

1 SIGNIFICANT ACCOUNTING POLICIES**(a) Statement of compliance**

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties as explained in the accounting policies set out below.

(c) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated accounts, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is accounted for in accordance with note 1(f).

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the consolidated profit and loss account.

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is accounted for in accordance with note 1(f).

(d) Associates

An associate is a company in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the Group, in which case, it is accounted for in accordance with note 1(f). The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e). When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the Group, in which case, it is accounted for in accordance with note 1(f).

1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(e) Goodwill**

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

- for acquisitions before 1st July, 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses recognised in the profit and loss account (see note 1(j)); and
- for acquisitions on or after 1st July, 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(j)).

In respect of acquisitions of associates, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(j)) is included in the carrying amount of the interest in associates.

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

- for acquisitions before 1st July, 2001, negative goodwill is credited to a capital reserve; and
- for acquisitions on or after 1st July, 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable / amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

In respect of any negative goodwill not yet recognised in the consolidated profit and loss account:

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and
- for associates, such negative goodwill is included in the carrying amount of the interests in associates.

On disposal of a controlled subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

(f) Investments in securities

The Group's policies for investments in securities other than investments in subsidiaries and associates are as follows:—

- (i) Investments held on a continuing basis for an identified long-term purpose are classified as "investment securities". Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.
- (ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iii) All other securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.
- (iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(g) Fixed assets**

- (i) Fixed assets are carried in the balance sheets on the following bases:
- investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by a qualified valuer of the Group and at least every three years by external qualified valuers; and
 - land and buildings held for own use are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)).
 - other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)).
- (ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:
- when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties immediately prior to the revaluation; and
 - when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.
- (iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.

(h) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(i) below. Impairment loss are accounted for in accordance with the accounting policy as set out in note 1(j). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(r)(ii).

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(i) Depreciation****(i) Investment properties**

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuation takes into account the state of each property at the date of valuation.

(ii) Properties held for and under development

No depreciation is provided on properties held for and under development.

(iii) Land and buildings held for own use

Land and buildings held for own use are depreciated on a straight-line basis over the remaining terms of the respective leases or 40 years if shorter.

(iv) Other fixed assets

Other fixed assets are stated at cost, less accumulated depreciation and impairment losses (see note 1(j)). Depreciation is provided on a straight-line basis over their estimated useful lives as follows:—

Leasehold improvements, furniture, fixtures and office equipment	—	5 years
Motor vehicles and yacht	—	4 to 5 years

(j) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:—

- other fixed assets (other than properties carried at revalued amounts);
- investments in subsidiaries and associates (except for those accounted for note 1(f) as specified in notes 1(c) and (d)); and
- positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the profit and loss account whenever the carrying amount of such an asset (including positive goodwill taken directly to reserves) exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently.

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

(k) Properties held for and under development

Properties held for and under development are stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any provisions considered necessary by the directors.

1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(l) Development expenditure**

Construction and other costs, including borrowing costs and expenses relating to the marketing and sale of development properties prior to the issuance of a completion certificate by the relevant government authorities, are included as part of properties held for and under development. Interest payable on loans relating to properties held for and under development is capitalised up to the date of completion of the properties.

(m) Completed properties for sale

Completed properties for sale remaining unsold at the year end are stated at the lower of cost and the estimated net realisable value. Cost is determined by apportionment of the total land and development costs attributable to unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(n) Cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(o) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Mandatory Provident Fund Scheme

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred, except to the extent that they are included in the properties held for development, properties under development and completed properties for sale not yet recognised as an expense.

(iii) Defined contribution scheme

Contributions to the scheme are expensed as incurred except to the extent that they are included in the properties held for development, properties under development and completed properties for sale not yet recognised as an expense. Contributions are reduced by forfeited contributions arising from employees who leave the scheme prior to becoming fully vested in the employer's contributions.

(iv) Share options

When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(p) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(p) Income tax** (cont'd)**(iii)** (cont'd)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
 - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(r) Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:—

(i) Sale of properties

Revenue arising from the development of properties for sale together with the interest earned on instalment sale of properties are recognised upon the sale of properties or the issuance of the completion certificate by the relevant government authorities, whichever is later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under creditors and accrued expenses.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest earned on loans and advances to customers and investee company and bank deposits are accrued on a time apportioned basis on the principal outstanding and at the rate applicable.

(iv) Management and sales commissions

Management and sales commissions are recognised as the relevant services are rendered.

(v) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

(t) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(u) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

1 SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these accounts.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

2 CHANGE IN ACCOUNTING POLICY

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

With effect from 1st July, 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) ("Income Taxes") issued by the Hong Kong Institute of Certified Public Accountants, the Group adopted a new policy for deferred tax as set out in note 1(p). The effect of adopting of the new accounting policy has been applied retrospectively.

As a result of the adoption of this accounting policy, the shareholders' funds as at 1st July, 2003 and 1st July, 2002 were restated and decreased by HK\$44,385,000, which comprised retained profits of HK\$44,385,000 and investment properties revaluation reserve of HK\$Nil, and HK\$56,285,000, which comprised retained profits of HK\$40,818,000 and investment properties revaluation reserve of HK\$15,467,000, respectively. The effect of change to income tax charged to the consolidated profit and loss account and investment properties revaluation reserve, net of minority interests, for the year ended 30th June, 2004 is an increased credit of HK\$10,085,000 (2003: an increased charge of HK\$3,567,000) and an increased credit of HK\$Nil (2003: HK\$15,467,000) respectively.

3 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

The Group comprises the following main business segments:—

- Property development — the development and sale of properties
- Property investment — the leasing of properties to generate rental income
- Finance — the provision of financing to generate interest income
- Management and sales commissions — the provision of property management services to generate management income

(a) Revenue and results

	Property development		Property investment		Finance		Management and sales commissions		Unallocated		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	restated	restated	restated	restated	restated	restated	restated	restated	restated	restated	restated	restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>28,532</u>	<u>91,042</u>	<u>43,796</u>	<u>41,291</u>	<u>6,406</u>	<u>40,931</u>	<u>14,595</u>	<u>15,066</u>	<u>—</u>	<u>—</u>	<u>93,329</u>	<u>188,330</u>
External revenue	<u>28,532</u>	<u>91,042</u>	<u>43,796</u>	<u>41,291</u>	<u>6,406</u>	<u>40,931</u>	<u>14,595</u>	<u>15,066</u>	<u>—</u>	<u>—</u>	<u>93,329</u>	<u>188,330</u>
Segment result	<u>228,959</u>	<u>(191,934)</u>	<u>(122,847)</u>	<u>(124,317)</u>	<u>6,258</u>	<u>37,835</u>	<u>7,032</u>	<u>(3,462)</u>	<u>(77,820)</u>	<u>(8,123)</u>	<u>41,582</u>	<u>(290,001)</u>
Profit / (loss) from operations											41,582	(290,001)
Finance costs											(19,017)	(16,637)
											22,565	(306,638)
Share of losses less profits of associates	(26,734)	(25,388)	(8,105)	(35,503)	—	—	—	—	(203)	229	(35,042)	(60,662)
Loss from ordinary activities before taxation											(12,477)	(367,300)
Income tax											(3,979)	(38,468)
Loss from ordinary activities after taxation											(16,456)	(405,768)
Minority interests											32,208	7,018
Profit / (loss) attributable to shareholders											<u>15,752</u>	<u>(398,750)</u>

