Notes to the Consolidated Financial Statements

1. General

The Company is a public limited company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the register office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The principal activities of the Group are property development and investment, hotel operations, securities investment and trading, and loan financing for hotel operations.

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

2. Adoption of New and Revised Hong Kong Financial Reporting Standards/ Changes in Accounting Policies

In the current year, the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005, except for HKAS 40 "Investment Properties" and HK-INT 21 "Income Tax – Recovery of Revalued Non-Depreciable Assets" which have been early adopted in 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates/ jointly controlled entities have 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 or prior accounting years are prepared and presented:

Business combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions 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, under which the Group has discontinued amortising goodwill from 1st April, 2005 onwards and goodwill will be tested for impairment at least annually in the financial period in which the acquisition takes place. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. Comparative figures have not been restated (See Note 2A for the financial impact).

2. Adoption of New and Revised Hong Kong Financial Reporting Standards/ Changes in Accounting Policies *(continued)*

Business combinations *(continued)*

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (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 ("discount on acquisition") is recognised immediately in profit or loss in the period 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 has derecognised all negative goodwill at 1st April, 2005 amounting to HK$23,081,000 which was previously presented as a deduction from assets, with a corresponding increase to retained profits.

Share-based payment

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares, or in exchange for other assets equivalent in value to a given number of shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1st April, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 and had vested before 1st April, 2005 in accordance with the relevant transitional provisions. As all outstanding share options of the Group were granted and vested before 1st April, 2005, the application of HKFRS 2 has had no financial impact on the results of the Group for current or prior years.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has 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 buildings 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 2A for the financial impact).

2. Adoption of New and Revised Hong Kong Financial Reporting Standards/ Changes in Accounting Policies *(continued)*

Hotel properties

Previously, the Group's self-operated hotel properties were accounted for using the revaluation model, being revalued amounts less accumulated depreciation and impairment losses, and were included in property, plant and equipment. HKAS 17 "Leases" requires payments made for acquisition of leasehold land interests to be accounted for as operating leases, and be measured at cost and amortised over the lease term on a straight-line basis. Certain payments for acquisition of leasehold land interests of the Group's hotel properties cannot be separated reliably from the building element. In order to carry the leasehold land interests at cost less amortisation, the directors change its accounting policy in respect of the Group's hotel properties from the revaluation model to the cost model. This change in accounting policy has been applied retrospectively and comparative figures have been adjusted accordingly (See note 2A for the financial impact)

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 denominated in United States dollars and Hong Kong dollars

Previously, two convertible bonds denominated in United States dollars and Hong Kong dollars were classified as liabilities and recorded at the proceeds received, net of premium payable on redemption and direct issue costs, on the balance sheet. Such convertible bonds contain a liability component and an embedded conversion option, which are required to be accounted for separately in accordance with HKAS 39. On 1st April, 2005, the Group designated such convertible bonds as a whole as "financial liabilities at fair value through profit or loss" in accordance with the transitional provisions in HKAS 39 (see Note 2A for the financial impact).

Classification and measurement of financial assets and financial liabilities

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

2. Adoption of New and Revised Hong Kong Financial Reporting Standards/ Changes in Accounting Policies *(continued)*

Financial instruments *(continued)*

Classification and measurement of financial assets and financial liabilities (continued)

By 31st March, 2005, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24 "Investments in Securities". Under SSAP 24, investments in debt or equity securities are classified as "trading securities" and "non-trading securities" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit and loss for that period. From 1st April, 2005 onwards, the Group classifies and measures its debt and 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", "loans and receivables", or "held-to-maturity financial assets". "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. "Loans and receivables" are measured at amortised cost using the effective interest method after initial recognition.

On 1st April, 2005, the Group designated all equity-linked notes with carrying amount of HK$340,836,000 which was previously classified as "non-trading securities" under SSAP 24 as "financial assets at fair value through profit or loss". As a result of this change in accounting policy, an increase in fair value of such equity-linked notes for the current year amounting to HK$2,067,000 has been recognised in the income statement. The cumulative unrealised gains or losses of such equity-linked notes previously reported in equity at 1st April, 2005 continue to be held in equity. On subsequent decognition or impairment of the investment, the unrealised gain or loss remaining in equity will be transferred to profit or loss. All the other financial assets were reclassified and measured in accordance with HKAS 39 on 1st April, 2005. Comparative figures have not been restated.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onward, the Group has classified and measured its financial assets and liabilities other than debt and 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 of fair value through profit or loss", "available-for-sale financial assets", loans and receivables" or "held-to-maturity financial assets". 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.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards/ Changes in Accounting Policies *(continued)*

Derivatives

From 1st January, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

2A. Summary of the Effects of the Changes in Accounting Policies

The effects of the changes in the accounting policies described above are summarised as follows:

(a) Effects on the results for the current and prior year:

	2006 HK$'000	2005 HK$'000
Non-amortisation of goodwill	582	–
Decrease in release of negative goodwill	(7,693)	–
Increase in fair value of financial assets at fair value through profit or loss	2,067	–
Increase in fair value of financial liabilities at fair value through profit or loss	(113,160)	–
Gain on disposal of property, plant and equipment	–	4,092
Net changes in fair value of derivative financial instruments	(58,232)	–
Non-amortisation of deferred expenditure on convertible bonds	2,814	–
Non-amortisation of premium of convertible bonds	4,460	–
(Decrease) increase in profit for the year	(169,162)	4,092

2A. Summary of the Effects of the Changes in Accounting Policies *(continued)*

(a) Effects on the results for the current and prior year: *(continued)*

Analysis by line item presented according to the classification in the income statement:

	2006 HK$'000	2005 HK$'000
Decrease in amortisation of goodwill arising on acquisition of associates	582	–
Decrease in release of negative goodwill	(7,693)	–
Increase in fair value of financial assets at fair value through profit or loss	2,067	–
Increase in fair value of financial liabilities at fair value profit or loss	(113,160)	–
Decrease in share of results of associates	(1,431)	(4,240)
Net changes in fair value of derivative financial instruments	(58,232)	–
Increase in profit on disposal of property, plant and equipment	–	4,092
Decrease in taxation	1,431	4,240
Decrease in amortisation of deferred expenditure on convertible bonds	2,814	–
Decrease in amortisation of premium of convertible bonds	4,460	–
(Decrease) increase in profit for the year	(169,162)	4,092

2A. Summary of the Effects of the Changes in Accounting Policies *(continued)*

(b) Effects on the balance sheet as at 31st March, 2005 and 1st April, 2005:

	As at 31.3. 2005 (originally stated) HK$'000	Adoption of new standards Effect of HKAS 17 HK$'000	Change in accounting policy of hotel properties HK$'000	Reclassification HK$'000	As at 31.3.2005 (restated) HK$'000	As at Effect of HKAS 39 HK$'000	Effect of HKFRS 3 HK$'000	1.4.2005 (restated) HK$'000
Property, plant and equipment	2,176,703	(284,083)	(752,482)	–	1,140,138	–	–	1,140,138
Properties under development	125,430	(23,343)	–	(102,087)	–	–	–	–
Prepaid lease payments	–	307,426	–	–	307,426	–	–	307,426
Negative goodwill	(23,081)	–	–	–	(23,081)	–	23,081	–
Investments in securities	899,299	–	–	–	899,299	(899,299)	–	–
Available-for-sale investments	–	–	–	–	–	537,423	–	537,423
Financial assets at fair value through profit or loss	–	–	–	–	–	340,836	–	340,836
Properties under development for sales	1,247,191	–	–	102,087	1,349,278	–	–	1,349,278
Investments held for trading	–	–	–	–	–	21,040	–	21,040
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(816,500)	–	(816,500)
Convertible bonds	(765,134)	–	–	–	(765,134)	765,134	–	–
Deferred taxation	(208,115)	–	157,968	–	(50,147)	–	–	(50,147)
Total effects on assets and liabilities	3,452,293	–	(594,514)	–	2,857,779	(51,366)	23,081	2,829,494
Retained profits	788,900	–	–	–	788,900	(51,366)	23,081	760,615
Assets revaluation reserve	594,514	–	(594,514)	–	–	–	–	–
Minority interests	–	–	–	14,035	14,035	–	–	14,035
Total effects on equity	1,383,414	–	(594,514)	14,035	802,935	(51,366)	23,081	774,650
Minority interests	14,035	–	–	(14,035)	–	–	–	–

2A. Summary of the Effects of the Changes in Accounting Policies *(continued)*

(c) Effects on equity as at 1st April, 2004:

	As originally stated HK$'000	Effect of HKAS 1 HK$'000	Change in accounting policy of hotel properties HK$'000	As restated HK$'000
Assets revaluation reserve	340,722	–	(340,722)	–
Minority interests	–	8,839	–	8,839
Total effects on equity	340,722	8,839	(340,722)	8,839

2B. Potential Impact Arising on the New and Revised Accounting Standards not yet Effective

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group except for HKAS 39 and HKFRS 4 (Amendments) Financial guarantee contracts for which the directors are still in the process of assessing the impact.

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

1 Effective for annual periods beginning on or after 1st January, 2007
2 Effective for annual periods beginning on or after 1st January, 2006
3 Effective for annual periods beginning on or after 1st December, 2005
4 Effective for annual periods beginning on or after 1st March, 2006
5 Effective for annual periods beginning on or after 1st May, 2006
6 Effective for annual periods beginning on or after 1st June, 2006

3. Significant Accounting Policies

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

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

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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 into 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 a subsidiary, an associate or a jointly controlled entity for which the agreement date is before 1st January, 2005 represents the excess of the cost of an acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisition with agreement dated before 1st January, 2005 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity.

