

#### OTHER INFORMATION

For the year ended 30th June, 2006

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

### Business segments *(Continued)*

#### CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2005

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$ (as restated)
<b>REVENUE</b>							
Turnover							
Property rental	868,215,942	-	-	-	-	-	868,215,942
Property sales	2,498,874,612	-	-	-	-	-	2,498,874,612
Hotel operations	-	-	-	278,708,249	-	-	278,708,249
Management services	65,498,296	-	-	-	352,386,131	-	417,884,427
Share investment and dealing	-	62,904,176	-	-	-	-	62,904,176
Financing	-	-	24,154,396	-	-	-	24,154,396
	<u>3,432,588,850</u>	<u>62,904,176</u>	<u>24,154,396</u>	<u>278,708,249</u>	<u>352,386,131</u>	<u>-</u>	<u>4,150,741,802</u>
Other income	17,397,278	731,174	961,294	-	25,986,667	-	45,076,413
Inter-segment sales*	-	-	-	-	20,943,171	(20,943,171)	-
	<u>3,449,986,128</u>	<u>63,635,350</u>	<u>25,115,690</u>	<u>278,708,249</u>	<u>399,315,969</u>	<u>(20,943,171)</u>	<u>4,195,818,215</u>
<b>Total revenue</b>	<b><u>3,449,986,128</u></b>	<b><u>63,635,350</u></b>	<b><u>25,115,690</u></b>	<b><u>278,708,249</u></b>	<b><u>399,315,969</u></b>	<b><u>(20,943,171)</u></b>	<b><u>4,195,818,215</u></b>
<b>SEGMENT RESULT</b>	<b><u>3,573,192,778</u></b>	<b><u>306,119,309</u></b>	<b><u>25,115,690</u></b>	<b><u>140,184,789</u></b>	<b><u>143,250,154</u></b>	<b><u>-</u></b>	<b><u>4,187,862,720</u></b>
Unallocated corporate expenses							(396,134,413)
Net finance costs							(101,637,894)
Share of results of associates	2,116,624,639	(23,340)	426,363	28,728,251	1,052,415	-	2,146,808,328
Profit on disposal of a subsidiary	57,000,000	-	-	-	-	-	57,000,000
Profit before taxation							5,893,898,741
Income tax expense							(429,778,278)
Profit for the year							<u>5,464,120,463</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, 2006

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

### Business segments *(Continued)*

#### CONSOLIDATED BALANCE SHEET

At 30th June, 2005

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$ (as restated)
<b>ASSETS</b>						
Segment assets	32,007,064,003	2,180,454,921	1,472,716,847	1,600,260,990	1,458,164,290	38,718,661,051
Interests in associates	2,945,684,303	1,150,227	(3,654,521)	710,564,041	(41,981,445)	3,611,762,605
Advances to associates	6,096,128,534	–	–	–	1,048,791,676	7,144,920,210
Amounts due from associates	1,283,200,495	13,920,021	55,121,983	–	63,838,468	1,416,080,967
Unallocated corporate assets						225,700,970
Consolidated total assets						<u>51,117,125,803</u>
<b>LIABILITIES</b>						
Segment liabilities	1,487,935,878	2,810,706	278,665,892	57,462,871	47,418,195	1,874,293,542
Amounts due to associates	251,528,752	459,603	300	–	11,832,926	263,821,581
Advances from associates	1,644,891,359	–	–	232,617,476	–	1,877,508,835
Borrowings						10,507,530,778
Unallocated corporate liabilities						1,939,628,944
Consolidated total liabilities						<u>16,462,783,680</u>

#### OTHER INFORMATION

For the year ended 30th June, 2005

	Property HK\$	Investments in securities HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$ (as restated)
Amortisation of goodwill	308,611	–	–	12,645,817	–	12,954,428
Amortisation of prepaid lease payments	–	–	–	4,259,126	–	4,259,126
Capital additions	812,561	–	–	6,002,407	16,552,599	23,367,567
Depreciation	601,668	698,505	–	17,769,216	8,486,474	27,555,863
Investment property additions	172,685,419	–	–	–	–	172,685,419
Release of negative goodwill	–	–	–	5,128,398	–	5,128,398

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

### Geographical segments

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

## 9. FINANCE INCOME

	2006 HK\$	2005 HK\$
Interest income on:		
advances to associates	61,515,841	45,398,751
advances to investee companies	7,036,527	6,808,773
bank deposits	45,766,651	17,460,972
Imputed interest income on non-current interest-free advances to associates	118,976,897	–
	<u>233,295,916</u>	<u>69,668,496</u>

## 10. FINANCE COSTS

	2006 HK\$	2005 HK\$ (as restated)
Interest and other finance costs on:		
bank loans and overdrafts wholly repayable within five years	537,980,665	139,951,780
other loans wholly repayable within five years	20,277,186	35,828,529
Effective interest expense on convertible bonds	91,376,659	53,312,219
Imputed interest expense on non-current interest-free advances from associates	26,738,264	–
	<u>676,372,774</u>	<u>229,092,528</u>
Less: Amounts capitalised to properties under development	<u>(242,073,512)</u>	<u>(57,786,138)</u>
	<u>434,299,262</u>	<u>171,306,390</u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 11. SHARE OF RESULTS OF ASSOCIATES

	2006 HK\$	2005 HK\$ (as restated)
Share of results of associates comprises:		
Share of profits of associates	1,572,876,558	2,432,178,708
Share of taxation of associates	(302,788,769)	(277,544,350)
Amortisation of goodwill arising on acquisition of associates	–	(12,954,428)
Release of negative goodwill arising on acquisition of an associate	–	5,128,398
	<u>1,270,087,789</u>	<u>2,146,808,328</u>

Share of profits of associates included an increase in fair value of investment properties of the associates of HK\$349,605,942 (2005: HK\$1,311,145,426) recognised in the income statements of the associates.

## 12. PROFIT BEFORE TAXATION

	2006 HK\$	2005 HK\$ (as restated)
Profit before taxation has been arrived at after charging (crediting):		
Staff costs including Directors' remuneration	569,065,882	469,093,533
Retirement benefits scheme contributions	22,209,758	21,758,893
Total staff costs	<u>591,275,640</u>	<u>490,852,426</u>
Amortisation of prepaid lease payments (included in administrative expenses)	4,370,279	4,259,126
Auditors' remuneration		
– audit services	3,117,924	1,800,176
– non audit services	354,170	765,000
Cost of hotel inventories recognised	32,364,280	29,634,804
Cost of properties sold recognised	2,423,767,927	1,383,923,401
Depreciation	27,005,816	27,555,863
Loss on disposal of property, plant and equipment	241,226	609,209
Net exchange gain	(5,183,639)	(228,163)
Profit on disposal of investment properties	<u>(240,026)</u>	<u>(467,207)</u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 13. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the nine (2005: eleven) directors were as follows:

### 2006

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

### 2005

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

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

*Note ii:* A consultancy fee of HK\$1,666,664 (2005: nil) was paid to Arculli and Associates (July – December 2005) and since 1st January, 2006 to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP is the sole proprietor.