3 SEGMENTAL INFORMATION (cont'd)

(b) Assets and liabilities

	Property development		Property investment		Finance		Management and sales commissions		Unallocated		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	restated HK\$'000	HK\$'000	restated HK\$'000	HK\$'000	restated HK\$'000	HK\$'000	restated HK\$'000	HK\$'000	restated HK\$'000	HK\$'000	restated HK\$'000
Segment assets	6,723,041	6,190,850	3,250,317	3,264,237	131,225	141,806	51,725	61,275	762,391	1,217,817	10,918,699	10,875,985
Interest in associates	254,268	(25,450)	170,069	(11,267)	—	832,352	—	—	1,343	1,515	425,680	797,150
Total assets											11,344,379	11,673,135
Segment liabilities	(282,306)	(217,895)	(145,263)	(102,289)	(14,814)	(16,486)	(21,264)	(13,712)	(3,238,235)	(3,478,042)	(3,701,882)	(3,828,424)

(c) Other information

	Property development		Property investment		Finance		Management and sales commissions	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	1,212	1,317	3,099	1,230	57	57	142	161
Capital expenditure	836	5,471	6,016	6,588	—	—	13	461
(Write back) / provisions on property projects	(264,107)	262,500	—	—	—	—	—	—
Bad debts written off / provision	—	31	—	37,436	—	2,945	—	—

No geographical analysis of each segment is shown as less than 10% of the Group's operations and assets and liabilities are outside the People's Republic of China ("PRC").

4 TURNOVER

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are primarily property development and investment, project management, property management, finance and investment holding in the PRC.

Turnover represents proceeds from the sale of properties, rental and interest income, management and sales commissions. The amount of each significant category of revenue included in turnover during the year is as follows:—

	The Group	
	2004 HK\$'000	2003 HK\$'000
Sale of properties	28,532	91,042
Rental income	43,796	41,291
Interest income	6,406	40,931
Management and sales commissions	14,595	15,066
	<u>93,329</u>	<u>188,330</u>

5 OTHER NET (LOSS) / INCOME

	The Group	
	2004 HK\$'000	2003 HK\$'000
Gain / (loss) on disposal of fixed assets	2,035	(596)
Exchange loss	(2,565)	(1,729)
Loss on disposal of interest in associates	—	(78,294)
(Loss) / gain on disposal of interest in subsidiaries	(343)	99,530
Others	(771)	(26)
	<u>(1,644)</u>	<u>18,885</u>

6 OTHER OPERATING INCOME / (EXPENSES)

	The Group	
	2004 HK\$'000	2003 HK\$'000
Write back / (provisions) on property projects	264,107	(262,500)
Bad debts written off / provision	(82,161)	(44,566)
Others	(52,435)	(15,403)
	<u>129,511</u>	<u>(322,469)</u>

7 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging / (crediting):—

(a) Finance costs

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Bank interest	36,796	42,428
Interest on loans wholly repayable within five years	3,800	16,828
Other borrowing costs	1,607	1,111
Total borrowing costs	42,203	60,367
Less: amount capitalised*	23,186	43,730
	<u>19,017</u>	<u>16,637</u>

* Borrowing costs have been capitalised at a rate of 1.68% (2003: 2.50%) per annum.

(b) Staff costs

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Contributions to defined contribution plan	2,119	1,636
Salaries, wages and other benefits	62,051	60,866
	64,170	62,502
Less: amount capitalised (including contributions to defined contribution plan of HK\$776,000 (2003: HK\$850,000))	20,521	18,981
	<u>43,649</u>	<u>43,521</u>

7 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION (cont'd)

Loss from ordinary activities before taxation is arrived at after charging / (crediting):— (cont'd)

(c) Other items

	The Group	
	2004 HK\$'000	2003 HK\$'000
Depreciation	4,957	2,803
Less: amount capitalised	<u>443</u>	<u>—</u>
	<u>4,514</u>	<u>2,803</u>
Auditors' remuneration — audit services	<u>1,957</u>	<u>1,945</u>
Cost of completed properties for sale	<u>22,593</u>	<u>68,083</u>
Operating lease charges	2,853	2,127
Less: amount capitalised	<u>2,291</u>	<u>1,464</u>
	<u>562</u>	<u>663</u>
Rental receivables net of outgoings HK\$373,000 (2003: HK\$1,575,000)	<u>(43,423)</u>	<u>(39,716)</u>
Dividends from unlisted investment securities	<u>(13,691)</u>	<u>(4,888)</u>

8 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(a) Income tax in the consolidated profit and loss account represents:—

	The Group	
	2004	2003
	HK\$'000	restated HK\$'000
Company and subsidiaries		
Current tax — provision for Hong Kong Profits Tax		
Tax for the year	880	394
Under-provision in respect of prior years	<u>214</u>	<u>6</u>
	<u>1,094</u>	<u>400</u>
Current tax — outside Hong Kong		
Tax for the year	5,684	39,163
Over-provision in respect of prior years	(59)	(5,975)
Tax refund for taxation outside Hong Kong in respect of prior years	<u>—</u>	<u>(102)</u>
	<u>5,625</u>	<u>33,086</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(6,685)</u>	<u>6,942</u>
	<u>34</u>	<u>40,428</u>
Associates		
Tax for the year	3,967	10,917
Tax refund for taxation outside Hong Kong in respect of prior years	<u>—</u>	<u>(12,352)</u>
	<u>3,967</u>	<u>(1,435)</u>
Tax indemnity (note 9)		
	<u>(22)</u>	<u>(525)</u>
	<u>3,979</u>	<u>38,468</u>

Provision for Hong Kong Profits Tax has been made at 17.5% (2003: 17.5%) on the estimated assessable profits for the year.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the year.

8 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT (cont'd)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:—

	The Group	
	2004 HK\$'000	2003 restated HK\$'000
Loss from ordinary activities before taxation	<u>(12,477)</u>	<u>(367,300)</u>
Notional tax on loss from ordinary activities before taxation, calculated at the rates applicable to profits in the countries concerned	13,182	(124,560)
Tax effect of non-deductible expenses	29,865	170,620
Tax effect of non-taxable revenue	(129,461)	(55,291)
Tax effect of unused tax losses not recognised	90,286	66,647
Tax effect of tax losses utilised	(26)	—
Tax refund and under / (over)-provision in prior years	155	(18,423)
Tax indemnity	<u>(22)</u>	<u>(525)</u>
Actual tax expense	<u>3,979</u>	<u>38,468</u>

9 TAX INDEMNITY

Tax indemnity represents indemnity receivable from an intermediate holding company, Henderson Land Development Company Limited ("Henderson Land"), pursuant to an indemnity deed dated 15th March, 1996 in respect of PRC income tax and Land Appreciation Tax ("LAT") payable by the Group in consequence of the disposal by the Group of any of its property interests owned by the Group as at 31st December, 1995 ("Property Interests") insofar as such taxation is attributable to the difference between (i) the value attributed to the relevant Property Interests in the valuation of the Group's Property Interests by DTZ Debenham Tie Leung Limited (formerly C.Y. Leung & Company Limited) as at 31st December, 1995 ("the Valuation") and (ii) the aggregate of the attributable costs of such Property Interests incurred up to 31st December, 1995 and the attributable amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of such Property Interests, on the assumption that such Property Interests are disposed of at the value attributed to them in the Valuation and computed by reference to the current rates and legislation governing PRC income tax and LAT.