For previously capitalised goodwill arising on acquisitions, the Group has discontinued amortisation from 1st April, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

3. Significant Accounting Policies *(continued)*

Goodwill *(continued)*

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

Goodwill arising on an acquisition of a subsidiary, an associate or a jointly controlled entity 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 subsidiary, associate or jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate or a jointly controlled entity is included in the cost of the investment of the relevant associate or jointly controlled entity.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity 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 or a jointly controlled entity is included as income in the determination of the investor's share of results of the associate or jointly controlled entity in the period in which the investment is acquired.

As explained in note 2 above, all negative goodwill as at 1st April, 2005 has been derecognised with a corresponding adjustment to the Group's retained profits.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from sale of properties in the ordinary course of business (including revenue from pre-completion contracts for the sale of development properties entered into on or after 1st January, 2005) 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.

3. Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Revenue from pre-completion contracts for the sale of development properties entered into before 1st January, 2005 was recognised over the period from the execution of a binding sale agreement to the completion of the development on the basis of development costs incurred for work performed to date as a proportion of estimated total development costs.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from hotel operations is recognised when the relevant services are provided.

Rental income from properties under operating leases is recognised on an straight-line basis over the periods of the respective tenancies.

Building management fee income is recognised when the relevant services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the 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.

Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of 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.

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.

3. Significant Accounting Policies *(continued)*

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated 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 jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), 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 jointly controlled entity.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

Investments in jointly controlled assets

When a group company undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of jointly controlled assets, together with its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group.

Investment properties

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and 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.

3. Significant Accounting Policies *(continued)*

Property, plant and equipment

Property, plant and equipment other than building under development are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment other than building under development over their estimated useful lives and after taking into accounting of their estimated residual value, items of property, plant and equipment other than properties under development using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the leases.

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.

Building under development for own use

Buildings under development held for own use are classified as non-current assets and are sated at cost less any impairment loss recognised. Cost comprises development costs including attributable interest and professional charges capitalised during the development period.

No depreciation is provided in respect of buildings under development held for long term purposes.

Prepaid lease payments

The prepaid lease payments represent upfront payment for land use rights and leasehold land are initially recognised at cost and released to income statement over the lease term on a straight-line basis.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated sale proceeds less estimated selling expenses.

3. Significant Accounting Policies *(continued)*

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of properties under development for sale includes land cost, construction cost, borrowing costs capitalised and other direct development expenditure.

Impairment

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

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

Inventories

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

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 exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at 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.

3. Significant 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.

Taxation

Taxation 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 and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or 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 interests in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

3. Significant Accounting Policies *(continued)*

Leases

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.

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.

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 borrowing pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

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

Retirement benefits schemes

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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 instruments. 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 three categories, including "loans and receivables", "financial assets at fair value through profit or loss" and "available-for-sale investments". 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.

3. Significant Accounting Policies *(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 amounts due from associates, jointly controlled entities, an investee company and a minority shareholder, loan receivable, debtors and deposits with banks or investment banks) 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss 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.

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 losses are 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, 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.

3. Significant Accounting Policies *(continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group 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 instruments is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss, other financial liabilities and convertible loan notes. The accounting policies adopted for financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial liabilities 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.

Other financial liabilities

Other financial liabilities include creditors, amounts due to directors, related companies, associates and a minority shareholder, a jointly controlled entity and bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Convertible bonds

Convertible bonds are regarded as compound instruments, consisting of a liability component and an equity component, or in the case that the conversion options are not settled by the exchange of a fixed amount for fixed number of equity instrument, the accounting standard requires the issuer to recognise the compound financial instrument in the form of financial liability with embedded derivatives. Derivatives embedded in a financial instrument are treated as separated derivatives when their economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. The Group, however, has elected to designate its convertible bonds with embedded derivatives as a whole as financial liabilities at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Transaction costs that are directly attributable to the issue of the convertible bonds designated as financial liabilities at fair value through profit or loss are recognised immediately in profit or loss in the period in which they arise.

3. Significant Accounting Policies *(continued)*

Financial liabilities and equity *(continued)*

Equity instruments

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

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 assets, the difference between the carrying amount of the financial asset and the sum of the consideration received and 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 (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimating uncertainty at the balance sheet date, that have a significant risk of giving rise to a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions and underlying assumptions adopted for capitalization of the income derived from the existing tenancies with due provision for the reversionary income potential of the property interests.

Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with the relevant accounting policies. Where an indication of impairment is noted, the recoverable amounts of property, plant and equipment will be estimated based on value-in-use calculations or scrap value. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted and estimated market value of the scraps.

4. Key Sources of Estimation Uncertainty *(continued)*

Estimated allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts when there is objective evidence that debtors balances are impaired. The balances of the debtors are based on the present value of estimated future cash flows discounted at the effective rate computed at initial recognition. The directors involved a considerable amount of judgement in assessing the ultimate realization of these receivables including the current creditworthiness and the past collection history of each customer. If the financial creditors of customers of the group were to deteriorate, resulting in an impairment of their activity to make payments, additional allowance may be required.

5. Financial Risk Management Objectives and Policies

The Group's major financial instruments include debtors, loans receivables, investments held for trading, available-for-sale investments, financial assets at fair value through profit or loss, amounts due from a jointly controlled entity and associates, creditors, amounts due to directors, related companies, associates and a minority shareholder, and bank and other borrowings. 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. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk on variable-rate bank borrowings. Management monitors the related cash flow interest rate risk exposure closely and will consider hedging significant cash flow interest rate risk exposure should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group's credit risks primarily attributable to its debtors, loans receivables, amounts due from associates, an investee company, a minority shareholder and jointly controlled entities. In order to minimise the 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 trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk for bank deposits and deposits with investment banks is limited because the counterparties are banks or financial institutions with high credit ratings.

5. Financial Risk Management Objectives and Policies *(continued)*

Price risk

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

6. Revenue

Revenue represents the aggregate amount of proceeds from sale of properties and financial instruments, gross rental and management fee income, loan interest income and income from hotel operations, less returns and discounts, during the year as follows:

	2006 HK$'000	2005 HK$'000
Sale of financial instruments	456,755	13,590
Sale of properties	270,081	318,501
Hotel operations	204,041	59,108
Rental income and management fee income	51,515	68,609
Interest income from financial instruments	68,862	12,623
Loan interest income	70,178	61,560
Other operations	19,467	25,719
	1,140,899	559,710

7. Business and Geographical Segments

Business segments

For management purposes, the Group is currently organised into four operating divisions – property development and investment, hotel operations and loan financing, and treasury management. These divisions are the basis on which the Group reports its primary segment information. Other operations mainly include sale of boiler products and other interest income.

Principal activities are as follows:

Property development and investment	–	properties development, letting and sale
Hotel operations	–	hotel operations and management
Loan financing	–	loan financing for hotel operation
Treasury management	–	investment and trading in securities

7. Business and Geographical Segments *(continued)*

Business segments *(continued)*

2006

	Property development and investment HK$'000	Hotel Operations HK$'000	Hotel Loan financing HK$'000	Treasury management HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE							
External sales	321,595	204,041	70,178	525,617	19,468	–	1,140,899
Inter-segment sales	35,517	–	–	–	–	(35,517)	–
Total revenue	357,112	204,041	70,178	525,617	19,468	(35,517)	1,140,899
Inter-segment sales are charged at prevailing market rates							
RESULTS							
Segment results	379,005	83,673	67,851	63,020	(17,974)		575,575
Increase in fair value of financial liabilities at fair value through profit or loss							(113,160)
Profit on disposal of property, plants and equipments	225	–	–	–	–		225
Share of results of associates	5,741	–	–	–	1,077		6,818
Share of results of jointly controlled entities	–	–	–	–	1,379		1,379
Finance costs							(52,759)
Profit before taxation							418,078
Taxation							(85,867)
Profit for the year							332,211

7. Business and Geographical Segments *(continued)*

Business segments *(continued)*

2006 *(continued)*

	Property development and investment HK$'000	Hotel: Operations HK$'000	Hotel: Loan financing HK$'000	Treasury management HK$'000	Other operations HK$'000	Consolidated HK$'000
BALANCE SHEET						
ASSETS						
Segment assets	1,595,596	1,426,508	408,744	575,114	2,895,720	6,901,682
Interests in associates						141,694
Interests in jointly controlled entities						74,617
Taxation recoverable						7,995
Unallocated corporate assets						14,320
Consolidated total assets						7,140,308
LIABILITIES						
Segment liabilities	245,617	25,940	59,943	92,090	63,487	487,077
Borrowings						2,898,327
Taxation payable						33,124
Deferred taxation						124,395
Unallocated corporate liabilities						25,602
Consolidated total liabilities						3,568,525
OTHER INFORMATION						
Capital additions	16,500	233,395	–	–	63	249,958
Depreciation and amortisation	5,816	20,084	–	–	309	26,209

Notes to the Consolidated Financial Statements

7. Business and Geographical Segments *(continued)*

Business segments *(continued)*

2005 *(continued)*

	Property development and investment HK$'000	Hotel: Operations HK$'000	Hotel: Loan financing HK$'000	Treasury management HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE							
External sales	387,110	59,108	61,560	26,213	25,719	–	559,710
Inter-segment sales	33,090	–	–	–	–	(33,090)	–
Total revenue	420,200	59,108	61,560	26,213	25,719	(33,090)	559,710
Inter-segment sales are charged at prevailing market rates.							
RESULTS							
Segment results	155,005	2,083	59,281	7,363	20,026		243,758
Profit on disposal of investment properties	201,362	–	–	–	–		201,362
Profit on disposal of property, plant and equipment	–	37,754	–	–	(572)		37,182
Allowance for amount due from an associate	–	–	–	–	(16,000)		(16,000)
Amortisation of goodwill arising on acquisition of associates	–	–	–	–	(582)		(582)
Amortisation of negative goodwill	7,693	–	–	–	–		7,693
Gain on disposal of an associate	–	–	–	–	451		451
Share of results of associates	21,240	–	–	–	(9,086)		12,154
Share of results of jointly controlled entities	–	–	–	–	(792)		(792)
Finance costs							(38,741)
Profit before taxation							446,485
Taxation							(36,814)
Profit for the year							409,671