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2005: two) are Executive Directors of the Company whose emoluments are included in Note 13 above. The emoluments of the remaining two (2005: three) individuals disclosed pursuant to the Listing Rules are as follows:

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
Salaries and other emoluments (including basic salaries, housing allowances, other allowances and benefits in kind)	<b>5,747,408</b>	8,605,002
Retirement benefits scheme contributions	–	30,000
Discretionary bonus	<b>501,333</b>	167,365
	<b><u>6,248,741</u></b>	<u>8,802,367</u>

The emoluments were within the following bands:

	<b>Number of individuals</b>	
<i>HK\$</i>	<b>2006</b>	2005
2,500,001 – 3,000,000	–	3
3,000,001 – 3,500,000	<b>2</b>	–
	<b><u>2</u></b>	<u>–</u>

For the years ended 30th June, 2006 and 2005, no emoluments were paid by the Group to these five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no Director waived any emoluments.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 15. INCOME TAX EXPENSE

	<b>2006</b> <b>HK\$</b>	2005 HK\$ (as restated)
The charge comprises:		
Taxation attributable to the Company and its subsidiaries		
Hong Kong Profits Tax		
Provision for the year	<b>771,014,989</b>	187,226,230
Underprovision in previous years	<b>154,500</b>	489,378
	<b>771,169,489</b>	187,715,608
Taxation in other jurisdictions		
Provision for the year	<b>15,015,513</b>	7,715,124
Overprovision in previous year	-	(18,432,357)
	<b>786,185,002</b>	176,998,375
Deferred taxation ( <i>Note 37</i> )	<b>177,192,066</b>	252,779,903
	<b>963,377,068</b>	429,778,278

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year. Taxation in other jurisdictions is provided for in accordance with the respective local requirements.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 15. INCOME TAX EXPENSE *(Continued)*

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

	<b>2006</b> <b>HK\$</b>	2005 <i>HK\$</i> (as restated)
Profit before taxation	<b><u>7,013,979,790</u></b>	<u>5,893,898,741</u>
Tax at Hong Kong Profits Tax rate of 17.5%	<b>1,227,446,463</b>	1,031,432,280
Tax effect of share of results of associates	<b>(222,265,363)</b>	(377,061,013)
Tax effect of expenses not deductible for tax purpose	<b>26,062,818</b>	16,232,659
Tax effect of income not taxable for tax purpose	<b>(43,918,606)</b>	(44,112,329)
Under(over)provision in previous years	<b>154,500</b>	(17,942,979)
Tax effect of tax losses not recognised	<b>75,340,156</b>	83,421,704
Tax effect of deferred tax assets not recognised	<b>167,064,124</b>	3,994,465
Utilisation of tax losses previously not recognised	<b>(107,331,515)</b>	(151,667,160)
Utilisation of deferred tax assets previously not recognised	<b>(162,904,872)</b>	(153,571,257)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b><u>3,729,363</u></b>	<u>39,051,908</u>
Tax charge for the year	<b><u>963,377,068</u></b>	<u>429,778,278</u>

Details of deferred taxation are set out in Note 37.

The IRD initiated tax inquiries for the years of assessment 1995/96 to 1999/2000 on a wholly-owned subsidiary, Sing-Ho Finance Company Limited ("Sing-Ho Finance"). Notices of assessment for additional tax in an aggregate sum of approximately HK\$326,160,000 were issued to Sing-Ho Finance for the years under review and objections were properly lodged with the IRD by Sing-Ho Finance. The IRD agreed to hold over the tax claim subject to the purchase of tax reserve certificates (the "TRC") of approximately HK\$109,940,000 for those years of assessments. These TRC have been purchased by the Group. 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 certainty. Accordingly, no provision for any liabilities from the assessment that may result has been made. The IRD also initiated a tax inquiry for the years of assessment 1998/99 to 2001/02 on another wholly-owned subsidiary, City Empire Limited ("City Empire"). Notices of assessment for additional tax of approximately HK\$263,438,000 were issued to City Empire for the years under review and objections were properly lodged with the IRD by City Empire. The IRD agreed to hold over the tax claim subject to the purchase of TRC of approximately HK\$131,719,000 for those years of assessments. These TRC have been purchased by the Group. Together with the advice from the tax advisors, the Directors believed that City Empire have reasonable ground to contest the assessments issued by the IRD and accordingly, no provision for the assessments has been made.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 16. DIVIDENDS

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
Final dividend paid for the year ended 30th June, 2005: HK11.5 cents (2004: HK7 cents) per share	<b>491,050,421</b>	301,421,608
Interim dividend paid for the year ended 30th June, 2006: HK8.5 cents (2005: HK8.5 cents) per share	<b>365,390,456</b>	368,206,098
	<b><u>856,440,877</u></b>	<b><u>669,627,706</u></b>

During the year, scrip dividends were offered in respect of the 2005 final and 2006 interim dividends. These scrip alternatives were accepted by the majority of shareholders, as follows:

	Interim <i>HK\$</i>	Final <i>HK\$</i>
Dividends:		
Cash	44,007,418	65,785,398
Scrip alternatives	<u>321,383,038</u>	<u>425,265,023</u>
	<b><u>365,390,456</u></b>	<b><u>491,050,421</u></b>

A final dividend of HK30 cents per share for the year ended 30th June, 2006 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, 2006

## 17. EARNINGS PER SHARE

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

	<b>2006</b> <b>HK\$</b>	2005 <i>HK\$</i> (as restated)
Earnings for the purposes of basic earnings per share	<b>6,017,327,254</b>	5,175,950,540
Effect of dilutive potential ordinary shares:		
Reduction of finance costs, net of tax	<b>75,385,744</b>	43,982,581
Earnings for the purposes of diluted earnings per share	<b>6,092,712,998</b>	5,219,933,121
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>4,309,967,680</b>	4,322,903,984
Effect of dilutive potential ordinary shares:		
Convertible bonds	<b>269,398,445</b>	158,146,787
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>4,579,366,125</b>	4,481,050,771

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

	<b>Impact on basic earnings per share</b>		<b>Impact on diluted earnings per share</b>	
	<b>2006</b> <b>HK cents</b>	2005 <i>HK cents</i>	<b>2006</b> <b>HK cents</b>	2005 <i>HK cents</i>
Figures before adjustments	<b>140.99</b>	120.87	<b>133.41</b>	117.04
Adjustments arising from changes in accounting policies (see Note 3)	<b>(1.38)</b>	(1.14)	<b>(0.36)</b>	(0.55)
Adjusted/restated	<b>139.61</b>	119.73	<b>133.05</b>	116.49

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 18. INVESTMENT PROPERTIES

	Investment properties in Hong Kong held under long leases <i>HK\$</i>	Investment properties in Hong Kong held under medium- term leases <i>HK\$</i>	Investment property in Singapore held under a long lease <i>HK\$</i>	Total <i>HK\$</i>
<b>THE GROUP</b>				
<b>FAIR VALUE</b>				
At 1st July, 2004	1,007,000,000	15,486,140,120	382,523,700	16,875,663,820
Exchange realignment	–	–	4,190,741	4,190,741
Acquisition of subsidiaries	–	70,600,000	–	70,600,000
Additions	410,000	100,916,934	758,485	102,085,419
Transfer from properties under development	–	99,384,779	–	99,384,779
Disposals	–	(15,249,793)	–	(15,249,793)
Disposal of a subsidiary	(83,000,000)	–	–	(83,000,000)
Increase (decrease) in fair value	147,590,000	1,726,007,320	(45,091,749)	1,828,505,571
At 1st July, 2005	1,072,000,000	17,467,799,360	342,381,177	18,882,180,537
Exchange realignment	–	–	20,204,292	20,204,292
Additions	333,550,672	61,543,013	9,979,027	405,072,712
Transfer from properties under development	–	160,400,589	–	160,400,589
Disposals	–	(2,044,974)	–	(2,044,974)
Increase in fair value	24,449,328	1,172,554,538	1,023,254	1,198,027,120
<b>At 30th June, 2006</b>	<b><u>1,430,000,000</u></b>	<b><u>18,860,252,526</u></b>	<b><u>373,587,750</u></b>	<b><u>20,663,840,276</u></b>