10 PROFIT / (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit / (loss) attributable to shareholders includes a profit of HK\$7,522,000 (2003: HK\$83,387,000) which has been dealt with in the accounts of the Company.

11 DIVIDENDS

(a) Dividends attributable to the year

	The Company	
	2004 HK\$'000	2003 HK\$'000
Interim dividend declared and paid at HK\$0.03 (2003: HK\$0.03) per share	14,933	14,903
Final dividend proposed after balance sheet date at HK\$0.03 (2003: HK\$0.03) per share	<u>14,933</u>	<u>14,903</u>
	<u>29,866</u>	<u>29,806</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

11 DIVIDENDS (cont'd)

(b) Dividends attributable to the previous financial year, approved and paid during the year

	The Company	
	2004	2003
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, at HK\$0.03 (2003: HK\$0.06) per share	<u>14,903</u>	<u>29,807</u>

12 EARNINGS / (LOSS) PER SHARE

The calculation of earnings / (loss) per share is based on the profit attributable to shareholders of HK\$15,752,000 (2003 restated: loss of HK\$398,750,000) and on the weighted average of 497,113,637 ordinary shares (2003: 496,776,205 ordinary shares) in issue during the year. There is no potential dilution of earnings per share during the year and no potential dilution of loss per share for 2003.

13 FIXED ASSETS**The Group**

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles and yacht HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Total HK\$'000
Cost or valuation:—							
At 1st July, 2003	3,312	14,394	33,106	25,643	76,455	3,183,600	3,260,055
Additions	—	5,554	1,006	309	6,869	—	6,869
Disposals	—	—	(501)	(15,220)	(15,721)	(2,689)	(18,410)
At 30th June, 2004	<u>3,312</u>	<u>19,948</u>	<u>33,611</u>	<u>10,732</u>	<u>67,603</u>	<u>3,180,911</u>	<u>3,248,514</u>
Representing:—							
Cost	3,312	19,948	33,611	10,732	67,603	—	67,603
Valuation 2004	—	—	—	—	—	3,180,911	3,180,911
	<u>3,312</u>	<u>19,948</u>	<u>33,611</u>	<u>10,732</u>	<u>67,603</u>	<u>3,180,911</u>	<u>3,248,514</u>
Aggregate depreciation:—							
At 1st July, 2003	760	9,351	24,305	24,278	58,694	—	58,694
Charge for the year	80	1,650	2,861	366	4,957	—	4,957
Written back on disposal	—	—	(134)	(15,188)	(15,322)	—	(15,322)
At 30th June, 2004	<u>840</u>	<u>11,001</u>	<u>27,032</u>	<u>9,456</u>	<u>48,329</u>	<u>—</u>	<u>48,329</u>
Net book value:—							
At 30th June, 2004	<u>2,472</u>	<u>8,947</u>	<u>6,579</u>	<u>1,276</u>	<u>19,274</u>	<u>3,180,911</u>	<u>3,200,185</u>
At 30th June, 2003	<u>2,552</u>	<u>5,043</u>	<u>8,801</u>	<u>1,365</u>	<u>17,761</u>	<u>3,183,600</u>	<u>3,201,361</u>

13 FIXED ASSETS (cont'd)

The analysis of net book value of properties is as follows:—

	The Group	
	2004 HK\$'000	2003 HK\$'000
Outside Hong Kong under medium-term leases	<u>3,183,383</u>	<u>3,186,152</u>

The Group's investment properties were revalued as at 30th June, 2004 by Mr. Augustine Wong, the Group's professional valuer who is a Fellow Member of the Hong Kong Institute of Surveyors, on an open market value basis calculated on total rental income taking into account reversionary income potential.

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease income are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

The gross carrying amounts of investment properties of the Group held for use in operating leases were HK\$3,180,911,000 (2003: HK\$3,183,600,000).

The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:—

	The Group	
	2004 HK\$'000	2003 HK\$'000
Within 1 year	39,615	42,021
After 1 year but within 5 years	77,258	62,027
After 5 years	<u>77,489</u>	<u>83,630</u>
	<u>194,362</u>	<u>187,678</u>

14 INTEREST IN SUBSIDIARIES

	The Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted share, at cost	1	1
Amounts due from subsidiaries	6,071,781	6,064,742
Less: impairment loss	<u>(22,978)</u>	<u>(12,648)</u>
	6,048,804	6,052,095
Amounts due to subsidiaries	<u>(3,930)</u>	<u>(18,244)</u>
	<u>6,044,874</u>	<u>6,033,851</u>

Details of principal subsidiaries are shown on pages 78 to 82.

15 INTEREST IN ASSOCIATES

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unlisted investments				
Share of net liabilities	(375,570)	(315,017)	—	—
Loans to associates	820,355	1,131,272	88	65
Loans from associates	(19,105)	(19,105)	—	—
	<u>425,680</u>	<u>797,150</u>	<u>88</u>	<u>65</u>

Details of principal associates are shown on page 83.

16 INVESTMENTS IN SECURITIES

	The Group	
	2004 HK\$'000	2003 HK\$'000
Investment securities — equity securities		
Listed outside Hong Kong	20,314	20,314
Unlisted	53,461	53,464
Total	<u>73,775</u>	<u>73,778</u>
Market value of listed securities	<u>28,966</u>	<u>20,331</u>

17 PROPERTIES HELD FOR DEVELOPMENT

	The Group	
	2004 HK\$'000	2003 restated HK\$'000
Outside Hong Kong in the PRC	<u>3,804,700</u>	<u>3,425,956</u>

Included in the balance at 30th June, 2004 are properties held for development carried at net realisable value of HK\$678,400,000 (2003: HK\$1,276,249,000) as estimated by the directors after taking into account a valuation report prepared by Mr. Augustine Wong dated 20th September, 2004 in respect of certain properties of the Group.