Notes to the Consolidated Financial Statements

7. Business and Geographical Segments *(continued)*

Business segments *(continued)*

2005 *(continued)*

	Property development and investment HK$'000	Hotel Operations HK$'000	Hotel Loan financing HK$'000	Treasury management HK$'000	Other operations HK$'000	Consolidated HK$'000
BALANCE SHEET						
ASSETS						
Segment assets	4,191,273	769,054	340,623	421,065	272,227	5,994,242
Interests in associates						144,286
Interests in jointly controlled entities						73,238
Taxation recoverable						9,257
Unallocated corporate assets						13,825
Consolidated total assets						6,234,848
LIABILITIES						
Segment liabilities	307,771	23,860	35,048	34,292	5,310	406,281
Borrowings						2,457,378
Taxation payable						56,130
Deferred taxation						50,147
Unallocated corporate liabilities						44,667
Consolidated total liabilities						3,014,603
OTHER INFORMATION						
Capital additions	5,564	190,809	–	–	99	196,472
Depreciation and amortisation	6,936	6,123	–	–	620	13,679

7. Business and Geographical Segments *(continued)*

Geographic segments

A geographical analysis of the Group's turnover by location of market is as follows:

	2006 HK$'000	2005 HK$'000
Hong Kong	838,000	224,986
Australia	227,189	206,440
Malaysia	37,507	34,694
Other regions in the People's Republic of China ("PRC")	24,728	80,454
Singapore	13,475	13,136
	1,140,899	559,710

The following is an analysis of the carrying amount of segment assets and capital additions by geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Hong Kong	4,288,834	3,787,864	236,750	195,740
Malaysia	406,113	387,099	240	419
Other regions in the PRC	809,469	553,351	105	159
Australia	882,238	752,876	864	99
United States of America ("USA")	207,913	210,628	–	–
Singapore	258,999	253,106	17	55
Others	70,431	72,400	11,982	–
	6,923,997	6,017,324	249,958	196,472

8. Finance Costs

	2006 HK$'000	2005 HK$'000
Borrowing costs on:		
Bank loans and overdrafts		
– wholly repayable within five years	30,762	33,602
– not wholly repayable within five years	36,501	24,733
Other loans		
– wholly repayable within five years	2,679	1,496
– not wholly repayable within five years	2,635	459
Finance leases	26	32
Amortisation of deferred expenditure on convertible bonds	–	2,814
Premium payable on redemption of convertible bonds	–	4,460
Others	125	910
Total borrowing costs	72,728	68,506
Less: Amounts capitalised in respect of:		
– properties under development for sale	(12,921)	(20,361)
– buildings under development	(2,012)	(7,125)
	57,795	41,020
Analysed into:		
Amount included in cost of sales	5,036	2,279
Amount included in finance costs	52,759	38,741
	57,795	41,020

9. Taxation

	2006 HK$'000	2005 HK$'000
The taxation charges (credit) comprises:		
Current year:		
Hong Kong	11,872	–
Other jurisdictions	263	857
	12,135	857
Prior years underprovision:		
Hong Kong	553	6,823
Other regions in the PRC	464	(171)
	1,017	6,652
Deferred taxation (note 44)	72,715	29,305
	85,867	36,814

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year. Taxation arising in other regions in the PRC or other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. Taxation *(continued)*

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

	Hong Kong HK$'000	Other regions in the PRC HK$'000	Malaysia HK$'000	Australia HK$'000	Others HK$'000	Total HK$'000
2006						
Profit (loss) before taxation	415,885	(8,056)	9,662	4,018	(3,431)	418,078
Applicable income tax rate	17.5%	33%	28%	30%		
Tax at the applicable income tax rate	72,780	(2,659)	2,705	1,205	(1,116)	72,915
Tax effect of expenses not deductible for tax purpose	20,083	1,705	1,245	2,937	1,070	27,040
Tax effect of income not taxable for tax purpose	(411)	–	(981)	–	(255)	(1,647)
Tax effect of tax losses not recognised	4,485	1,501	–	–	–	5,986
Utilisation of tax loss not previously recognised	(8,613)	–	(20)	(4,129)	–	(12,762)
Tax effect of share of results of associates	(1,444)	–	–	–	–	(1,444)
Tax effect of share of results of jointly controlled entity	–	(455)	–	–	–	(455)
Underprovision in prior years	553	464	–	–	–	1,017
Others	(4,989)	(556)	(219)	601	380	(4,783)
Taxation charge for the year	82,444	–	2,730	614	79	85,867

9. Taxation *(continued)*

	Hong Kong HK$'000	Other regions in the PRC HK$'000	Malaysia HK$'000	Australia HK$'000	Others HK$'000	Total HK$'000
2005						
Profit (loss) before taxation	410,572	16,982	20,318	18,195	(19,582)	446,485
Applicable income tax rate	17.5%	33%	28%	30%		
Tax at the applicable income tax rate	71,850	5,604	5,689	5,459	(7,362)	81,240
Tax effect of expenses not deductible for tax purpose	28,823	12,510	(526)	6,171	10,513	57,491
Tax effect of income not taxable for tax purpose	(64,627)	(10,993)	(2,960)	(7,072)	(3,236)	(88,888)
Tax effect of tax losses not recognised	7,756	328	–	–	25	8,109
Utilisation of tax losses not previously recognised	(7,864)	(6,556)	(3,203)	(3,413)	–	(21,036)
Tax effect of share of results of associates	(2,127)	–	–	–	–	(2,127)
Under(over)provision in prior year	2,818	–	(179)	–	48	2,687
Effect of difference tax rates of subsidiaries operating in other jurisdictions	–	–	–	(448)	–	(448)
Others	(506)	(893)	1,004	55	126	(214)
Taxation charge (credit) for the year	36,123	–	(175)	752	114	36,814

Details of the deferred taxation are set out in note 44.

10. Profit for the year

	2006 HK$'000	2005 HK$'000 (Restated)
Profit for the year has been arrived at after charging:		
Amortisation of investment in a jointly controlled entity	2,904	2,904
Amortisation of prepaid lease payments	5,223	2,009
Allowance for amount due from an associate	–	16,000
Allowance for bad and doubtful debts	5,009	17,084
Allowance for loans receivable	11,004	–
Auditors' remuneration	2,850	2,071
Cost of completed properties for sale recognised as an expense	258,856	292,418
Cost of inventories recognised as an expense	14,659	21,285
Depreciation:		
Owned assets	20,768	11,418
Assets held under finance leases	219	252
Directors' remuneration and other staff costs	57,102	40,930
Operating lease rentals in respect of motor vehicles	–	18
Share of taxation of associates (included in share of results of associates)	1,431	4,240
and after crediting:		
Dividend income from listed investments	2,304	1,262
Interest income	64,772	63,007
Net foreign exchange gains	484	7,378
Rental income, net of outgoings of HK$10,342,000 (2005: HK$19,685,000)	36,019	40,488

11. Directors' and Five Highest Paid Employees' Remuneration

The emoluments paid or payable to each of the directors of the Company were as follows:

For the year ended 31st March, 2006

	Deacon Te Ken Chiu HK$'000	David Chiu HK$'000	Craig Grenfell Williams HK$'000	Dennis Chiu HK$'000	Ching Lan Ju Chiu HK$'000	Dick Tat Sang Chiu HK$'000	Daniel Tat Jung Chiu HK$'000	David Kwok Kwei Lo HK$'000	Jian Yin Jiang HK$'000	Kwok Wai Chan HK$'000	Kee Leong Chee HK$'000	Total HK$'000
Fees	25	25	25	25	25	25	25	38	25	22	10	270
Other emoluments												
Salaries and other benefits	1,788	2,280	1,437	594	510	–	–	–	–	–	–	6,609
Contributions to retirement benefits schemes	–	12	–	–	–	–	–	–	–	–	–	12
Total emoluments	1,813	2,317	1,462	619	535	25	25	38	25	22	10	6,891

For the year ended 31st March, 2005

	Deacon Te Ken Chiu HK$'000	David Chiu HK$'000	Craig Grenfell Williams HK$'000	Dennis Chiu HK$'000	Ching Lan Ju Chiu HK$'000	Dick Tat Sang Chiu HK$'000	Daniel Tat Jung Chiu HK$'000	David Kwok Kwei Lo HK$'000	Jian Yin Jiang HK$'000	Kee Leong Chee HK$'000	Total HK$'000
Fees	25	25	25	25	25	25	25	25	17	25	242
Other emoluments											
Salaries and other benefits	2,040	2,280	1,220	–	500	–	–	–	–	–	6,040
Contributions to retirement benefits scheme	–	12	–	–	5	–	–	–	–	–	17
Total emoluments	2,065	2,317	1,245	25	530	25	25	25	17	25	6,299

No directors waived any emoluments in the year ended 31st March, 2006 and 2005.

Notes:

(a) Mr. Kwok Wai Chan was appointed as a director of the Company on 18th November, 2005.

(b) Datuk Kee Leong Chee retired as a director of the Company on 19th August, 2005.