The fair value of the Group's investment properties at 30th June, 2006 have been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Ltd., independent qualified professional valuers not connected with the Group. Knight Frank Petty Ltd. has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 19. HOTEL PROPERTY

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

### THE GROUP

#### COST

At 1st July, 2004 and 30th June, 2005 – originally stated	1,179,346,094
Effect of changes in accounting policies (see Note 3)	(379,791,295)
	<hr/>
At 1st July, 2004 and 30th June, 2005 – as restated	799,554,799
Exchange realignment	48,982,883
Additions	20,770,775
	<hr/>
<b>At 30th June, 2006</b>	<b>869,308,457</b>

#### DEPRECIATION

At 1st July, 2004 – originally stated	–
Effect of changes in accounting policies (see Note 3)	27,406,649
	<hr/>
At 1st July, 2004 – as restated	27,406,649
Provided for the year	8,576,926
	<hr/>
At 30th June, 2005	35,983,575
Exchange realignment	3,662,889
Provided for the year	8,800,763
	<hr/>
<b>At 30th June, 2006</b>	<b>48,447,227</b>

#### CARRYING VALUES

<b>At 30th June, 2006</b>	<b>820,861,230</b>
	<hr/>
At 30th June, 2005 – as restated	763,571,224
	<hr/>

The hotel properties are depreciated on a straight-line basis over the relevant terms of the lease of 96 years.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2006

## 20. PROPERTY, PLANT AND EQUIPMENT

	Computer system <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Total <i>HK\$</i>
<b>THE GROUP</b>						
<b>COST</b>						
At 1st July, 2004	31,342,566	73,722,026	19,467,507	13,296,150	7,059,970	144,888,219
Additions	5,672,870	6,855,850	7,732,588	2,458,565	647,694	23,367,567
Disposals	(219,376)	(656,223)	(1,487,414)	(2,299,610)	–	(4,662,623)
At 30th June, 2005	36,796,060	79,921,653	25,712,681	13,455,105	7,707,664	163,593,163
Exchange realignment	887,034	5,231,927	–	796,474	–	6,915,435
Additions	4,937,146	8,292,426	2,395,979	249,499	1,108,477	16,983,527
Disposals	(1,239,219)	(1,492,140)	(55,650)	(436,680)	(533,290)	(3,756,979)
<b>At 30th June, 2006</b>	<b>41,381,021</b>	<b>91,953,866</b>	<b>28,053,010</b>	<b>14,064,398</b>	<b>8,282,851</b>	<b>183,735,146</b>
<b>DEPRECIATION</b>						
At 1st July, 2004	22,010,008	28,107,208	17,584,871	8,787,892	5,751,954	82,241,933
Provided for the year	5,819,453	8,501,595	2,479,941	1,286,367	891,581	18,978,937
Eliminated on disposals	(185,959)	(341,746)	(1,116,988)	(1,814,440)	–	(3,459,133)
At 30th June, 2005	27,643,502	36,267,057	18,947,824	8,259,819	6,643,535	97,761,737
Exchange realignment	2,057,411	955,442	–	446,201	–	3,459,054
Provided for the year	4,971,173	9,107,175	1,994,858	1,397,298	734,549	18,205,053
Eliminated on disposals	(1,229,424)	(1,078,245)	(55,650)	(82,481)	(533,290)	(2,979,090)
<b>At 30th June, 2006</b>	<b>33,442,662</b>	<b>45,251,429</b>	<b>20,887,032</b>	<b>10,020,837</b>	<b>6,844,794</b>	<b>116,446,754</b>
<b>CARRYING VALUES</b>						
<b>At 30th June, 2006</b>	<b>7,938,359</b>	<b>46,702,437</b>	<b>7,165,978</b>	<b>4,043,561</b>	<b>1,438,057</b>	<b>67,288,392</b>
At 30th June, 2005	9,152,558	43,654,596	6,764,857	5,195,286	1,064,129	65,831,426

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 21. PREPAID LEASE PAYMENTS

	<b>THE GROUP</b>	
	<b>2006</b>	2005
	<i>HK\$</i>	<i>HK\$</i>
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong – long lease	<b>406,829,456</b>	361,325,664
Analysed for reporting purposes as:		
Current asset	<b>4,495,355</b>	4,295,942
Non-current asset	<b>402,334,101</b>	357,029,722
	<b>406,829,456</b>	361,325,664

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

	<b>THE COMPANY</b>	
	<b>2006</b>	2005
	<i>HK\$</i>	<i>HK\$</i>
Investments in subsidiaries:		
Unlisted shares, at cost, less impairment losses recognised	<b>42,861,795</b>	49,716,776

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

The fair value of the advance to a subsidiary at 30th June, 2006 determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date approximates its carrying amount.

The amounts due from subsidiaries grouped under current assets are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the fair values of the amounts due from subsidiaries at 30th June, 2006 approximate their corresponding carrying amounts.

The carrying amount of the investments in subsidiaries is reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

Particulars of the Company's principal subsidiaries at 30th June, 2006 are set out in Note 48.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

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

	THE COMPANY		THE GROUP	
	2006 HK\$	2005 HK\$ (as restated)	2006 HK\$	2005 HK\$ (as restated)
Interests in associates:				
Unlisted shares, at cost	515,741,342	515,741,342	–	–
Share of net assets	–	–	4,760,055,015	3,553,882,437
Goodwill	–	–	142,498,716	142,498,716
Negative goodwill	–	–	–	(84,618,548)
	<u>515,741,342</u>	<u>515,741,342</u>	<u>4,902,553,731</u>	<u>3,611,762,605</u>

	THE GROUP	
	Goodwill HK\$	Negative goodwill HK\$
<b>GROSS AMOUNTS</b>		
At 1st July, 2004 and at 30th June, 2005	259,088,568	(102,567,940)
Elimination of accumulated amortisation upon application of HKFRS 3	(116,589,852)	–
Derecognised upon the application of HKFRS 3	–	102,567,940
<b>At 30th June, 2006</b>	<u>142,498,716</u>	<u>–</u>
<b>AMORTISATION</b>		
At 1st July, 2004	103,635,424	(12,820,994)
Charged (released) for the year	12,954,428	(5,128,398)
At 30th June, 2005	116,589,852	(17,949,392)
Elimination of accumulated amortisation upon application of HKFRS 3	(116,589,852)	–
Derecognised upon the application of HKFRS 3	–	17,949,392
<b>At 30th June, 2006</b>	<u>–</u>	<u>–</u>
<b>CARRYING VALUES</b>		
<b>At 30th June, 2006</b>	<u>142,498,716</u>	<u>–</u>
At 30th June, 2005	<u>142,498,716</u>	<u>(84,618,548)</u>

Until 30th June, 2005, goodwill and negative goodwill had been amortised over twenty years.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

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

As explained in Note 2, amortisation of goodwill was discontinued from 1st July, 2005 onwards and goodwill will not be tested for impairment separately. Instead, the entire carrying amount of the interests in associates is tested for impairment by comparing the Group's share of the present value of the estimated future cash flows expected to be generated by the associates with their corresponding carrying amounts. No impairment loss has been identified. All negative goodwill previously presented as a deduction from interests in associates was derecognised as a result of the application of HKFRS 3.