18 INSTALMENTS RECEIVABLE

- (a) This represents the principal content of instalments receivable from the sale of flats after twelve months from the balance sheet date. The amounts receivable within twelve months from the balance sheet date are included under current assets.
- (b) The ageing analysis of instalments receivable (net of provision for bad debts) under current assets is as follows:—

	The Group	
	2004 HK\$'000	2003 HK\$'000
Under 1 month overdue	11,585	19,284
More than 1 month overdue but less than 3 months overdue	669	824
More than 3 months overdue but less than 6 months overdue	979	1,351
More than 6 months overdue	<u>17,769</u>	<u>17,527</u>
	<u>31,002</u>	<u>38,986</u>

19 DEPOSITS FOR ACQUISITION OF PROPERTIES

The deposit for acquisition of properties of HK\$1,177,406,000 (2003: HK\$300,251,000) represented the deposit for the acquisition of a property in the PRC.

In 2002/2003, a master sale and purchase agreement was signed by the Group and a shareholder of a former associate of the Group in connection with the purchase of a property in the PRC at a cash consideration of US\$124,000,000. In accordance with the formal property acquisition agreements and loan assignment agreements signed during the year, part of the loans advanced to the former associate in previous years of HK\$332,849,000 was accounted for as part of the consideration for the acquisition of the property (note 20).

20 LOANS RECEIVABLE

	The Group	
	2004 HK\$'000	2003 HK\$'000
Amounts due from investee companies	<u>78,689</u>	<u>901,459</u>

Amounts due from investee companies represent:—

- (a) HK\$78,689,000 (2003: HK\$205,610,000) funds advanced by the Group pursuant to a financing arrangement for certain government-sponsored An-Ju housing projects in Tianjin, the PRC, under which the Group was entitled to interest income, management commission and guaranteed return on investment; and
- (b) Included in the previous year's amounts were loans advanced by the Group to an investee company, a former associate of the Group which amounted to HK\$695,849,000. During the year, HK\$363,000,000 was received and the remaining balance was accounted for as part of the consideration for acquisition of properties as set out in note 19.

21 DEBTORS, PREPAYMENTS AND DEPOSITS

The Group maintains a defined credit policy. Consideration in respect of sold properties are payable by the purchaser pursuant to the terms of the sale and purchase agreement. Monthly rent in respect of leasing properties are payable in advance by tenants. Other trade debtors settle their accounts according to the payment terms as stated in the contracts. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

The ageing analysis of trade debtors (net of provision for bad debts) is as follows:—

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Under 1 month overdue	28,260	42,645	—	—
More than 1 month overdue but less than 3 months overdue	1,611	1,671	—	—
More than 3 months overdue but less than 6 months overdue	3,930	4,417	—	—
More than 6 months overdue	<u>100,781</u>	<u>173,869</u>	<u>—</u>	<u>—</u>
	134,582	222,602	—	—
Prepayments, deposits and other receivables	<u>320,713</u>	<u>305,759</u>	<u>83,439</u>	<u>113,046</u>
	<u>455,295</u>	<u>528,361</u>	<u>83,439</u>	<u>113,046</u>

The above balances include HK\$340,372,000 (2003: HK\$378,338,000) which are not expected to be recovered within one year.

22 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Deposits with banks and other financial institutions	118,928	163,653	—	—
Cash at bank and in hand	<u>221,326</u>	<u>597,098</u>	<u>14</u>	<u>11</u>
Cash and cash equivalents in the balance sheets	340,254	760,751	14	11
Bank overdrafts (note 23)	<u>(652)</u>	<u>(1,485)</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents in the consolidated cash flow statement	<u><u>339,602</u></u>	<u><u>759,266</u></u>	<u><u>14</u></u>	<u><u>11</u></u>

23 BANK LOANS AND OVERDRAFTS

	The Group	
	2004 HK\$'000	2003 HK\$'000
Bank loans and overdrafts are repayable as follows:—		
Within 1 year and included in current liabilities	<u>497,008</u>	<u>332,201</u>
After 1 year and included in non-current liabilities		
After 1 year but within 2 years	900,000	1,350,075
After 2 years but within 5 years	<u>193,375</u>	<u>71,000</u>
	<u><u>1,093,375</u></u>	<u><u>1,421,075</u></u>
	<u><u>1,590,383</u></u>	<u><u>1,753,276</u></u>

The Group has unsecured banking facilities, amounting to HK\$7,029,909,000 (2003: HK\$4,976,932,000), of which HK\$1,590,383,000 (2003: HK\$1,753,276,000) were utilised at 30th June, 2004.

24 CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade creditors with the following ageing analysis:—

	The Group	
	2004 HK\$'000	2003 restated HK\$'000
Trade creditors:—		
Due within 1 month and on demand	3,477	835
Due after 1 month but within 3 months	2,507	6,295
Due after 3 months but within 6 months	2,433	9,271
Due after 6 months	<u>129,676</u>	<u>145,065</u>
	138,093	161,466
Rental and other deposits	24,540	23,233
Other payables	<u>378,734</u>	<u>60,019</u>
	<u><u>541,367</u></u>	<u><u>244,718</u></u>

The above balances include HK\$113,688,000 (2003: HK\$112,533,000) which are not expected to be settled within one year.

25 AMOUNTS DUE TO FELLOW SUBSIDIARIES

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Amounts due to fellow subsidiaries	<u>890,951</u>	<u>1,128,423</u>

The amounts due to fellow subsidiaries are unsecured, will not be repayable within the next twelve months and are interest free with the exception of loans totalling HK\$687,249,000 (2003: HK\$915,508,000) which carry interest at the prevailing Hong Kong Inter-bank Offer Rates.

26 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:—

	The Group	
	2004	2003
	HK\$'000	restated HK\$'000
Provision for Hong Kong Profits Tax for the year	880	394
Provisional Profits Tax paid	<u>(515)</u>	<u>(311)</u>
	365	83
Balance of Profits Tax provision relating to prior years	7,742	7,660
Overseas tax payable	<u>205,574</u>	<u>243,164</u>
	<u>213,681</u>	<u>250,907</u>

26 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (cont'd)

(b) Deferred tax assets and liabilities recognised:—

(i) The Group

The components of deferred tax (assets) / liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation HK\$'000	Revaluation of properties HK\$'000	Elimination and capitalisation of expenses HK\$'000	Fair value adjustment on business combination HK\$'000	Total HK\$'000
Deferred tax arising from:					
At 1st July, 2002					
– as previously reported	—	—	—	—	—
– prior year adjustment	38,000	38,292	36,018	166,800	279,110
– as restated	38,000	38,292	36,018	166,800	279,110
Charged / (credited) to consolidated profit and loss account	13,500	—	(6,558)	—	6,942
Credited to investment properties revaluation reserve (note 30)	—	(30,292)	—	—	(30,292)
At 30th June, 2003 (as restated)	<u>51,500</u>	<u>8,000</u>	<u>29,460</u>	<u>166,800</u>	<u>255,760</u>
At 1st July, 2003					
– as previously reported	—	—	—	—	—
– prior year adjustment	51,500	8,000	29,460	166,800	255,760
– as restated	51,500	8,000	29,460	166,800	255,760
Charged / (credited) to consolidated profit and loss account	11,915	—	(18,600)	—	(6,685)
At 30th June, 2004	<u>63,415</u>	<u>8,000</u>	<u>10,860</u>	<u>166,800</u>	<u>249,075</u>

(ii)

	2004 HK\$'000	2003 restated HK\$'000
Deferred tax assets	67,585	46,500
Deferred tax recoverable from Henderson Land (note)	<u>148,840</u>	<u>148,840</u>
Net deferred tax assets recognised on the consolidated balance sheet	216,425	195,340
Net deferred tax liabilities recognised on the consolidated balance sheet	<u>(465,500)</u>	<u>(451,100)</u>
	<u>(249,075)</u>	<u>(255,760)</u>

Note: Pursuant to an indemnity deed dated 15th March, 1996 Henderson Land will indemnify the Group's share of the LAT and PRC income tax liabilities of HK\$38,495,000 (2003: HK\$38,495,000) and HK\$110,345,000 (2003: HK\$110,345,000) respectively upon the crystallisation of the corresponding deferred tax liabilities (note 9).