11. Directors' and Five Highest Paid Employees' remuneration *(continued)*

Of the five individuals with the highest emoluments in the Group, three (2005: three) were directors whose emoluments are included in the disclosures above. The remuneration of the remaining two (2005: two) individuals were as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	1,526	1,548
Contributions to retirement benefits scheme	24	23
	1,550	1,571

The remuneration of each of the remaining two individuals were less than HK$1,000,000.

During the years ended 31st March, 2006 and 2005, no emolument was paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Dividends

	2006 HK$'000	2005 HK$'000
Interim, paid – HK3 cents		
(2005: HK3 cents) per share:		
Cash	18,418	23,112
Share alternative under scrip dividend scheme	24,508	18,654
	42,926	41,766
Final, paid for 2005 – HK5 cents		
(Final, paid for 2004: HK3 cents) per share:		
Cash	40,442	13,849
Share alternative under scrip dividend scheme	30,487	21,204
	70,929	35,053
	113,855	76,819

The final dividend in respect of 2006 of HK6 cents (2005: HK5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2006 HK$'000	2005 HK$'000 (Restated)
Earnings:		
Earnings for the purpose of basic earnings per shares	335,124	404,562
Effect of dilutive potential ordinary shares		
– amortisation of deferred expenditure on convertible bonds	–	2,322
– premium on redemption of convertible bonds	–	3,679
Effect of increase in fair value of financial liabilities at fair value through profit or loss	113,160	–
Earnings for the purpose of diluted earnings per share	448,284	410,563

13. Earnings Per Share *(continued)*

	Number of shares '000	Number of shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,419,558	1,251,268
Effect of dilutive potential ordinary shares		
– convertible bonds	201,312	66,815
– share options	11,894	7,103
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,632,764	1,325,186

Impact of changes in accounting policies

Changes in Group's accounting policies during the year are described in detail in note 2. To the extent that changes have had an impact on results reported for 2006 and 2005, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006 HK cents	2005 HK cents	2006 HK cents	2005 HK cents
Figures before changes in accounting policies	35.5	32.0	31.4	30.7
Effect on changes in accounting policies (note 2A)	(11.9)	0.3	(3.9)	0.3
Figures after changes in accounting policies	23.6	32.3	27.5	31.0

14. Investment Properties

	HK$'000
FAIR VALUE	
At 1st April, 2004	1,064,481
Exchange adjustments	2,744
Acquired on acquisition of subsidiaries	239,875
Additions	2,015
Disposals	(280,237)
Transfer to property, plant and equipment	(394,875)
Increase in fair value recognised in the consolidated income statement	166,952
At 31st March, 2005	800,955
Exchange adjustments	3,779
Disposals	(10,689)
Transfer from hotel properties under development (note 15)	88,642
Increase in fair value recognised in the consolidated income statement	414,740
At 31st March, 2006	1,297,427

The carrying amount of investment properties comprises:

	2006 HK$'000	2005 HK$'000
Land in Hong Kong:		
Long lease	205,270	165,650
Medium-term lease	814,746	362,831
Land outside Hong Kong:		
Freehold	40,786	40,940
Long lease	236,625	231,534
	1,297,427	800,955

The fair value of the investment properties in Hong Kong, Malaysia and Singapore at 31st March, 2006 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, Raine & Horne International Zaki + Partners Sdn. Bhd., and Jones LaSalle Property Consultants Pte. Limited, independent qualified professional valuers not connected with the Group, respectively. DTZ Debenham Tie Leung Limited, Raine & Horne International Zaki + Partners Sdn. Bhd., and Jones LaSalle Property Consultants Pte. Limited are members of the Hong Kong Institute of Surveyors ("HKIS") and Royal Institution of Chartered Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

15. Property, Plant and Equipment

	Freehold land HK$'000	Buildings HK$'000	Buildings under development HK$'000	Hotel properties HK$'000	Hotel properties under development HK$'000	Others HK$'000	Total HK$'000
COST							
At 1st April, 2004							
As originally stated	125,596	88,138	4,128	985,625	17,944	57,070	1,278,501
Effect of changes in accounting policies	–	(16,109)	–	(558,766)	–	–	(574,875)
As restated	125,596	72,029	4,128	426,859	17,944	57,070	703,626
Exchange adjustments	–	(706)	–	(1,601)	–	(227)	(2,534)
Additions	–	99	1,976	76,946	52,266	7,686	138,973
Transfer from investment properties	–	–	–	117,958	276,918	–	394,876
Transfer from properties under development	–	–	–	74,712	–	–	74,712
Disposals	–	–	–	(110,483)	–	(3,971)	(114,454)
At 31st March, 2005	125,596	71,422	6,104	584,391	347,128	60,558	1,195,199
Exchange adjustments	–	2,117	–	1,042	–	692	3,851
Additions	–	–	12,977	42,669	98,500	14,812	168,958
Transfer to investment properties	–	–	–	–	(79,881)	–	(79,881)
Reclassification	–	–	–	259,770	(259,770)	–	–
Disposals	–	(303)	–	–	–	(818)	(1,121)
At 31st March, 2006	125,596	73,236	19,081	887,872	105,977	75,244	1,287,006
DEPRECIATION AND IMPAIRMENT LOSS							
At 1st April, 2004							
As originally stated	–	8,530	–	–	–	40,515	49,045
Effect of changes in accounting policies	–	(1,684)	–	–	–	–	(1,684)
As restated	–	6,846	–	–	–	40,515	47,361
Exchange adjustments	–	(133)	–	–	–	(446)	(579)
Provided for the year	–	3,812	–	3,933	–	3,925	11,670
Eliminated on disposals	–	–	–	–	–	(3,391)	(3,391)
At 31st March, 2005	–	10,525	–	3,933	–	40,603	55,061
Exchange adjustments	–	435	–	358	–	537	1,330
Provided for the year	–	3,162	–	13,280	–	4,545	20,987
Eliminated on disposals	–	(58)	–	–	–	(818)	(876)
At 31st March, 2006	–	14,064	–	17,571	–	44,867	76,502
CARRYING VALUES							
At 31st March, 2006	125,596	59,172	19,081	870,301	105,977	30,377	1,210,504
At 31st March, 2005	125,596	60,897	6,104	580,458	347,128	19,955	1,140,138

15. Property, Plant and Equipment *(continued)*

During the year, hotel properties under development with carrying amounts of HK$88,642,000 were transferred to investment properties at fair value. The resulting revaluation increase at the date of transfer amounting to HK$8,761,000 has been credited to the assets revaluation reserve.

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

Buildings on land held under:	
Long lease	2%
Freehold	2%
Medium-term lease	Shorter of lease terms or 50 years
Other assets	10% – 20%

No depreciation is provided in respect of freehold land.

Included in hotel properties under development is interest capitalised of HK$2,014,000 (2005: HK$4,750,000)

The Group's property interests shown above comprises:

	2006 HK$'000	2005 HK$'000
Land in Hong Kong:		
Long lease	13,843	13,885
Medium-term lease	834,358	788,243
Land outside Hong Kong:		
Freehold	274,686	274,585
Medium-term lease	57,240	43,470
	1,180,127	1,120,183

Included in the carrying value of others is an amount of HK$653,000 (2005: HK$871,000) in respect of assets held under finance leases.

16. Prepaid Lease Payments

	2006 HK$'000	2005 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	370,933	294,182
Leasehold land outside Hong Kong:		
Medium-term lease	12,271	13,244
	383,204	307,426
Analysed for reporting purposes as:		
Current asset	8,239	7,468
Non-current asset	374,965	299,958
	383,204	307,426

17. Negative Goodwill

	HK$'000
GROSS AMOUNT	
At 1st April, 2004 and 31st March, 2005	38,467
RELEASED TO INCOME	
At 1st April, 2004	7,693
Released for the year	7,693
At 31st March, 2005	15,386
At 31st March, 2005	23,081
Derecognition upon the application of HKFRS 3	(23,081)
At 31st March, 2006	–

As explained in note 2, all negative goodwill arising on acquisition prior to 1st January, 2005 was derecognised as a result of the application of HKFRS 3.

18. Interests in Associates

	2006 HK$'000	2005 HK$'000
Unlisted investments, at cost	86,761	86,761
Share of post-acquisition reserves, net of dividends received	54,933	57,525
	141,694	144,286

Details of the Group's principal associates at 31st March, 2006 are set out in note 55.

Included in the cost of investments in associates is goodwill of HK$10,601,000 (2005: HK$10,601,000) arising on acquisitions of associates in prior years. The movement of the goodwill on acquisition of associates is set out below:

	HK$'000
COST	
At 1st April, 2004 and 31st March, 2005	11,765
Elimination of accumulated amortisation upon the application of HKFRS 3 (note 2A)	(1,164)
At 31st March, 2006	10,601
AMORTISATION	
At 1st April, 2004	582
Charge for the year	582
At 31st March, 2005	1,164
Elimination of accumulated amortisation upon the application of HKFRS 3 (note 2A)	(1,164)
At 31st March, 2006	–
CARRYING VALUE	
At 31st March, 2006	10,601
At 31st March, 2005	10,601

18. Interests in Associates *(continued)*

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

	2006 HK$'000	2005 HK$'000
Total assets	961,860	943,588
Total liabilities	(646,525)	(623,025)
	315,335	320,563
Group's share of net assets	131,093	133,685
Revenue	347,935	349,095
Profit for the year	34,759	91,966
Group's share of results of associates for the year	6,818	12,154

The results of Gold Coin (Hong Kong) Limited ("GCL") and Guangdong XinShiDai Real Estate Limited ("XSDREL") incorporated into the Group's financial statements are derived from their financial statements made up to 31st December, 2005. This was the financial reporting date established when the associates were incorporated, and the directors of the associates do not consider any change to their current financial reporting date. For the purpose of applying equity method of accounting, the financial statements of GCL and XSDREL for the year ended 31st December, 2005 have been used as the directors of the Company consider there is no adjustment required to be made as there have not been any material transactions between that date to 31st March, 2006.