The advances to associates of the Company and the Group are unsecured and have no fixed repayment terms. At 30th June, 2006, of the Group's advances to associates of the Group, HK\$1,627,245,600 (2005: HK\$1,828,701,732) bears interest at effective rate determined based on cost-of-funds plus a margin per annum and the remaining balance is interest-free. The advances to associates of the Company are interest-free. In the opinion of the Directors, the Company and the Group will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

In the opinion of the Directors, the fair values of the Company's and the Group's advances to associates at 30th June, 2006, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date, approximate their corresponding carrying amounts.

The amounts due from associates of the Company and the Group grouped under current assets are unsecured and have no fixed repayment terms. At 30th June, 2006, of the amounts due from associates of the Group, HK\$267,953,569 (2005: HK\$246,881,224) bears interest at effective rate determined based on cost-of-funds plus a margin per annum and the remaining balance is interest-free. The amounts due from associates of the Company are interest-free.

The amounts due to associates of the Company and the Group grouped under current liabilities are unsecured and have no fixed repayment terms. At 30th June, 2006, of the amounts due to associates of the Group, HK\$130,993,049 (2005: nil) bears interest at effective rate determined based on cost-of-funds plus a margin per annum and the remaining balance is interest-free. The amounts due to associates of the Company are interest-free.

In the opinion of the Directors, the fair values of the amounts due from associates and amounts due to associates of the Company and the Group at 30th June, 2006 approximate their corresponding carrying amounts.

Particulars of the principal associates at 30th June, 2006 are set out in Note 49.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

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

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

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Total assets	<b>62,185,797,177</b>	53,749,178,985
Total liabilities	<b>(47,097,527,844)</b>	(41,107,205,234)
Net assets	<b><u>15,088,269,333</u></b>	<u>12,641,973,751</u>
Group's share of net assets of associates	<b><u>4,760,055,015</u></b>	<u>3,553,882,437</u>
Turnover	<b><u>6,587,935,534</u></b>	<u>9,888,016,817</u>
Profit for the year	<b><u>5,167,440,174</u></b>	<u>6,914,539,463</u>
Group's share of results of associates for the year	<b><u>1,270,087,789</u></b>	<u>2,154,634,358</u>

The IRD initiated tax inquiries in respect of the deductions on certain loan interest and related expenses for the years of assessment 1994/95 to 2002/03 on a wholly-owned subsidiary, Wide Harvest Investment Limited ("WHI"), of the Group's associate, Million Success Limited ("MSL") and for the years of assessment 1994/95 to 1999/2000 on a wholly-owned subsidiary, Murdoch Investments Inc. ("MII"), of the Group's associate, Erleigh Investment Limited. Notices of assessment for additional tax in the aggregate amounts of approximately HK\$396,088,000 and HK\$71,109,000 were issued to WHI and MII for the years under review, respectively, and objections were properly lodged with the IRD by WHI and MII. The IRD agreed to hold over the tax claim subject to the purchase of TRC of approximately HK\$212,061,000 and HK\$18,212,000, respectively, for those years of assessments. These TRC have been purchased by the Group. The effective share of the additional tax attributable to the Group as at 30th June, 2006 is estimated to be approximately HK\$99,022,000 and HK\$31,999,000, respectively. Together with the advice from their tax advisors, management of WHI and MII confirmed that it is their intention to vigorously contest the relevant assessments issued by the IRD and had submitted information and documents requested by the IRD relating to the loan facilities. In view that the IRD had not yet responded to the replies submitted, management of WHI and MII are of the opinion that the outcome of these assessments/objections cannot presently be estimated with an acceptable degree of certainty at the date these financial statements are approved by the Board. Accordingly, no provision for any liabilities had been made by WHI and MII.

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



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 30th June, 2006 comprise:

	THE COMPANY HK\$	THE GROUP HK\$
Listed investments:		
Equity securities listed in Hong Kong	619,332,845	2,641,232,973
Equity securities listed elsewhere	325,692,695	417,054,295
	<u>945,025,540</u>	<u>3,058,287,268</u>
Unlisted securities:		
Equity securities	19,949,305	30,908,952
Club debenture	300,000	300,000
	<u>20,249,305</u>	<u>31,208,952</u>
Total	<u>965,274,845</u>	<u>3,089,496,220</u>

As at the balance sheet date, all available-for-sale investments are stated at fair value, except for those unlisted equity investments and club debenture of which their fair values cannot be measured reliably. Fair values of those investments have been determined by reference to bid prices quoted in active markets.

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

## 25. TRADING SECURITIES

Trading securities as at 30th June, 2006 comprise:

	THE COMPANY HK\$	THE GROUP HK\$
Listed investments:		
Equity securities listed in Hong Kong	658,744,328	661,268,828
Equity securities listed elsewhere	85,222	85,222
Total	<u>658,829,550</u>	<u>661,354,050</u>

The fair value of the above trading securities are determined based on the quoted market bid prices available on the relevant Stock Exchanges.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 26. INVESTMENTS IN SECURITIES/OTHER NON-CURRENT ASSET

Investment securities as at 30th June, 2005 are set out below. Upon the application of HKAS 39 on 1st July, 2005, investment in securities were reclassified to appropriate categories under HKAS 39 (see Note 3 for details).

### THE COMPANY

	<b>Trading securities</b> <i>HK\$</i>	<b>Other securities</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Equity securities:			
Listed	572,753,353	928,289,655	1,501,043,008
Unlisted	–	19,949,305	19,949,305
	<u>572,753,353</u>	<u>948,238,960</u>	<u>1,520,992,313</u>
Total:			
Listed			
Hong Kong	572,674,360	558,397,286	1,131,071,646
Elsewhere	78,993	369,892,369	369,971,362
Unlisted	–	19,949,305	19,949,305
	<u>572,753,353</u>	<u>948,238,960</u>	<u>1,520,992,313</u>
Market value of listed securities	<u>572,753,353</u>	<u>928,289,655</u>	<u>1,501,043,008</u>
Carrying value analysed for reporting purposes as:			
Current	572,753,353	–	572,753,353
Non-current	–	948,238,960	948,238,960
	<u>572,753,353</u>	<u>948,238,960</u>	<u>1,520,992,313</u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 26. INVESTMENTS IN SECURITIES/OTHER NON-CURRENT ASSET *(Continued)*

### THE GROUP

	Trading securities <i>HK\$</i>	Other securities <i>HK\$</i>	Total <i>HK\$</i>
Equity securities:			
Listed	575,025,853	1,500,534,271	2,075,560,124
Unlisted	–	40,525,829	40,525,829
	<u>575,025,853</u>	<u>1,541,060,100</u>	<u>2,116,085,953</u>
Total:			
Listed			
Hong Kong	574,946,860	1,047,237,349	1,622,184,209
Elsewhere	78,993	453,296,922	453,375,915
Unlisted	–	40,525,829	40,525,829
	<u>575,025,853</u>	<u>1,541,060,100</u>	<u>2,116,085,953</u>
Market value of listed securities	<u>575,025,853</u>	<u>1,500,534,271</u>	<u>2,075,560,124</u>
Carrying value analysed for reporting purposes as:			
Current	575,025,853	–	575,025,853
Non-current	–	1,541,060,100	1,541,060,100
	<u>575,025,853</u>	<u>1,541,060,100</u>	<u>2,116,085,953</u>

Other non-current asset of the Company and the Group at 30th June, 2005 represented club debenture in an amount of HK\$300,000. Upon the application of HKAS 39 on 1st July, 2005, the club debenture was reclassified to appropriate categories under HKAS 39 (see Note 3 for details).