26 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (cont'd)

(c) Deferred tax assets have not been recognised in respect of the following items:—

(i) The Group

	2004		2003	
	Tax losses HK\$'000	Deferred tax asset not recognised HK\$'000	Tax losses HK\$'000	Deferred tax asset not recognised HK\$'000
Future benefits of tax losses				
(i) Hong Kong (note a)	16,684	2,920	12,157	2,127
(ii) Outside Hong Kong (note b)	421,284	138,425	200,538	65,756
	<u>437,968</u>	<u>141,345</u>	<u>212,695</u>	<u>67,883</u>

(ii) The Company

	2004		2003	
	Tax losses HK\$'000	Deferred tax asset not recognised HK\$'000	Tax losses HK\$'000	Deferred tax asset not recognised HK\$'000
Future benefits of tax losses				
(i) Hong Kong (note a)	5,906	1,034	4,014	702

The Group has not recognised deferred tax assets in respect of tax losses of certain subsidiaries as it is not probable that sufficient future profits will be available against which the unused tax losses can be utilised.

note:

- The tax losses do not expire under current tax legislation.
- The tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they were incurred.

27 SHARE CAPITAL

	Number of shares		Nominal value	
	2004 '000	2003 '000	2004 HK\$'000	2003 HK\$'000
Authorised:—				
Ordinary shares of HK\$1.00 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:—				
At 1st July	496,776	496,776	496,776	496,776
Shares issued under share option scheme	<u>1,000</u>	<u>—</u>	<u>1,000</u>	<u>—</u>
At 30th June	<u>497,776</u>	<u>496,776</u>	<u>497,776</u>	<u>496,776</u>

On 20th February, 2004 and 27th February, 2004, options were exercised to subscribe for 1,000,000 ordinary shares in the Company at a consideration of HK\$4,000,000, of which HK\$1,000,000 was credited to share capital and the balance of HK\$3,000,000 (note 28) was credited to the share premium account.

28 SHARE PREMIUM

	2004 HK\$'000	2003 HK\$'000
Balance at 1st July	5,566,402	5,566,402
Shares issued under share option scheme (note 27)	<u>3,000</u>	<u>—</u>
Balance at 30th June	<u>5,569,402</u>	<u>5,566,402</u>

29 CAPITAL RESERVES

	Reserve on consolidation HK\$'000	The Group Other reserve (note) HK\$'000	Total HK\$'000
At 1st July, 2002	71,079	4,424	75,503
Transfer from consolidated profit and loss account (note)	<u>—</u>	<u>24</u>	<u>24</u>
At 30th June, 2003	<u>71,079</u>	<u>4,448</u>	<u>75,527</u>
At 1st July, 2003	71,079	4,448	75,527
Transfer from consolidated profit and loss account (note)	<u>—</u>	<u>2,189</u>	<u>2,189</u>
Impairment loss on positive goodwill	<u>4,000</u>	<u>—</u>	<u>4,000</u>
At 30th June, 2004	<u>75,079</u>	<u>6,637</u>	<u>81,716</u>

Note: According to the relevant PRC rules and regulations applicable to wholly foreign-owned enterprises, wholly foreign-owned enterprises are required to transfer at least 10% of their profits after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of its registered capital.

30 INVESTMENT PROPERTIES REVALUATION RESERVE

	2004 HK\$'000	The Group 2003 restated HK\$'000
Balance at 1st July		
– as previously reported	144,238	327,647
– prior year adjustment in respect of deferred tax (note 2)	<u>—</u>	<u>(15,467)</u>
– as restated	144,238	312,180
Revaluation surplus transferred to the consolidated profit and loss account on disposal of investment properties	<u>(1,202)</u>	<u>(1,937)</u>
Revaluation deficit, net of deferred tax (note 26 (b)(i))	<u>—</u>	<u>(166,005)</u>
Balance at 30th June	<u>143,036</u>	<u>144,238</u>

31 RETAINED PROFITS

	The Group		The Company	
	2004	2003 restated	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st July				
– as previously reported	753,517	1,193,434	83,211	44,534
– prior year adjustment in respect of deferred tax (note 2)	(44,385)	(40,818)	—	—
– as restated	709,132	1,152,616	83,211	44,534
Profit / (loss) for the year				
(2003: as restated) (note 10)	15,752	(398,750)	7,522	83,387
Dividends approved in respect of the previous year (note 11(b))	(14,903)	(29,807)	(14,903)	(29,807)
Dividends declared in respect of the current year (note 11(a))	(14,933)	(14,903)	(14,933)	(14,903)
Transfer to capital reserves (note 29)	(2,189)	(24)	—	—
Balance at 30th June				
(2003: as restated)	692,859	709,132	60,897	83,211
Retained by:—				
Company and subsidiaries	1,161,027	1,136,147		
Associates	(468,168)	(427,015)		
	692,859	709,132		

32 MINORITY INTERESTS

Included in the minority interests are long term loans totalling HK\$525,826,000 (2003: HK\$466,977,000) from the minority shareholders and joint venture partners which are unsecured, will not be repayable within the next twelve months and bear interest either at an annual rate of US Dollar Prime Rate plus 1.5% or in accordance with terms specified in the respective joint venture agreements. Interest payable to the minority shareholders and joint venture partners amounted to HK\$1,609,000 (2003: HK\$1,522,000).

33 DISTRIBUTABLE RESERVES

The distributable reserves of the Company at 30th June, 2004 amounted to HK\$60,897,000 (2003: HK\$83,211,000).

34 DEFINED CONTRIBUTION RETIREMENT PLAN

- (a) The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the scheme vest immediately.
- (b) As stipulated by the regulations of the PRC, the subsidiaries in the PRC participate in basic defined contribution pension plans organised by their respective Municipal Governments under which they are governed.

Employees in the PRC are entitled to retirement benefits equal to a fixed proportion of their salary at their normal retirement age. The Group has no other material obligation for payment of basic retirement benefits beyond the annual contributions which are calculated at a rate based on the salaries, bonuses and certain allowances of its employees.