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of associates, both for the year and cumulatively, are as follows:

	2006 HK$'000	2005 HK$'000
Unrecognised share of losses of associates for the year	24	136
Accumulated unrecognised share of losses of associates	50,101	50,077

19. Interests in Jointly Controlled Entities

	2006 HK$'000	2005 HK$'000
Unlisted investments, at cost	45,064	47,968
Share of post-acquisition reserves net of dividends received	29,553	25,270
	74,617	73,238

Details of the Group's jointly controlled entities at 31st March, 2006 are as follows:

Name of entity	Country of registration and operations	Proportion of nominal value of registered/ordinary share capital held by the Group (Note)	Principal activities
商丘永遠公路有限公司 Shangqiu Yongyuan Development Company Limited	PRC	68%	Construction and operation of highway
Dorvic Hotel F & B Limited	Hong Kong	60%	Restaurant operations

Note: Under the respective joint venture agreements, the above entities are jointly controlled by the Group with other shareholders. Accordingly, these two entities are classified as jointly controlled entities.

19. Interests in Jointly Controlled Entities *(continued)*

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	2006 HK$'000	2005 HK$'000
Total assets	134,604	131,094
Total liabilities	(6,151)	(6,779)
Group's share of net assets	128,453	124,315
Revenue	8,206	11,705
Expenses	(3,168)	(9,220)
Profit for the year	5,038	2,485
Group's share of results of jointly controlled entities for the year	4,283	2,112

Note: Under a joint venture agreement, the Group is required to make 68% of total capital contribution in Shangqiu Yongyuan Development Company Limited, an equity joint venture company in the PRC established for the construction and operation of highway, for a term of 21 years commencing from 31st July, 1997. Upon the completion of the construction work, the Group is entitled to 85% of the profits earned until it has recovered dividends to an amount equivalent to all its contributions. Thereafter, the Group is entitled to 25% of the profits whereas the PRC joint venture partner is entitled to the remaining 75% until it has effectively recovered dividends equivalent to all its contributions for the agreed valuation of the relevant highway. The Group's entitlement to a share of profits is then in proportion to its contribution. At the end of the 21 years, the joint venture will be dissolved and the Group's interest in the joint venture will be surrendered to the PRC party for no consideration. Therefore, the investment cost of the interest in the jointly controlled entity of HK$2,904,000 (2005: HK$2,904,000) is amortised over 21 years under the joint venture agreement and the Group's share of profit of the joint venture project during the year is being HK$4,282,530 (2005: HK$2,112,000).

20. INVESTMENTS IN SECURITIES

Investments in securities as at 31st March, 2005 are set out below. Upon the application of HKAS 39 on 1st April, 2005, investments in securities were reclassified to appropriate categories under HKAS 39 (see note 2A for details).

	Trading securities HK$'000	Other securities HK$'000	Total HK$'000
Equity securities:			
Listed – Hong Kong	13,784	64,819	78,603
Listed – Overseas	7,256	102,403	109,659
Unlisted	–	69,549	69,549
	21,040	236,771	257,811
Debt securities:			
Unlisted	–	83,094	83,094
Equity-linked notes:			
Unlisted	–	340,836	340,836
Quoted fund:			
Unlisted	–	217,558	217,558
	21,040	878,259	899,299
Market value of listed securities	21,040	167,222	188,262
Carrying amount analysed for reporting purposes as:			
Non-current	–	452,805	452,805
Current	21,040	425,454	446,494
	21,040	878,259	899,299

21. Investments Held for Trading

The amounts represent equity securities listed in Hong Kong held by the Group and measured at fair value at 31st March, 2006.

22. Available-for-sale Investments

Available-for-sale investments as at 31st March, 2006 comprise:

	HK$'000
Listed equity investments:	
In Hong Kong	164,947
Overseas	304,782
	469,729
Unlisted investments:	
Equity securities (Note)	69,194
Debt securities with fixed interest rates	93,400
Quoted fund	70,046
	232,640
	702,369
Analysed for reporting purposes as:	
Non-current assets	598,758
Current assets	103,611
	702,369

All available-for-sale investments are stated at fair value, except that the unlisted equity securities are measured at cost as the directors are of the opinion that their fair value cannot be measured reliably.

Note: The amount represents an 5% equity investment in the contributed capital of Hudson Waterfront Associates, L. P. ("Hudson"), a limited partnership established in the USA. Hudson is an investment vehicle principally engaged in the property development and investment in the New York City, USA.

23. Financial Assets at Fair Value through Profit or Loss

The amount represents unlisted equity-linked notes held by the Group measured at fair value as at 31st March, 2006.

24. Amounts due from Associates

	2006 HK$'000	2005 HK$'000
Unsecured and interest free advances to associates, net of allowance	132,996	132,218
Less: Amount due within one year shown as current assets	(3,437)	(3,040)
Amount due after one year	129,559	129,178

In the opinion of the directors, the carrying amounts due from associates approximate their fair value.

25. Amounts due from an Investee Company and a Minority Shareholder

The amounts are unsecured and interest free. No repayment will be demanded within next twelve months from the balance sheet date and, accordingly, the amounts are shown as non-current.

In the opinion of the directors, the carrying amounts due to investee company and minority shareholder approximate their fair value.

26. Loans Receivable

	2006 HK$'000	2005 HK$'000
Secured loans receivable bear interest at commercial rates	420,936	366,743
Less: Amount due within one year shown as current assets	(3,679)	(2,576)
Amount due after one year	417,257	364,167

The loans receivables are secured by certain properties of the borrowers. The effective interest rate for both years on the Group's loans receivable is 14.38% (2005: 12.88%) except for the loans receivable amounting to HK$12,192,000 (2005: HK$28,177,000) which bear interest at 7.63% (2005: 5.88%). In the opinion of the directors, the carrying amount of loans receivable approximates its fair value.

27. Inventories

	2006 HK$'000	2005 HK$'000
Raw materials	392	345
Work in progress	612	346
Finished goods	577	203
	1,581	894

28. Property under Development for Sale

Included in property under development for sales as at 31st March, 2006 is carrying value of HK$876,264,000 (2005: HK$254,453,000) which represents the carrying value of the properties expected to be completed and available for sale after more than twelve months from the balance sheet date.

29. Derivative Financial Instruments

The amount represents call/put options on overseas listed equity securities held by the Group measured at fair value at 31st March, 2006.

30. Debtors, Deposits and Prepayments

The debtors, deposits and prepayments include trade debtors of HK$26,624,000 (2005: HK$43,300,000). The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade debtors at the balance sheet dates:

	2006 HK$'000	2005 HK$'000
0 – 60 days	24,094	34,236
61 – 90 days	931	287
Over 90 days	1,599	8,777
	26,624	43,300

Included in debtors, deposits and prepayments is amount due from a minority shareholder of HK$41,658,000 (2005: HK$45,877,000) which is unsecured, interest free and repayable on demand.

In the opinion of the directors, the carrying amount of debtors approximates its fair value.

31. Amount due from a Jointly Controlled Entity

The amount is unsecured, interest free and repayable on demand.

32. Pledged Bank Deposits, Deposits with Investment Banks and Bank Balances and Cash

Pledged bank deposits at 31st March, 2006 comprised time deposits of HK$2,765,000 (2005: HK$3,000,000) carried at fixed interest rate ranging from 0.7% to 4.49% (2005: 0.05% to 2.46%). Deposits with investment banks at 31st March, 2006 comprised time deposits of HK$31,000,000 (2005: HK$106,143,000) carried fixed interest rate ranging from of 2.83% to 8.6% (2005: 6% to 6.75%).

Bank balances and cash at 31st March, 2006 comprised time deposits of HK$96,635,000 (2005: HK$158,119,000) carried fixed average interest rate of 1.35% to 4.58% (2005: 1.23% to 2.29%) and other deposits of HK$17,946,000 (2005: HK$203,506,000) carried at average market interest rate of 0.3% (2005: 0.1%).

In the opinion of the directors, the carrying amounts of pledged bank deposits with investment banks and bank balances and cash approximate their fair value.

33. Creditors and Accruals

The creditors and accruals include trade creditors of HK$109,911,000 (2005: HK$76,931,000).

The following is an aged analysis of trade creditors at the balance sheet dates:

	2006 HK$'000	2005 HK$'000
0 – 60 days	87,724	52,344
61 – 90 days	995	867
Over 90 days	21,192	23,720
	109,911	76,931

In the opinion of the directors, the carrying amount of creditors approximates its fair value.

34. Amounts due to Directors

The amounts are unsecured, interest free except for an amount of HK$7,797,000 (2005: HK$7,797,000) which carries interest at 5% (2005: 5%) per annum and repayable on demand.

35. Amounts due to Related Companies

The amounts are unsecured, interest free and repayable on demand. Certain directors have beneficial interest in these companies.

In the opinion of the directors, the carrying amounts due to related companies approximate their fair value.

36. Amounts due to Associates and Minority Shareholders

The amounts are unsecured, interest free and repayable on demand.

In the opinion of the directors, the carrying amounts due to associates and minority shareholders approximate their fair value.

37. Financial Liabilities at Fair Value through Profit or Loss

The amount represents two convertible bonds denominated in United States dollars and Hong Kong dollars respectively as at 31st March, 2006.