## 27. ADVANCES TO INVESTEE COMPANIES

The advances to investee companies of the Group are unsecured and have no fixed repayment terms. At 30th June, 2006, of the advances, HK\$15,572,781 (2005: HK\$18,097,668) bears interest at effective rate determined based on cost-of-funds plus a margin per annum and the remaining balance is interest-free. In the opinion of the Directors, the Group will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

In the opinion of the Directors, the fair values of the Group's advances to investee companies at 30th June, 2006, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date, approximate their corresponding carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 28. LONG-TERM LOANS RECEIVABLE

	<b>THE GROUP</b>	
	<b>2006</b>	2005
	<b>HK\$</b>	<b>HK\$</b>
Total long-term variable-rate loans receivable	<b>189,918,695</b>	438,797,997
Less: Current portion shown under current assets	<b>(8,474,210)</b>	(21,243,879)
	<b><u>181,444,485</u></b>	<u>417,554,118</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.

Included in the carrying amount of loans receivable at 30th June, 2006 is accumulated impairment loss of HK\$12,699,270 (2005: HK\$20,113,428).

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

	<b>2006</b>	2005
	<b>HK\$</b>	<b>HK\$</b>
Variable-rate loans receivable:		
Within one year	<b>8,474,210</b>	21,243,879
In more than one year but not more than five years	<b>29,742,261</b>	103,517,370
In more than five years	<b>151,702,224</b>	314,036,748
	<b><u>189,918,695</u></b>	<u>438,797,997</u>

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

In the opinion of the Directors, the fair values of the Group's loans receivable at 30th June, 2006, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date, approximate their corresponding carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 29. ACCOUNTS AND OTHER RECEIVABLES

At 30th June, 2006, included in accounts and other receivables of the Group are trade receivables of HK\$5,436,281,700 (2005: HK\$114,463,104). Trade receivables mainly comprise rental receivables which are billed in advance and settlements are expected upon receipts of billings and properties sales proceeds receivable.

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

	<b>THE GROUP</b>	
	<b>2006</b>	2005
	<b>HK\$</b>	<i>HK\$</i>
0 – 30 days	<b>5,386,330,566</b>	69,922,128
31 – 60 days	<b>8,295,315</b>	7,667,044
61 – 90 days	<b>5,225,874</b>	3,966,394
Over 90 days	<b>36,429,945</b>	32,907,538
	<b><u>5,436,281,700</u></b>	<u>114,463,104</u>

Trade receivables over 90 days amounting to HK\$36,429,945 (2005: HK\$32,907,538) 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.

In the opinion of the Directors, the fair values of the Group's accounts and other receivables at 30th June, 2006 approximate their corresponding carrying amounts.

## 30. RESTRICTED BANK DEPOSITS/TIME DEPOSITS, BANK BALANCES AND CASH

The restricted bank deposits of the Group represent rental income received from certain properties which have been charged in priority for settlement of the corresponding secured bank loans. The restricted bank deposits and time deposits carry variable interest rates, ranging from 3.100% to 4.825% (2005: 0.001% to 3.300%) per annum. In the opinion of the Directors, the fair values of the deposits at 30th June, 2006 approximate their corresponding carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 31. ACCOUNTS AND OTHER PAYABLES

At 30th June, 2006, included in accounts and other payables of the Group are trade payables of HK\$67,235,719 (2005: HK\$46,362,783).

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

	<b>THE GROUP</b>	
	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
0 – 30 days	<b>28,235,978</b>	36,261,254
31 – 60 days	<b>13,355,250</b>	5,203,756
61 – 90 days	<b>6,314,353</b>	887,878
Over 90 days	<b>19,330,138</b>	4,009,895
	<b><u>67,235,719</u></b>	<u>46,362,783</u>

In the opinion of the Directors, the fair values of the Group's accounts and other payables at 30th June, 2006 approximate their corresponding carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 32. BANK BORROWINGS

	THE COMPANY		THE GROUP	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Short-term bank loans				
Secured	<b>4,564,000</b>	4,564,000	<b>1,998,942,600</b>	193,964,000
Unsecured	–	–	<b>1,100,000,000</b>	–
Total short-term bank loans	<b>4,564,000</b>	4,564,000	<b>3,098,942,600</b>	193,964,000
Long-term unsecured bank loans				
On demand or within one year	–	–	<b>62,792,470</b>	–
More than one year but not exceeding two years	–	–	<b>807,792,470</b>	500,000,000
More than two years but not exceeding three years	–	–	<b>224,415,060</b>	–
	–	–	<b>1,095,000,000</b>	500,000,000
Less: Current portion shown under current liabilities	–	–	<b>(62,792,470)</b>	–
	–	–	<b>1,032,207,530</b>	500,000,000
Long-term secured bank loans				
On demand or within one year	–	–	<b>349,034,000</b>	386,447,000
More than one year but not exceeding two years	–	–	<b>3,334,534,000</b>	2,535,991,600
More than two years but not exceeding three years	–	–	<b>1,593,634,000</b>	1,986,447,000
More than three years but not exceeding four years	–	–	<b>6,076,583,000</b>	1,562,854,765
More than four years but not exceeding five years	–	–	<b>1,328,861,340</b>	1,054,455,144
	–	–	<b>12,682,646,340</b>	7,526,195,509
Less: Current portion shown under current liabilities	–	–	<b>(349,034,000)</b>	(386,447,000)
	–	–	<b>12,333,612,340</b>	7,139,748,509
Total long-term bank loans	–	–	<b>13,365,819,870</b>	7,639,748,509
Total bank loans	<b>4,564,000</b>	4,564,000	<b>16,876,588,940</b>	8,220,159,509

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 32. BANK BORROWINGS *(Continued)*

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

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

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

	HK\$ equivalent of United States Dollars <i>HK\$</i>
<b>As at 30th June, 2006</b>	<b>300,000,000</b>
As at 30th June, 2005	–

In the opinion of the Directors, the fair values of the Group's bank borrowings approximate their corresponding carrying amounts.

## 33. SECURED OTHER LOANS

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

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

	HK\$ equivalent of United States Dollars <i>HK\$</i>
<b>As at 30th June, 2006</b>	<b>17,413,760</b>
As at 30th June, 2005	16,280,702

In the opinion of the Directors, the fair values of secured other loans at 30th June, 2006 approximate their corresponding carrying amounts.



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 34. CONVERTIBLE BONDS

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

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

Upon the application of HKAS 32, the convertible bonds were split between the liability and equity elements, on a retrospective basis (see Note 3 for the financial impact). The equity element is presented in equity heading "Recognition of equity component of convertible bonds". The effective interest rate of the liability component is 4.05%.