35 EQUITY COMPENSATION BENEFITS

The Company once adopted a share option scheme on 15th March, 1996 (“Henderson China Share Option Scheme”). The Company by ordinary resolution passed at its special general meeting held on 1st December, 2003 adopted a new share option scheme (the “New Scheme”) and terminated Henderson China Share Option Scheme in order to comply with the new requirements under the revised Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). No further options may be offered under Henderson China Share Option Scheme. However, the outstanding options granted under Henderson China Share Option Scheme shall continue to be subject to the provisions of Henderson China Share Option Scheme and the revised provisions of Chapter 17 of the Listing Rules. No share options have been granted under the New Scheme to any persons since its adoption. A summary of the Henderson China Share Option Scheme and the New Scheme is as below:—

- (a) Maximum number of shares available for subscription

The maximum number of shares in respect of which options may be granted (including shares issued pursuant to options exercised and shares in respect of which any options remain outstanding) under the Henderson China Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company from time to time excluding shares issued pursuant to the Henderson China Share Option Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the New Scheme unless the Company obtains a fresh approval from its shareholders.

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share options schemes of the Company (including Henderson China Share Option Scheme) shall not exceed 30% of the total number of shares in issue from time to time. No options may be granted under any schemes of the Company (or the subsidiary of the Company) if this will result in the limit being exceeded.

- (b) Minimum and maximum periods for the exercise of options

An option may be exercised in accordance with the terms of the Henderson China Share Option Scheme at any time during such period or periods to be notified by the Board of Directors of the Company to each grantee. The option may be exercised on the expiry of 6 months after the date on which the grant of an option is accepted (the “Commencement Date”) and not later than a period of 3 years after the Commencement Date or 14th March, 2006, whichever is the earlier.

In respect of any particular option granted under the New Scheme, the period during which an option may be exercised, and unless the Board of the Directors shall otherwise resolve in relation to any particular option at the time of the grant, is (i) the period commencing after the expiry of 1 year after the date of grant in respect of the first 30% of an option granted at any time to any grantee; and (ii) the period commencing after the expiry of 2 years after the date of grant in respect of a further 30% of such option; and (iii) the period commencing after the expiry of 3 years from the date of grant in respect of the remaining 40% of such option; and in any event each of such period shall expire after 6 years from the date of grant. The Board of the Directors may also provide restrictions on the exercise of such option during the period an option may be exercised.

35 EQUITY COMPENSATION BENEFITS (cont'd)

(c) Payment on acceptance of option

HK\$1.00 is payable to the Company by the grantee on acceptance of an option under the Henderson China Share Option Scheme and the New Scheme within 28 days from the date of offer of the grant of an option ("Offer Date").

(d) Basis of determining the subscription price

The subscription price per share under the Henderson China Share Option Scheme is determined by the Board of Directors of the Company and shall be the higher of:

- (i) a price being not less than 80% of the average closing price per share as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited for the 5 business days immediately preceding the Offer Date; and
- (ii) the nominal value per share.

The subscription price for shares in the Company under the New Scheme shall be a price solely determined by the Board of the Directors and shall be at least the higher of:

- (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheet on the Offer Date;
- (ii) a price being the average closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheets for the 5 business days immediately preceding the Offer Date; and
- (iii) the nominal value of a share.

(e) Remaining life

The Henderson China Share Option Scheme terminated on 1st December, 2003 and no further options will be offered under the Henderson China Share Option Scheme.

The New Scheme shall remain in force for a period of 10 years commencing on 1st December, 2003, after which period no further options will be issued but in all other respects the provisions of the New Scheme shall remain in full force and effect.

(f) At 30th June, 2004, the details of outstanding share options were as follows:—

Date of grant	Number of share options granted	Exercise price per share HK\$	Exercisable period — 3 years commencing on	Number of share options outstanding at 30th June, 2003	Number of share options exercised during the year	Number of share options outstanding at 30th June, 2004
12th December, 2000	1,000,000	4.00	28th June, 2001	1,000,000	1,000,000	—
21st February, 2001	1,500,000	4.00	21st August, 2001	1,500,000	—	1,500,000
2nd May, 2001	1,500,000	4.00	2nd November, 2001	1,500,000	—	1,500,000
				<u>4,000,000</u>	<u>1,000,000</u>	<u>3,000,000</u>

(g) Details of share options exercised during the year:—

Exercise date	Exercise price per share HK\$	Closing price per share at exercise date HK\$	Proceeds received HK\$	Number
20th February, 2004	4.00	4.675	3,000,000	750,000
27th February, 2004	4.00	4.650	1,000,000	250,000
			<u>4,000,000</u>	<u>1,000,000</u>

(h) Excepted for the above note 35(g), no share options were granted, exercised, cancelled or lapsed during the year.

36 COMMITMENTS

(a) At 30th June, 2004, the Group had commitments not provided for in these accounts as follows:—

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Contracted for	1,749,656	2,312,686
Authorised but not contracted for	<u>2,777,361</u>	<u>1,649,502</u>
	<u>4,527,017</u>	<u>3,962,188</u>

Based on information available at the balance sheet date, the directors estimate that the Group's commitments disclosed above are payable as follows:—

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Within 1 year	1,243,458	1,114,133
After 1 year but within 2 years	1,120,844	563,840
After 2 years	<u>2,162,715</u>	<u>2,284,215</u>
	<u>4,527,017</u>	<u>3,962,188</u>

The above commitments will be financed by the Group's existing banking facilities and operating cash flows.

(b) At 30th June, 2004, the Group had total future minimum lease payments under non-cancellable operating leases are payable as follows:—

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Within 1 year	886	1,731
After 1 year but within 5 years	<u>72</u>	<u>378</u>
	<u>958</u>	<u>2,109</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

37 CONTINGENT LIABILITIES

At 30th June, 2004, contingent liabilities of the Group and of the Company were as follows:—

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
(a) Guarantees given by the Company and its subsidiaries to financial institutions in respect of financing provided to purchasers of flats	213,556	229,320	—	—
(b) Guarantees given by the Company to banks to secure banking facilities of subsidiaries	—	—	1,289,731	1,030,791
	<u>213,556</u>	<u>229,320</u>	<u>1,289,731</u>	<u>1,030,791</u>

- (c) The Company has given guarantees to third party in respect of the sale and purchase agreement between its wholly owned subsidiary and the third party in case the subsidiary fails to commit the payment. At 30th June, 2004, the Company had contingent liabilities of US\$21,488,000 (equivalent to HK\$167,603,000) in relation to the said guarantees.

38 MATERIAL RELATED PARTY TRANSACTIONS

- (a) Transactions with fellow subsidiaries

Details of material related party transactions between the Group and Henderson Land and its subsidiaries other than the Group (the "Henderson Land Group") and subsidiaries of Henderson Development Limited (the "Henderson Development companies") are as follows:—

	The Group	
	2004 HK\$'000	2003 HK\$'000
Interest expenses (note (i))	(3,800)	(16,828)
Accounting fees paid (note (ii))	(2,000)	(2,000)
Tax indemnity (note (iii))	22	525

Notes:—

- (i) Interest expenses represent interest payable on the basis of outstanding balances owed to the Henderson Land Group and Henderson Development companies by subsidiaries of the Company. Interest under these intra group financing arrangements is charged based on the prevailing Hong Kong Inter-bank Offer Rate per annum.
- (ii) Accounting fees represent charges for accounting services payable to the Henderson Land Group by subsidiaries of the Company on terms not unfavourable to the Group.
- (iii) The tax indemnity represents indemnity receivable from Henderson Land Group pursuant to an indemnity deed dated 15th March, 1996 (note 9).
- (iv) The amounts due to the fellow subsidiaries at 30th June, 2004 are set out in note 25.