Convertible bonds denominated in United States dollars

In April 2004, the Company issued zero coupon convertible bonds with a principal amount of US$66,989,000 (the "US$ Bonds"). The holders of the US$ Bonds are entitled to convert the convertible bonds into ordinary shares of the Company at an initial conversion price of HK$2.25 (subsequently adjusted to HK$2.13) per share during the period from 13th May, 2004 to 14th March, 2009, or to require the Company to redeem all or some of the US$ Bonds on 13th April, 2006 at 102.01% of their principal amount. The Company may redeem all but not some of the US$ Bonds, on or at any time after 13th April, 2006 and prior to 13th April, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the US$ Bonds will be redeemed at 105.10% of their principal amount on 13th April, 2009. The US$ Bonds are listed on the Stock Exchange. Details of the issue of the Bonds were disclosed in the Company's circular dated 6th April, 2004.

During the year, an aggregate principal amount of US$1,900,000 (2005: US$63,839,000) (equivalent to approximately HK$14,805,000 (2005: HK$497,453,000)) of the convertible bonds were converted into ordinary shares of the Company.

Convertible bonds denominated in Hong Kong dollars

In December 2004, the Company issued zero coupon convertible bonds with a principal amount of HK$754,000,000 (the "HK$ Bonds"). The holders of the HK$ Bonds are entitled to convert the convertible bonds into ordinary shares of the Company at an initial conversion price of HK$4.10 (subsequently adjusted to HK$3.16) per share, during the period from 11th January, 2005 to 10th November, 2009, or to require the Company to redeem all or some of the HK$ Bonds on 10th December, 2006 at 104.58% of their principal amount. The Company may redeem all but not some of the HK$ Bonds on or at any time after 10th June, 2005 and prior to 10th December, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the HK$ Bonds will be redeemed at 111.84% of their principal amount of 10th December, 2009. The HK$ Bonds are listed on the Stock Exchange. Details of the issue of the Bonds were disclosed in the Company's circular dated 10th November, 2004.

During the two years ended 31st March, 2006, no conversion rights were exercised by the holders of the HK$ Bonds.

38. Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Amounts payable under finance leases:				
Within one year	374	295	352	268
In the second to fifth year inclusive	735	499	716	458
	1,109	794	1,068	726
Less: Future finance charges	(41)	(68)	–	–
Present value of lease obligations	1,068	726	1,068	726
Less: Amount due within one year shown under current liabilities			(352)	(268)
Amount due after one year			716	458

It is the Group's policy to lease certain of its motor vehicles, fixtures and equipment under finance leases. The average lease terms is range from 2 to 3 years. The average effective borrowing rates is range from 5% to 8% per annum during the year. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's financial lease obligations, determined based on the present value of the estimated future cash flow discounted using the prevailing market rate at the balance sheet date approximates to their carrying amount.

39. Bank and Other Borrowings

	2006 HK$'000	2005 HK$'000
The borrowings comprise:		
Bank loans	1,622,087	1,487,272
Mortgage loans	348,440	142,348
Other loans	11,478	59,000
	1,982,005	1,688,620
Analysed as:		
Secured	1,970,527	1,602,454
Unsecured	11,478	86,166
	1,982,005	1,688,620

The Group's bank borrowings are principally on a floating rate basis which carry interest at prevailing market rates. The range of effective interest rates for the year on the Group's bank borrowings are 2.75% to 7% (2005: 1% to 4.9%).

The other loans are unsecured and bear fixed interest at 5% (2005: 5%) per annum.

	2006 HK$'000	2005 HK$'000
The above borrowings are repayable as follows:		
On demand or within one year	999,925	612,102
More than one year, but not exceeding two years	189,767	197,337
More than two years, but not exceeding three years	97,424	273,209
More than three years, but not exceeding four years	170,824	100,609
More than four years, but not exceeding five years	288,577	140,359
More than five years	235,488	365,004
	1,982,005	1,688,620
Less: Amount due within one year shown under current liabilities	(999,925)	(612,102)
Amount due after one year	982,080	1,076,518

In the opinion of the directors, the carrying amount of bank and other borrowings approximates its fair value.

40. Share Capital

	Number of shares		Share capital	
	2006	2005	2006	2005
			HK$'000	HK$'000
Ordinary shares of HK$0.1 each				
Authorised:				
At beginning of year	2,000,000,000	1,500,000,000	200,000	150,000
Increase on 12th October, 2004	–	500,000,000	–	50,000
At end of year	2,000,000,000	2,000,000,000	200,000	200,000
Issued and fully paid:				
At beginning of year	1,414,262,017	1,168,457,601	141,426	116,846
Issued pursuant to scrip dividend schemes	18,064,519	19,165,231	1,806	1,916
Issued upon conversion of convertible bonds	6,791,453	226,139,185	679	22,614
Issued upon exercise of share options	1,970,000	500,000	197	50
At end of year	1,441,087,989	1,414,262,017	144,108	141,426

Changes in the issued share capital of the Company during the year are as follows:

(a) On 14th September, 2005 and 6th March, 2006, the Company issued and allotted a total of 9,153,769 and 8,910,750 shares of HK$0.10 each in the Company at HK$3.33 and HK$2.75 per share (2005: 12,864,461 and 6,300,770 shares of HK$0.10 each in the Company at HK$1.648 and HK$2.96 per share) to the shareholders who elected to receive shares in the Company for the 2005 final dividends and 2006 interim dividends pursuant to the scrip dividend scheme announced by the Company on 30th September, 2004 and 21st February, 2005, respectively.

(b) During the year, the Company issued and allotted a total of 6,791,453 shares of HK$0.10 each in the Company upon the conversion of convertible bonds as referred to in note 37.

(c) During the year, 1,970,000 shares of HK$0.10 each in the Company were issued upon the exercise of share options at a subscription price of HK$2.075 per share.

All the shares issued during the two years ended 31st March, 2006 rank pari passu in all respects with the existing shares.

During the year, neither of the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

41. Share Option Scheme

The Company's share option scheme was adopted pursuant to a resolution passed on 28th August, 2002 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees or executive or officers of the Company or any of its subsidiaries (including executive and non-executive directors) and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31st March, 2006, the number of shares in respect of which remained outstanding under the Share Option Scheme was 28,030,000 (2005: 30,000,000), representing 1.95% (2005: 2.12%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted will be taken up upon payment of HK$1 per option. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

41. Share Option Scheme *(continued)*

Details of the share options, which were granted and vested on 21st October, 2004 with exercise price of HK$2.075 per share, and movements of such holdings during the year are as follows:

Category of grantee	Number of options: At 1.4.2004	Granted	Exercised	At 31.3.2005	Exercised during the year	At 31.3.2006	Exercise period
Senior management							
Denny Chi Hing Chan	–	1,200,000	–	1,200,000	(600,000)	600,000	01.11.2004 – 31.12.2010
	–	1,400,000	–	1,400,000	–	1,400,000	01.01.2006 – 31.12.2010
	–	1,600,000	–	1,600,000	–	1,600,000	01.01.2007 – 31.12.2010
	–	1,800,000	–	1,800,000	–	1,800,000	01.01.2008 – 31.12.2010
	–	2,000,000	–	2,000,000	–	2,000,000	01.01.2009 – 31.12.2010
	–	8,000,000	–	8,000,000	(600,000)	7,400,000	
Bill Kwai Pui Mok	–	1,200,000	–	1,200,000	–	1,200,000	01.04.2005 – 31.12.2010
	–	1,400,000	–	1,400,000	–	1,400,000	01.01.2006 – 31.12.2010
	–	1,600,000	–	1,600,000	–	1,600,000	01.01.2007 – 31.12.2010
	–	1,800,000	–	1,800,000	–	1,800,000	01.01.2008 – 31.12.2010
	–	2,000,000	–	2,000,000	–	2,000,000	01.01.2009 – 31.12.2010
	–	8,000,000	–	8,000,000	–	8,000,000	
Other employees in aggregate	–	1,650,000	(500,000)	1,150,000	(650,000)	500,000	01.11.2004 – 31.12.2010
	–	100,000	–	100,000	(100,000)	–	01.01.2005 – 31.12.2010
	–	2,325,000	–	2,325,000	(620,000)	1,705,000	01.01.2006 – 31.12.2010
	–	2,975,000	–	2,975,000	–	2,975,000	01.01.2007 – 31.12.2010
	–	3,475,000	–	3,475,000	–	3,475,000	01.01.2008 – 31.12.2010
	–	3,975,000	–	3,975,000	–	3,975,000	01.01.2009 – 31.12.2010
	–	14,500,000	(500,000)	14,000,000	(1,370,000)	12,630,000	
	–	30,500,000	(500,000)	30,000,000	(1,970,000)	28,030,000	

Total consideration received by the Group during the year for taking up the options granted amounted to approximately HK$4,088,000 (2005: HK$1,037,000).

The weighted average closing price of the Company's shares immediately before the date(s) on which the options were exercised is HK$3.24.

42. Convertible Bonds

	2006 HK$'000	2005 HK$'000
Convertible bonds denominated in:		
– Hong Kong dollars (note)	–	740,754
– United States dollars (note)	–	24,380
	–	765,134

Note: Pursuant to the application of HKAS 39, two convertible bonds denominated in United States dollars and Hong Kong dollars respectively were designated as financial liabilities at fair value through profit or loss as referred to in note 37 since 1st April, 2005.

43. Amounts due to a Minority Shareholder and a Jointly Controlled Entity

The amounts are unsecured and interest free, except for an amount of HK$35,240,000 (2005: HK$35,964,000) due to a minority shareholder which bears interest at 7.05% (2005: 6.55%) and matures in November 2013. The minority shareholder and jointly controlled entity have confirmed that the amounts will not be demanded for repayment within next twelve months from the balance sheet date and, accordingly, the amounts are shown as non-current. In the opinion of the directors, the carrying amounts due to minority shareholder and jointly controlled entity approximate their fair value.