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

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

	<b>THE GROUP</b>	
	<b>2006</b>	2005
	<b>HK\$</b>	<b>HK\$</b>
Liability component at 1st July	<b>2,258,927,488</b>	–
Issue of convertible bonds	–	2,229,426,033
Conversion during the year	<b>(88,852,374)</b>	–
Interest charged	<b>91,376,659</b>	53,312,219
Interest paid	<b>(39,706,286)</b>	(23,810,764)
	<hr/> <b>2,221,745,487</b> <hr/>	<hr/> <b>2,258,927,488</b> <hr/>
Liability component at 30th June	<b>2,221,745,487</b>	<b>2,258,927,488</b>

The principal amount of the convertible bonds converted during the year was HK\$96,460,000 and the principal amount outstanding at 30th June, 2006 is HK\$2,403,540,000.

In the opinion of the Directors, the fair value of the liability component of the convertible bonds at 30th June, 2006 approximates its carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 35. SHARE CAPITAL

	2006		2005	
	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	<b>6,000,000,000</b>	<b>6,000,000,000</b>	6,000,000,000	6,000,000,000
Issued and fully paid:				
At 1st July	<b>4,348,057,662</b>	<b>4,348,057,662</b>	4,306,022,975	4,306,022,975
Issued in lieu of cash dividends	<b>77,073,444</b>	<b>77,073,444</b>	69,838,687	69,838,687
Issued upon conversion of convertible bonds	<b>10,456,367</b>	<b>10,456,367</b>	–	–
Cancellation upon repurchase of own shares	<b>(131,888,000)</b>	<b>(131,888,000)</b>	(27,804,000)	(27,804,000)
At 30th June	<b>4,303,699,473</b>	<b>4,303,699,473</b>	4,348,057,662	4,348,057,662

During the year, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 131,888,000 ordinary shares of HK\$1.00 each of the Company at an aggregate consideration of HK\$1,330,323,360, all of these shares were subsequently cancelled. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration was paid out of the retained profits.

On 15th December, 2005 and 17th May, 2006, the Company issued and allotted a total of 51,113,586 ordinary shares and 25,959,858 ordinary shares of HK\$1.00 each at an issue price of HK\$8.32 and HK\$12.38 each, respectively, in lieu of cash for the 2005 final and 2006 interim dividends.

During the year, a total of HK\$96,460,000 in principal amount of the convertible bonds of the Group were converted into 10,456,367 ordinary shares of HK\$1.00 each of the Company at a conversion price of HK\$9.225 per share.

The shares issued during the year rank pari passu with the then existing shares in all respects.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 36. SHARE PREMIUM AND RESERVES

	Share premium HK\$	Investment revaluation reserve HK\$	Recognition of equity component of convertible bonds HK\$	Capital redemption reserve HK\$	Retained profits HK\$	Total HK\$ (as restated)
<b>THE COMPANY</b>						
At 1st July, 2004	10,639,281,855	215,355,523	–	164,246,000	10,349,781,866	21,368,665,244
Surplus on revaluation recognised directly in equity	–	53,876,948	–	–	–	53,876,948
Profit for the year	–	–	–	–	2,521,241,909	2,521,241,909
Total recognised income for the year	–	53,876,948	–	–	2,521,241,909	2,575,118,857
Premium on issue of shares upon scrip dividends	441,325,821	–	–	–	–	441,325,821
Shares issue expenses	(60,000)	–	–	–	–	(60,000)
Cancellation upon repurchase of own shares	–	–	–	27,804,000	(205,881,047)	(178,077,047)
Recognition of equity component of convertible bonds	–	–	221,410,687	–	–	221,410,687
Deferred taxation on equity component of convertible bonds	–	–	(38,746,870)	–	–	(38,746,870)
Final dividend – 2004	–	–	–	–	(301,421,608)	(301,421,608)
Interim dividend – 2005	–	–	–	–	(368,206,098)	(368,206,098)
At 30th June, 2005 and 1st July, 2005	11,080,547,676	269,232,471	182,663,817	192,050,000	11,995,515,022	23,720,008,986
Deficit on revaluation recognised directly in equity	–	(2,229,506)	–	–	–	(2,229,506)
Profit for the year	–	–	–	–	2,069,159,724	2,069,159,724
Total recognised income for the year	–	(2,229,506)	–	–	14,064,674,746	25,786,939,204
Premium on issue of shares upon scrip dividends	669,574,617	–	–	–	–	669,574,617
Shares issue expenses	(90,000)	–	–	–	–	(90,000)
Cancellation upon repurchase of own shares	–	–	–	131,888,000	(1,330,323,360)	(1,198,435,360)
Issue of shares upon conversion of convertible bonds	86,938,917	–	(8,542,910)	–	–	78,396,007
Final dividend – 2005	–	–	–	–	(491,050,421)	(491,050,421)
Interim dividend – 2006	–	–	–	–	(365,390,456)	(365,390,456)
<b>At 30th June, 2006</b>	<b>11,836,971,210</b>	<b>267,002,965</b>	<b>174,120,907</b>	<b>323,938,000</b>	<b>11,877,910,509</b>	<b>24,479,943,591</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2006

## 37. DEFERRED TAXATION

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

	Accelerated tax depreciation <i>HK\$</i>	Revaluation of properties <i>HK\$</i>	Equity component of convertible bonds <i>HK\$</i>	Tax losses <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i> (as restated)
At 1st July, 2004	43,420,949	1,413,447,087	-	(43,499,476)	(277,863)	1,413,090,697
Exchange realignment	-	-	-	-	379,741	379,741
Acquisition of subsidiaries	18,991	-	-	-	-	18,991
Charged to equity for the year	-	-	38,746,870	-	-	38,746,870
Charged (credited) to income for the year	103,286,577	188,165,588	-	(34,517,279)	(4,154,983)	252,779,903
At 30th June, 2005 and 1st July, 2005	146,726,517	1,601,612,675	38,746,870	(78,016,755)	(4,053,105)	1,705,016,202
Exchange realignment	-	-	-	-	3,411,987	3,411,987
Charged to income for the year	45,096,090	130,288,158	-	1,517,437	290,381	177,192,066
<b>At 30th June, 2006</b>	<b>191,822,607</b>	<b>1,731,900,833</b>	<b>38,746,870</b>	<b>(76,499,318)</b>	<b>(350,737)</b>	<b>1,885,620,255</b>

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

At 30th June, 2006, the Group had unused tax losses of approximately HK\$1,914,045,000 (2005: HK\$2,105,523,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$437,139,000 (2005: HK\$445,810,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$1,476,906,000 (2005: HK\$1,659,713,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At 30th June, 2006, the Group had deductible temporary differences of approximately HK\$2,338,482,000 (2005: HK\$2,314,715,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK\$26,429,630 (2005: HK\$17,065,096). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## **38. ADVANCES FROM ASSOCIATES**

The advances from associates of the Group are unsecured and have no fixed repayment terms. At 30th June, 2006, HK\$419,667,556 (2005: HK\$307,436,420) of the advances bear interest at effective rate determined based on cost-of-funds plus a margin per annum and the remaining balance is interest-free. The advances will not be repayable within twelve months from the balance sheet date and the advances are therefore shown as non-current.

In the opinion of the Directors, the fair values of the Group's advances from associates at 30th June, 2006, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date, approximate their corresponding carrying amounts.