38 MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(b) Transactions with companies controlled by a director of the Company

Mr Lee Ka Kit, a director of the Company, through companies controlled or owned by him has separate interests in certain subsidiaries and associates of the Company and through which the Company holds its interest in certain development projects in the PRC. Mr Lee through companies controlled or owned by him had provided finance in the form of advances to these subsidiaries and associates in accordance with the percentage of his equity interest in these companies. At 30th June, 2004, the advances made to the Company's subsidiaries and associates through companies controlled or owned by Mr Lee amounting to HK\$470,464,000 (2003: HK\$414,438,000) and HK\$586,821,000 (2003: HK\$664,322,000) respectively are unsecured. Interest payable by these subsidiaries and associates to companies controlled or owned by Mr Lee under such arrangements during the year ended 30th June, 2004 are HK\$Nil (2003: HK\$Nil) and HK\$Nil (2003: HK\$17,943,000) respectively.

(c) Transactions with associates

	The Group	
	2004 HK\$'000	2003 HK\$'000
Interest income recognised	—	29,208
Management fee recognised	<u>10,872</u>	<u>8,515</u>

The amounts due to and due from the associates at the year end are set out in note 15.

(d) Transactions with related companies

(i) The Group and one of its related companies entered into a rental agreement dated 12th August, 2002 for leasing certain units of the Group's investment properties with a monthly rental charge of HK\$250,000. The total rental income receivable from the related company during the year is HK\$3,000,000. The rental deposit received and rental receivables are HK\$500,000 and HK\$3,250,000 respectively as at 30th June, 2004.

(ii) The Group and one of its related companies entered into a rental agreement dated 30th March, 2004 for leasing certain units of the Group's investment properties with a monthly rental charged at 8% of the tenant's monthly turnover. According to the rental agreement, the related company is entitled to a rent-free period from 1st April, 2004 to 30th September, 2004 and accordingly no rental income was derived from the related company for the year ended 30th June, 2004.

In the opinion of the directors of the Company, the transactions with the above related parties were carried out on normal commercial terms and in the ordinary course of business.

39 DIRECTORS' REMUNERATION

(a) Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:—

	The Group	
	2004 HK\$'000	2003 HK\$'000
Executives directors		
Fees	200	200
Salaries and other emoluments	2,965	3,032
Retirement scheme contributions	<u>193</u>	<u>251</u>
	<u>3,358</u>	<u>3,483</u>
Independent non-executive directors		
Fees	40	40
Other emoluments	<u>100</u>	<u>100</u>
	<u>140</u>	<u>140</u>
Non-executive directors		
Fees	40	40
Salary and other emolument	—	—
Discretionary bonus	—	—
Retirement scheme contributions	<u>—</u>	<u>—</u>
	<u>40</u>	<u>40</u>

There was no arrangement under which a director had waived or agreed to waive any emoluments during the current and prior years.

39 DIRECTORS' REMUNERATION (cont'd)

(b) The remuneration of the directors is within the following bands:—

HK\$	The Group	
	2004 Number of Directors	2003 Number of Directors
Nil — 1,000,000	12	12
1,000,001 — 1,500,000	1	1
1,500,001 — 2,000,000	1	1
2,000,001 — 2,500,000	—	—
2,500,001 — 3,000,000	—	—

40 SENIOR MANAGEMENT REMUNERATION

(a) Of the five individuals with the highest emoluments, two (2003: one) of them are directors whose emoluments are disclosed in note 39. The aggregate of the emoluments in respect of the other three (2003: four) individuals are as follows:—

	The Group	
	2004 HK\$'000	2003 HK\$'000
Salaries and other emoluments	5,630	6,304
Retirement scheme contributions	102	244
	<u>5,732</u>	<u>6,548</u>

(b) The remuneration of three (2003: four) employees who were not directors during the year and who were amongst the five highest paid employees of the Group, were within the following bands:—

HK\$	The Group	
	2004 Number of Employees	2003 Number of Employees
1,500,001 — 2,000,000	2	4
2,000,001 — 2,500,000	—	—
2,500,001 — 3,000,000	1	—
3,000,001 — 3,500,000	—	—

41 COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of the change in accounting policy for deferred taxation, details of which are set out in note 2.

42 ULTIMATE HOLDING COMPANY

The directors consider that the ultimate holding company at 30th June, 2004 to be Henderson Development Limited, which is incorporated in Hong Kong.

Principal Subsidiaries

at 30th June, 2004

Details of the principal subsidiaries are as follows:—

Name of company	Place of incorporation / establishment and operation	Attributable percentage of equity interest held by		Issued / contributed registered capital (HK\$ unless otherwise stated)	Principal activities
		The Company	Subsidiaries		
Andcoe Limited	British Virgin Islands	100	—	US\$1	Investment holding
Asia Winner Development Limited	Hong Kong	—	100	2	Investment holding
*† Beijing Gaoyi Property Development Co., Ltd.	PRC	—	100#	US\$12,000,000	Property development
† Beijing Henderson Properties Co., Ltd.	PRC	—	75#	RMB655,000,000	Property development
• Beijing Henghua Property Management Co., Ltd.	PRC	—	75	US\$700,000	Property management
Bestime Development Limited	Hong Kong	—	100	2	Investment holding
Billiton International Limited	Hong Kong	—	100	2	Investment holding
Champion Hall International Limited	Hong Kong	—	100	2	Investment holding
Champion King International Limited	Hong Kong	—	100	2	Investment holding
China Property Finance Limited	Hong Kong	—	100	2	Finance
Citimax Investment Limited	British Virgin Islands	100	—	US\$1	Investment holding
* City Sharp Development Limited	Hong Kong	—	100	2	Investment holding
City Sparkle Limited	Hong Kong	—	100	2	Investment holding
† Dongguan Heng Jun Plaza Development Ltd.	PRC	—	70#	15,429,190	Property development

at 30th June, 2004

Name of company	Place of incorporation / establishment and operation	Attributable percentage of equity interest held by		Issued / contributed registered capital (HK\$ unless otherwise stated)	Principal activities
		The Company	Subsidiaries		
Fame China Limited	Hong Kong	—	100	2	Investment holding
†@Fangcun Henderson Property Development Ltd.	PRC	—	100#	RMB211,650,140	Property development
Fineway Development Limited	Hong Kong	—	100	2	Property investment
Fordking Development Limited	Hong Kong	—	100	2	Investment holding
Fortic Limited	Hong Kong	—	100	2	Property investment
Gain Year Development Limited	Hong Kong	—	100	2 2**	Investment holding
~ Gain Year Development Real Estate (Shanghai) Co., Ltd	PRC	—	100	US\$12,000,000	Property development
Glena (Hong Kong) Limited	Hong Kong	—	100	10,000	Investment holding
~@Guangdong Hengbao Property Management Co., Ltd.	PRC	—	100	RMB1,000,000	Property management
†@*Guangdong Jiaxing Real Estate Co., Ltd.	PRC	—	100#	148,845,677	Property development
†@Guangzhou Guang An Property Development Ltd.	PRC	—	62#	US\$17,947,550	Property development
†Guangzhou Guang Hung Property Development Ltd.	PRC	—	72#	US\$17,000,000	Property development
† Guangzhou Guang Nam Property Development Limited	PRC	—	68.4#	RMB125,969,120	Property development
•*Guangzhou Henderson Premier Real Estate Agent Co., Ltd.	PRC	—	60	RMB4,000,000	Management and agency services