44. Deferred Taxation

The major deferred tax (assets) liabilities recognised by the Group and movements thereon during the current and prior years are as follows:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1st April, 2004, as originally stated	11,264	117,432	(27,718)	100,978
Effects of changes in accounting policies (Note 2A)	–	(80,136)	–	(80,136)
At 1st April, 2004, as restated	11,264	37,296	(27,718)	20,842
Charge (credit) to income statement for the year	27,412	20,766	(18,873)	29,305
At 31st March, 2005	38,676	58,062	(46,591)	50,147
Charge (credit) to income statement for the year	3,108	71,091	(1,484)	72,715
Charge to equity for the year	–	1,533	–	1,533
At 31st March, 2006	41,784	130,686	(48,075)	124,395

44. Deferred Taxation *(continued)*

At 31st March, 2006, the Group has unused tax losses of HK$336,677,000 (2005: HK$306,501,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$235,462,000 (2005: HK$224,351,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

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$67,345,000 (2005: HK$65,596,000). 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.

The Company did not have any significant unprovided deferred taxation arising in the year or at the balance sheet date.

45. Jointly Controlled Assets

The Group has entered into a joint venture agreement in the form of a jointly controlled asset to develop a multi-storey building. The Group has a 50% interest in the joint venture.

At the balance sheet date, the aggregate amounts of assets and liabilities recognised in the financial statements in relation to interests in jointly controlled assets are as follows:

	2006 HK$'000	2005 HK$'000
Properties under development for sale	986	38,138
Debtors, deposits and prepayments	27	1,325
Bank balances	5,974	1,377
Creditors and accruals	(22)	(232)
	6,965	40,608

46. Acquisition of Subsidiaries

In February 2005, the Group acquired 100% of the issued capital of, and shareholders' loans to, Caragis Limited, Vicsley Limited, and Grand Expert Limited, respectively, for an aggregate cash consideration of HK$239,844,000.

	2005 HK$'000
The net assets of the subsidiaries at the date of acquisition were as follows:	
Net asset acquired:	
Investment properties	239,875
Debtors, deposits and prepayments	767
Creditors and accruals	(798)
Bank loans	(89,122)
Shareholders' loans	(201,294)
	(50,572)
Assignment of shareholders' loans and bank loans	290,416
	239,844
Satisfied by:	
Cash consideration	239,844
Net cash outflow arising on acquisition:	
Cash consideration	(239,844)
	(239,844)

The subsidiaries acquired in prior year do not have any material impact on the Group's results for the prior year.

47. Major Non-cash Transactions

During the year, the Group entered into finance lease arrangements in respect of asset with a total capital value at the inception of the leases of HK$610,000 (2005: HK$1,088,000).

As referred to in note 40, the Company issued shares for 2005 final dividends and 2006 interim dividends pursuant to scrip dividend scheme totalling HK$54,996,000 (2005: HK$39,858,000).

As referred to in note 37, an aggregate principal amount of HK$14,805,000 (2005: HK$497,453,000) of the US$ Bonds were converted into ordinary shares of the Company.

48. Pledge of Assets

At the balance sheet date, the Group had pledged the following assets:

(a) The Group's properties, bank deposits and investments held for trading with an aggregate carrying amount of approximately HK$3,399,431,000 (2005: HK$2,074,641,000), HK$55,102,000 (2005: HK$3,901,000) and HK$1,576,000 (2005: HK$1,556,000) respectively, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and properties of associates and third parties were pledged to the Group's bankers and loan creditors to secure banking and loan facilities granted to the Group and an associate to the extent of approximately HK$2,822,947,000 (2005: HK$2,572,480,000) and HK$5,000,000 (2005: HK$5,000,000), respectively.

The Group's bank deposits of approximately HK$2,765,000 (2005: HK$3,000,000) were pledged to a Group's banker to secure a guarantee given by the banker in favour of subsidiary of the Company.

(b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments, other financial assets and deposits with an aggregate carrying amount of approximately HK$414,182,000 (2005: HK$237,746,000) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK$645,095,000 (2005: HK$37,613,000), of which HK$54,427,000 (2005: HK$32,449,000) were utilised.

(c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.

(d) The Group has subordinated its amount due from an investee company of approximately HK$119,995,000 (2005: HK$119,995,000) to a financial institution to secure general credit facility granted to the investee company.

49. Capital Commitments

	2006 HK$'000	2005 HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Properties under development	475,256	1,064,600
Hotel properties	2,781	36,190
	478,037	1,100,790
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties under development	–	–
Hotel properties	8,400	–
	8,400	–
	486,437	1,100,790

50. Operating Lease Arrangements

The Group as lessor:

At the balance sheet date, investment properties and completed properties for sale with carrying amount of HK$1,111,016,000 (2005: HK$800,955,000) and HK$95,503,000 (2005: HK$11,765,000) respectively were let out under operating leases.

Gross rental income earned during the year is HK$46,361,000 (2005: HK$60,173,000), of which HK$38,176,000 (2005: HK$53,196,000) was derived from letting of investment properties. The property held has committed tenants for the next one to three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2006 HK$'000	2005 HK$'000
Within one year	28,564	38,852
In the second to fifth years inclusive	14,869	49,506
Over five years	–	2,968
	43,433	91,326

Leases are negotiated and rentals are fixed for terms ranging from two to three years.

50. Operating Lease Arrangements *(continued)*

The Group as lessee:

Minimum lease payments paid under operating leases during the year are:

	2006 HK$'000	2005 HK$'000
Premises	6,754	5,078
Motor vehicles	–	18
	6,754	5,096

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

	2006 HK$'000	2005 HK$'000
Premises		
– within one year	5,921	859
– in the second to fifth years inclusive	9,545	450
	15,466	1,309
Motor vehicles:		
– within one year	–	18
	15,466	1,327

Leases are negotiated for an average term of two years and rentals are fixed over the period.

51. Contingent Liabilities

The Group had the following contingent liabilities at the balance sheet date:

(a) The Group has given guarantee to bankers to secure banking and other facilities made available to an investee company of HK$154,322,000 (2005: HK$102,536,000).

(b) The Group has given a guarantee in respect of mortgage loans provided to the home buyers of a property project in the PRC. At 31st March, 2006, the total amount of mortgages outstanding which are subject to these guarantees was HK$2,769,000 (2005: HK$115,539,000).

51. Contingent Liabilities *(continued)*

(c) In previous year, a subsidiary of the Company (the "Subsidiary") was sued by two consultants providing management, consulting and advisory service concerning business strategy and corporate finance activities of the Subsidiary. The two consultants entered into a consulting contract with the Subsidiary in 1999 in lieu of cash for service rendered. The two consultants alleges that the Subsidiary fraudulently misrepresented and concealed material facts regarding the proposed investment from them and claim compensation for damages amounting to approximately HK$5,843,000. Moreover, the two consultants also allege that the Subsidiary owes them salaries, payment in lieu of notice for early termination of the contract and the reimbursement for expenses regarding the employment contract as the board of directors of the Subsidiary amounting to approximately HK$5,865,000. A motion of dismiss the claim was filed in the United States court and the claim is still in progress. While the outcome of these proceedings cannot be estimated with certainty at this stage, based on independent legal advice obtained, the directors are of the opinion that the outcome of this case would not have a material adverse impact on the financial position of the Group.

(d) The State Administration of Taxation of the PRC issued a circular as Guo Shui Han [2004] No.938 on 2nd August, 2004 to strengthen the levy of land appreciation tax on property developers. In the opinion of the directors, after consulting its legal adviser and the tax bureau of the relevant city, land appreciation tax will not be levied in respect of properties already completed and full provision for land appreciation tax has not been made in the financial statements. The Group has not, however, been able to secure written confirmation of those individual city policies, and the directors consider that the chance that full land appreciation tax might be levied is less than probable in accordance with the rule of State Administration of Taxation. Should such levies take place, land appreciation tax would be approximately HK$49 million.

52. Related Party Transactions

During the year, the Group entered into the following significant transactions with related parties:

Related party	Nature of transaction	2006 HK$'000	2005 HK$'000
Directors and their associates	Interest expenses	371	371
Associates	Dividend income	9,410	6,577
	Building management fee expenses	3,855	2,699
Jointly controlled entities	Rental income	1,964	–

During the year ended 31st March, 2005, the Group recognised compensation income amounting to approximately HK$28 million from a minority shareholder of a subsidiary for termination of the tenancy of factory building entered into between the Group and the minority shareholder.

These transactions have been entered into on terms agreed by parties concerned.

Details of the balances with related parties as at the balance sheet date are set out in the balance sheet and relevant notes to the financial statements.

52. Related Party Transactions *(continued)*

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006 HK$'000	2005 HK$'000
Short-term benefits	8,941	8,305
Post-employment benefits	48	52
	8,989	8,357

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

53. Retirement Benefits Schemes

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee. The retirement benefits scheme contributions charged to income statement during the year amounted to HK2,353,000 (2005: HK$$2,102,000).