## **39. ADVANCES FROM MINORITY SHAREHOLDERS**

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

In the opinion of the Directors, the fair values of the Group's advances from minority shareholders at 30th June, 2006, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date, approximate their corresponding carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 40. DISPOSAL OF A SUBSIDIARY

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

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

The subsidiary disposed of during the year ended 30th June, 2005 did not contribute significantly to the turnover, operating results or cash flows to the Group in that year.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2006

## 41. ACQUISITION OF SUBSIDIARIES

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

The net assets acquired in the transactions are as follows:

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

Triumph One Limited contributed HK\$435,048 and HK\$318,692 and Far Gain Limited contributed HK\$173,755 and HK\$94,895 to the Group's turnover and profit for the year ended 30th June, 2005, respectively, for the period between the date of acquisition and 30th June, 2005.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## **41. ACQUISITION OF SUBSIDIARIES** *(Continued)*

Had the acquisition of Triumph One Limited been completed on 1st July, 2004, the Group's turnover and profit for the year ended 30th June, 2005 would have been HK\$4,155,502,322 and HK\$5,484,911,996 as restated, respectively.

Had the acquisition of Far Gain Limited been completed on 1st July, 2004, the Group's turnover and profit for the year ended 30th June, 2005 would have been HK\$4,152,704,613 and HK\$5,468,186,724 as restated, respectively.

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

## **42. MAJOR NON-CASH TRANSACTIONS**

On 15th December, 2005 and 17th May, 2006, the Company issued and allotted a total of 51,113,586 ordinary shares and 25,959,858 ordinary shares of HK\$1.00 at HK\$8.32 and HK\$12.38 each, respectively, in the Company in lieu of cash for the 2005 final and 2006 interim dividends.

## **43. PLEDGE OF ASSETS**

- (a) At 30th June, 2006, the aggregate facilities of bank loans, overdrafts and other loans amounting to HK\$20,990,850,860 (2005: HK\$16,671,721,396) 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\$14,726,141,360 (2005: HK\$7,776,781,646).
- (b) At 30th June, 2006, 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\$4,836,383,781 (2005: HK\$2,782,133,937), of which HK\$4,067,383,781 (2005: HK\$2,534,581,538) was utilised by the associates and guaranteed by the Company.



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 44. 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	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
(a) Commitments in respect of property development expenditure:				
Authorised but not contracted for	–	–	<b>62,054,172</b>	19,012,414
Contracted but not provided for	–	–	<b>2,800,447,836</b>	2,089,453,770
	<u>–</u>	<u>–</u>	<u><b>2,862,502,008</b></u>	<u>2,108,466,184</u>
Share of capital commitments of associates in respect of property development expenditure:				
Contracted but not provided for	–	–	<b>152,273,820</b>	210,399,472
	<u>–</u>	<u>–</u>	<u><b>152,273,820</b></u>	<u>210,399,472</u>
(b) Guarantees in respect of banking facilities and other liabilities of:				
Subsidiaries				
– Utilised	<b>15,964,127,360</b>	8,127,032,238	–	–
– Not utilised	<b>6,404,134,750</b>	10,009,670,182	–	–
	<u><b>22,368,262,110</b></u>	<u>18,136,702,420</u>	<u>–</u>	<u>–</u>
Associates				
– Utilised	<b>4,067,383,781</b>	2,534,581,538	<b>4,067,383,781</b>	2,534,581,538
– Not utilised	<b>771,505,000</b>	250,057,399	<b>771,505,000</b>	250,057,399
	<u><b>4,838,888,781</b></u>	<u>2,784,638,937</u>	<u><b>4,838,888,781</b></u>	<u>2,784,638,937</u>
	<u><b>27,207,150,891</b></u>	<u>20,921,341,357</u>	<u><b>4,838,888,781</b></u>	<u>2,784,638,937</u>
Share of contingent liabilities of associates (Note 23)	–	–	<b>131,021,000</b>	123,501,000
	<u>–</u>	<u>–</u>	<u><b>131,021,000</b></u>	<u>123,501,000</u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 44. COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

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

On legal advice Mariner lodged an appeal against the Judgment, which was heard in the Court of Appeal in November 2005. The Court of Appeal on 30th December, 2005 handed down a judgment dismissing Mariner's appeal against the Judgment, finding in favour of Hang Lung. Acting on legal advice, Mariner has lodged an appeal with the Court of Final Appeal against the judgment of the Court of Appeal. The appeal to the Court of Final Appeal has been set down for hearing in early 2007. On the basis of the uncertainty of the outcome of this appeal, the Directors are of the opinion that no provision in respect of the deposit and other liabilities arising from the Agreement should be made for the year ended 30th June, 2006.

## 45. OPERATING LEASE ARRANGEMENTS

### The Group as lessor

Property rental income earned during the year, net of outgoings of HK\$122,543,692 (2005: HK\$90,627,201), was HK\$875,791,151 (2005: HK\$777,588,741). 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:

	2006 HK\$	2005 HK\$
Within one year	831,690,809	753,150,541
In the second to fifth year inclusive	955,920,695	938,340,753
After five years	13,820,364	30,652,356
	<b>1,801,431,868</b>	<b>1,722,143,650</b>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 45. OPERATING LEASE ARRANGEMENTS *(Continued)*

### The Group as lessee

Minimum lease payments paid under operating leases during the year was approximately HK\$26,034,000 (2005: HK\$23,373,000).

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

	<b>2006</b> <i>HK\$</i>	2005 <i>HK\$</i>
Within one year	<b>11,874,196</b>	22,413,020
In the second to fifth year inclusive	<b>4,688,801</b>	11,324,190
	<b><u>16,562,997</u></b>	<b><u>33,737,210</u></b>

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

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

## 46. RETIREMENT BENEFITS SCHEME

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2006

## 47. RELATED PARTY DISCLOSURES

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

	2006 HK\$	2005 HK\$
(a) <b>Related companies</b>		
Service fees received therefrom (Note i)	40,829,084	56,219,159
Rental paid thereto (Note i)	26,033,699	23,373,000
Consultancy fee paid thereto (Note ii)	<u>1,666,664</u>	<u>–</u>

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

Note ii: The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP Non-executive Director of the Company, was interested in this transaction as a sole proprietor of the related company.

(b) <b>Associates</b>		
Service fees paid thereto	10,521,671	10,752,436
Management fees received therefrom	12,848,644	11,090,804
Interest income received therefrom	61,515,841	45,398,751
Interest expenses paid thereto	9,572,393	3,833,254
Imputed interest income on non-current interest-free advances to associates	118,976,897	–
Imputed interest expense on non-current interest-free advances from associates	<u>26,738,264</u>	<u>–</u>

Certain of the above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed on pages 37 to 42 in the Directors' Report.

Details of the outstanding balances with associates at the balance sheet date are set out in the balance sheet and in Notes 23 and 38.

In addition, as set out in Notes 43 and 44, the Company and the Group have granted guarantees and pledged certain assets to banks and financial institutions for facilities granted to the associates.

### Compensation of key management personnel

The remuneration of Directors during the year was as follows:

	2006 HK\$	2005 HK\$
Short-term benefits	21,180,848	14,397,644
Retirement benefits scheme contributions	<u>90,000</u>	<u>93,291</u>
	<u>21,270,848</u>	<u>14,490,935</u>

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 48. PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that a complete list of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 30th June, 2006, which materially affect the results or assets and liabilities of the Group.