Principal Subsidiaries

at 30th June, 2004

Name of company	Place of incorporation / establishment and operation	Attributable percentage of equity interest held by		Issued / contributed registered capital (HK\$ unless otherwise stated)	Principal activities
		The Company	Subsidiaries		
† Guangzhou Hengguo Real Estate Development Co., Ltd.	PRC	—	80	212,670,000	Property development
†@Guangzhou Jian Heng Property Development Ltd.	PRC	—	100#	US\$17,000,000	Property development
† Guangzhou Jiejun Real Estate Development Co., Ltd.	PRC	—	100#	310,000,000	Property development
† Guangzhou Jietong Real Estate Development Co., Ltd.	PRC	—	95#	184,000,000	Property development
Hansen (China) Property Management Company Limited	Hong Kong	—	100	2	Property management
Henderson (China) Finance Limited	Hong Kong	—	100	10,000	Finance
Henderson (China) Investment Company Limited	Hong Kong	—	100	2 2**	Investment holding and management services
Henderson (China) Real Estate Agency Limited	Hong Kong	—	100	2	Management and agency services
Henderson Sun Investment Company Limited	Hong Kong	—	70	10,000,000	Investment holding
Hendison (China) Investment Company Limited	Hong Kong	—	100	2 2**	Investment holding
Henfield Properties Limited	Hong Kong	—	60	10,000	Investment holding
Hennon International Limited	Hong Kong	—	100	10	Investment holding
Henston (BVI) Investment Limited	British Virgin Islands	—	100	US\$10,000	Investment holding

at 30th June, 2004

Name of company	Place of incorporation / establishment and operation	Attributable percentage of equity interest held by		Issued / contributed registered capital (HK\$ unless otherwise stated)	Principal activities
		The Company	Subsidiaries		
Henston (China) Investment Company Limited	Hong Kong	—	100	2 2 **	Investment holding
Hentra International Limited	Hong Kong	—	100	2	Investment holding
Hiram Assets Limited	British Virgin Islands	—	100	US\$1	Finance
Jet Charter Development Limited	Hong Kong	—	100	2	Investment holding
Jetgood Development Limited	Hong Kong	—	100	2 2 **	Investment holding
~Jetgood Development Real Estate (Shanghai) Co., Ltd.	PRC	—	100	US\$12,000,000	Property development
Jetmax Development Limited	Hong Kong	—	100	2	Investment holding
~Jonescorp Estate (Shenzhen) Ltd.	PRC	—	100	US\$4,360,000	Property development
Jonescorp Investment Limited	Hong Kong	—	100	2 2 **	Investment holding
Keengold Development Limited	Hong Kong	—	100	2	Investment holding
Main Eagle Limited	Hong Kong	—	100	2	Investment holding
Maxton Venture Limited	British Virgin Islands	100	—	US\$1	Investment holding
Million Globe Limited	Hong Kong	—	100	2	Property investment
Perfect Top Development Limited	Hong Kong	—	100	2 2 **	Investment holding

Principal Subsidiaries

at 30th June, 2004

Name of company	Place of incorporation / establishment and operation	Attributable percentage of equity interest held by		Issued / contributed registered capital (HK\$ unless otherwise stated)	Principal activities
		The Company	Subsidiaries		
~Perfect Top Development Real Estate (Shanghai) Co., Ltd.	PRC	—	100	US\$12,000,000	Property development
Profit Field Development Limited	Hong Kong	—	100	2	Investment holding
Ranki Development Limited	Hong Kong	—	100	2	Investment holding
Senko Investment Limited	British Virgin Islands	—	100	US\$1	Investment holding
• Shanghai Henfield Properties Co., Ltd.	PRC	—	59.4	US\$26,843,216	Property development
• Shanghai Heng Cheng Real Estate Development Co., Ltd.	PRC	—	85	US\$33,340,000	Property development
Shellson International Limited	Hong Kong	—	75	100	Investment holding
•*Shenzhen Shunchang Decorate Engineering Co., Ltd.	PRC	—	75	RMB13,000,000	Decoration
Spaceworld Limited	British Virgin Islands	—	100	US\$2	Investment holding
Star Yield Development Limited	Hong Kong	—	100	2	Investment holding
Starmac Development Limited	Hong Kong	—	100	2	Investment holding
Sunmark Limited	Hong Kong	—	100	2	Property investment
Waker International Limited	Hong Kong	—	100	20	Investment holding

* Subsidiaries not audited by KPMG

** Non-voting deferred shares

These interests represent the Company's profit sharing percentage in the respective subsidiaries

@ The company name in English is a direct translation of its registered name in Chinese

• Sino-Foreign Equity Joint Venture Enterprise

† Sino-Foreign Cooperative Joint Venture Enterprise

~ Wholly Foreign-Owned Enterprise

The above are the principal subsidiaries of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

at 30th June, 2004

Details of the principal associates are as follows:—

Name of company	Place of incorporation/ establishment	Percentage of equity interest held	Issued/ contributed registered capital (HK\$ unless otherwise stated)	Principal activities
Feswin Investment Limited	Hong Kong	50	10,000	Investment holding
* Maxfine Development Limited	Hong Kong	16.67	9,150	Investment holding
* Panyu Lexi New City Land Company Limited	PRC	25	56,000,000	Property development
Perlin Development Limited	Hong Kong	50	10	Investment holding
Quickcentre Properties Limited	British Virgin Islands	50	US\$2	Investment holding
Shanghai Hengan Real Estate Development Co., Ltd.	PRC	35	US\$3,200,000	Property development
* Shanghai Heng Chang Real Estate Development Co., Ltd.	PRC	49	US\$10,000,000	Property development
Shanghai Hengyi Real Estate Development Co., Ltd.	PRC	37.5	US\$23,500,000	Property development
Shanghai Jianmei Property Development Co., Ltd.	PRC	15	US\$10,000,000	Property development
* Triple Wide Company Limited	Hong Kong	33.33	30,000 30,000 **	Investment holding

* Associates not audited by KPMG

** Non-voting deferred shares

The above are the principal associates of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.