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

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<b>Direct:</b>					
Best Result Cleaning Services Limited	Hong Kong	Ordinary	HK\$2	100	Cleaning services
Fu King Investment Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Investment holding
Getsmart Finance limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Financing
Glorypark Limited	Hong Kong	Ordinary	HK\$1,000	100	Property investment
Golden Million Finance Corporation	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Financing
Hong Kong Elite Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
King Chance Development Limited	Hong Kong	Ordinary	HK\$2	100	Investment holding
Landscape Investment Limited	Hong Kong/ The People's Republic of China, other than Hong Kong ("PRC")	Ordinary	HK\$2	100	Property development
Prime Reward Finance Limited	Hong Kong	Ordinary	HK\$2	100	Financing
Serenity Park Building Management Limited	Hong Kong	Ordinary	HK\$10	100	Building management
Sharp Rise Company Limited	Hong Kong	Ordinary	HK\$2	100	Property trading

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<b>Direct: (Continued)</b>					
Sing-Ho Finance Company Limited	Hong Kong	Ordinary	HK\$30,000,000	100	Financing
Sino Administration Services Limited	Hong Kong	Ordinary	HK\$3	100	Administration services
Sino Estates Management Limited	Hong Kong	Ordinary	HK\$2	100	Building management
Sino Estates Services Limited	Hong Kong	Ordinary	HK\$20	100	Building management
Sino Security Services Limited	Hong Kong	Ordinary	HK\$2	100	Security services
World Ace Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
<b>Indirect:</b>					
Ackerley Estates Limited	Hong Kong	Ordinary	HK\$20,000,000	100	Property investment
Active Success Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Advance Profit Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Alfaso Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Allways Success Finance Limited	Hong Kong	Ordinary	HK\$10	100	Mortgage loan financing
AmPLY Way Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Apex Speed Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Beauty Plaza Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Bestone Limited	Hong Kong	Ordinary	HK\$2	100	Property development

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 48. PRINCIPAL SUBSIDIARIES *(Continued)*

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Free Champion Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Full Fair Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Fullerton Hotels & Resorts Pte. Limited	Singapore	Ordinary	S\$10,000	100	Management services
Fung Yuen Construction Company Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Building construction
Glenery Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Global Honest Finance Limited	Hong Kong	Ordinary	HK\$2	100	Mortgage loan financing
Globaland Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Golden Leaf Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Grand Creator Investment (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$10	60	Investment holding
Grand Creator Investment Limited	Hong Kong	Ordinary	HK\$2	60	Property trading
Grand Empire Investment Limited (formerly known as "Fo Tan Construction Consultant Limited")	Hong Kong	Ordinary	HK\$2	100	Project management
Grandeal Limited	Hong Kong/ PRC	Ordinary	HK\$2	100	Property trading
Great Land (HK) Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Property trading and investment



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 48. PRINCIPAL SUBSIDIARIES *(Continued)*

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 48. PRINCIPAL SUBSIDIARIES *(Continued)*

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Precious 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
Premium Living Limited	Hong Kong	Ordinary	HK\$2	100	Premium living services
Pridegate (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Prime Harvest (Administration Services) Limited	Hong Kong	Ordinary	HK\$2	100	Consultant services provider
Prime Harvest Development Limited	Hong Kong	Ordinary	HK\$2	100	Property 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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company %	Principal activities
<i>Indirect: (Continued)</i>					
Saky Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Salia Limited	Hong Kong/ PRC	Ordinary	HK\$2	100	Property development
Shine Harvest International Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Sidak Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property trading and investment
Silver Palm Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Silver Target Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Sino Land Finance Limited	Hong Kong	Ordinary	HK\$2	100	Deposit placing
Sino Land (Guangzhou) Company Limited <i>(Note i)</i>	PRC	Registered	US\$3,200,000	100	Property development
Sino Land (Zhangzhou) Company Limited <i>(Note i)</i>	PRC	Registered	HK\$94,150,000	100	Property development
Sino Land Investment (Holdings) Ltd.	Cayman Islands/ Hong Kong	Ordinary	US\$6,000,000	100	Investment holding
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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 48. PRINCIPAL SUBSIDIARIES *(Continued)*

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 48. PRINCIPAL SUBSIDIARIES *(Continued)*

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

Notes:

- (i) Sino Land (Guangzhou) Company Limited and Sino Land (Zhangzhou) Company Limited are wholly foreign owned enterprises established in the PRC.
- (ii) Except for the convertible bonds disclosed in Note 34, none of the subsidiaries had any debt securities outstanding at the end of the year.

## 49. PRINCIPAL ASSOCIATES

The Directors are of the opinion that a complete list of all associates will be of excessive length and therefore the following list contains only the particulars of associates at 30th June, 2006, which materially affect the results of the year or form a substantial portion of the net assets of the Group.

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

Name of associate	Place of incorporation/ establishment/ operation	Class of shares held	Proportion of nominal value of issued share capital/registered capital held by the Company			Principal activities
			Directly %	Indirectly %	Total %	
Asian Success Investments Limited	Hong Kong	Ordinary	–	33.3	33.3	Property trading
Astoria Estate Management Company Limited	Hong Kong	Ordinary	–	50	50	Building management
Benefit Bright Limited	Hong Kong	Ordinary	–	42.5	42.5	Property trading and investment
Best Profit Limited	Hong Kong	Ordinary	–	50	50	Property development
Better Chief Limited	Hong Kong	Ordinary	50	–	50	Property investment

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 49. PRINCIPAL ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ establishment/ operation	Class of shares held	Proportion of nominal value of issued share capital/registered capital held by the Company			Principal activities
			Directly %	Indirectly %	Total %	
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 trading
Dramstar Company Limited	Hong Kong	Ordinary	–	22	22	Property trading
Empire Funds Limited	Hong Kong	Ordinary	–	50	50	Property trading
Eternal Honest Finance Company Limited	Hong Kong	Ordinary	–	50	50	Mortgage loan financing
Famous Empire Finance Limited	Hong Kong	Ordinary	–	40	40	Mortgage loan financing
Famous Empire Properties Limited	Hong Kong	Ordinary	–	40	40	Property trading and investment
Finedale Industries Limited	Hong Kong	Ordinary	–	33.3	33.3	Property investment
Gloryland Limited	Hong Kong	Ordinary	–	33.3	33.3	Property investment
Golden Famous International Limited	Hong Kong	Ordinary	–	25	25	Property trading
Grace Sign Limited	Hong Kong	Ordinary	–	30	30	Property trading
Grand Palisades Finance Company Limited	Hong Kong	Ordinary	–	20	20	Mortgage loan financing

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 49. PRINCIPAL ASSOCIATES *(Continued)*

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



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2006

## 49. PRINCIPAL ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ establishment/ operation	Class of shares held	Proportion of nominal value of issued share capital/registered capital held by the Company			Principal activities
			Directly %	Indirectly %	Total %	
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
Union Empire Limited	Hong Kong	Ordinary	–	50	50	Property development
Victory World Finance Limited	Hong Kong	Ordinary	–	50	50	Mortgage loan financing
Victory World Limited	Hong Kong	Ordinary	–	50	50	Property trading and investment
Wide Harvest Investment Limited	Hong Kong	Ordinary	–	25	25	Property investment
Win Chanford Enterprises Limited	Hong Kong	Ordinary	5	45	50	Property investment
深圳中海信和地產開發有限公司	PRC	Registered	–	50	50	Property development and trading
中海信和(成都)物業發展有限公司	PRC	Registered	–	20	20	Property development