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

54. Particulars of Principal Subsidiaries

	Issued share capital					
Name of direct subsidiary	Number of shares	Par value per share	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities	Place of incorporation/ operation
Far East Consortium (B.V.I.) Limited	50,000	US$1	Ordinary	100	Investment holdings	British Virgin Islands

54. Particulars of Principal Subsidiaries *(continued)*

Name of indirect subsidiary	Issued share capital: Number of Shares	Par value per share/ registered capital	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Accessway Profits Limited	1	US$1	Ordinary	100	Investment holdings
Action Fulfilled Assets Limited	1	US$1	Ordinary	100	Property investment
Amphion Investment Limited	2	HK$1	Ordinary	100	Investment holdings
Annick Investment Limited	2	HK$1	Ordinary	100	Property investment
Arvel Company Limited	10,000	HK$1	Ordinary	100	Property investment
Asia Land Pty Limited	1	A$1	Ordinary	100	Loan financing
Bournemouth Estates Limited	2	HK$10	Ordinary	100	Property development
Bradney Proprietary Limited	2	A$1	Ordinary	100	Investment holdings
Capital Fortune Investment Limited	10,000	HK$1	Ordinary	100	Property investment
Caragis Limited	2	HK$1	Ordinary	100	Hotel investment and operation
Cathay General Inc.	1	Nil	Common	100	Investment holdings and share investment
Charter Joy Limited	2	HK$1	Ordinary	100	Property development
Charter National International Limited	2	HK$1	Ordinary	100	Property development
Cheong Sing Property Development Limited	500	HK$100	Ordinary	100	Property development
Ching Chu Property Management (Shanghai) Company Limited (i)	N/A	US$9,000,000	N/A	100	Property management
Chun Wah Holdings Limited	200	HK$1	Ordinary	100	Property development
Cosmopolitan Hotel Limited	2	HK$1	Ordinary	100	Hotel investment and operation
Detheridge Estates Limited	2	HK$1	Ordinary	100	Property development
Dorsett Hotel Management Services Limited	2	HK$1	Ordinary	100	Hotel management
Dorsett Hotels & Resorts (H.K.) Limited	1,000,000	HK$1	Ordinary	100	Investment holdings
Dorsett Regency Hotel (M) Sdn. Bhd.	5,000,000	M$1	Ordinary	100	Hotel investment and operation
Dunball Limited	2	HK$1	Ordinary	100	Property investment
Dunjoy Limited	2	HK$1	Ordinary	100	Investment holdings
E-Cash Ventures Limited	1	US$1	Ordinary	100	Investment holdings
Esmart Management Limited	2	HK$1	Ordinary	100	Hotel management
Everkent Development Limited	2	HK$1	Ordinary	100	Property development

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54. Particulars of Principal Subsidiaries *(continued)*

Name of indirect subsidiary	Number of Shares	Par value per share/ registered capital	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
	Issued share capital				
Far East Consortium China Infrastructure Company Limited	2	HK$1	Ordinary	100	Investment holdings
Far East Consortium China Investments Limited	6,000	HK$100	Ordinary	100	Investment holdings
Far East Consortium China Land Corporation Limited	1,000	HK$100	Ordinary	100	Property development
Far East Consortium Holdings (Australia) Pty Limited	12	A$1	Ordinary	100	Investment holdings
	235	A$0.01	Redeemable preference	100	
Far East Consortium Limited	830,650,000	HK$1	Ordinary	100	Investment holdings and property investment
Far East Consortium Machinery Limited	2	HK$1	Ordinary	100	Investment holdings
Far East Consortium (Malaysia) Limited	2	HK$1	Ordinary	100	Investment holdings
Far East Consortium (Netherlands Antilles) N.V.	6,000	US$1	Ordinary	100	Investment holdings
Far East Consortium Properties Pty Limited	12	A$1	Ordinary	100	Investment holdings and property investment
	225	A$0.01	Redeemable preference	100	
Far East Consortium Property & Marketing Service Pty Limited	1	A$1	Ordinary	100	Property development
Far East Development (Macau) Limited	N/A	MOP25,000	N/A	100	Property development
Far East Real Estate and Agency (H.K.) Limited	60,000	HK$100	Ordinary	100	Investment holdings and loan financing
Far East Rockman Hotels (Australia) Pty Limited	12	A$1	Ordinary	100	Investment holdings
	375	A$0.01	Redeemable preference	100	
Far East Rockman Investments Pty Limited	12	A$1	Ordinary	100	Investment holdings
	125	A$0.01	Redeemable preference	100	
Far East Supermarket Limited	500,000	HK$1	Ordinary	100	Property investment
FEC Development (Malaysia) Sdn. Bhd.	2	M$1	Ordinary	100	Investment holdings
FEC Financing Solutions Pty. Limited	1	A$1	Ordinary	100	Investment holdings

54. Particulars of Principal Subsidiaries *(continued)*

Name of indirect subsidiary	Number of Shares	Par value per share/ registered capital	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
	Issued share capital				
FEC Properties Limited	1	US$1	Ordinary	100	Property investment
FEC Strategic Investments (Netherlands) B.V.	120,000	DFL1	Ordinary	100	Investment holdings
FEH Strategic Investment Pte Limited	10	S$1	Ordinary	100	Property investment
Focus Venue Sdn. Bhd.	90	M$1	Ordinary	90	Property investment
Fortune Plus (M) Sdn. Bhd.	935,000	M$1	Ordinary	100	Property investment
FECFW 1 Pty Limited	1	A$1	Ordinary	100	Investment holdings
FECFW 2 Pty Limited	1	A$1	Ordinary	100	Investment holdings
Gain Wealth International Limited	1	HK$1	Ordinary	100	Property Investment
Garden Resort Development Limited	100	HK$1	Ordinary	100	Property development
Grand Expert Limited	2	HK$1	Ordinary	100	Hotel investment and operation
Grandco Investment Limited	1	US$1	Ordinary	100	Property investment
Group Power Developments Limited	1	HK$1	Ordinary	100	Property Investment
Guangzhou Pegasus Boiler Manufacture Company Limited (ii)	N/A	HK$ 50,000,000	N/A	51	Operation of boiler factory
Hamsher International Limited	29,805,065	US$1	Ordinary	100	Hotel investment and operation
Henrik Investment Limited	2	HK$1	Ordinary	100	Property investment
Hero Housing Limited	880	HK$1,000	Ordinary	100	Property investment
Kuala Lumpur Land Holdings Limited	100	£1	Ordinary	100	Investment holdings
Madison Lighters and Watches Company Limited	4	HK$1	Ordinary	100	Investment holdings
New Emprie Assets Limited	1	US$1	Ordinary	100	Property Investment
New Time Plaza Development Limited	1,000	HK$1	Ordinary	100	Investment holdings
New Union Investments (China) Limited	300	HK$1	Ordinary	100	Investment holdings
N.T. Horizon Realty (Jordan) Limited	2	HK$100	Ordinary	100	Property investment
The Hotel of Lan Kwai Fong Limited (formerly known as Ocean Leader Development Limited)	2	HK$1	Ordinary	100	Hotel investment and operation
Oi Tak Enterprises Limited	1,000,000	HK$1	Ordinary	75	Investment holdings
Pansy Development Limited	2	HK$1	Ordinary	100	Property investment

54. Particulars of Principal Subsidiaries *(continued)*

Name of indirect subsidiary	Number of Shares	Issued share capital: Par value per share/ registered capital	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Peacock Management Services Limited	2	HK$1	Ordinary	100	Administration services
People Assets Limited	1	US$1	Ordinary	100	Property Investment
Polyland Development Limited	2	HK$1	Ordinary	100	Property investment
Regency Hotels Proprietary Limited	100	A$1	Ordinary	100	Investment holdings
Rich Diamond Holdings Limited	10	US$1	Ordinary	70	Investment holdings
Ridon Investment Limited	2	HK$1	Ordinary	100	Investment holdings and share investment
Roseville Enterprises Limited	6,000	HK$100	Ordinary	100	Property investment
Royal Domain Plaza Pty. Limited	2	A$1	Ordinary	100	Property investment
Royal Domain Towers Pty. Limited	2	A$1	Ordinary	100	Property investment
Ruby Way Limited	2	HK$1	Ordinary	100	Property investment
Scarborough Development Limited	2	HK$1	Ordinary	100	Property investment
Shanghai Chingchu Property Development Company Limited (ii)	N/A	US$9,000,000	N/A	98.2	Property development
Sheen Profit Industries Limited	2	HK$1	Ordinary	100	Hotel investment and operation
Shelborn Enterprises, Inc.	10	US$1	Ordinary	100	Investment holdings
Singford Holdings Limited	1	US$1	Ordinary	100	Treasury management
Smartland Assets Limited	1	US$1	Ordinary	100	Investment holding
Sovereign Land Company Limited	2	HK$100	Ordinary	100	Property investment
Southsino Development Limited	100	HK$1	Ordinary	100	Property development
Star Bridge Development Limited	2	HK$1	Ordinary	100	Property investment
Tang City Parkway Pte Limited	10	S$1	Ordinary	100	Property investment
Tang City Properties Pte Limited	100,000	S$1	Ordinary	90	Investment holdings
Teampearl Company Limited	5,001	HK$1	Class A	100	Property development
	4,999		Class B	100	
Top Trend Developments Limited	2	US$1	Ordinary	100	Investment holdings
Turbulent Limited	2	HK$10	Ordinary	100	Investment holdings
Upperace Development Limited	1,000,000	HK$1	Ordinary	100	Investment holdings
Vicsley Limited	2	HK$1	Ordinary	100	Hotel investment and operation
Victoria Land Pty. Limited	12	A$1	Ordinary	100	Management services
Vicco Development Limited	2	HK$1	Ordinary	100	Investment holdings
Virgobee Limited	2	HK$1	Ordinary	100	Property investment

54. Particulars of Principal Subsidiaries *(continued)*

Name of indirect subsidiary	Issued share capital: Number of Shares	Par value per share/ registered capital	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Waldorf Development Pte Limited	2	S$1	Ordinary	100	Property investment
Waldorf Holdings Pte Limited	1,000,000	S$1	Ordinary	100	Property investment
Win Chance Engineering Limited	2	HK$1	Ordinary	100	Engineering
Wonder China Investments Limited	1	US$1	Ordinary	100	Investment holdings
Worldlead Assets Limited	1	US$1	Ordinary	100	Property Investment
Zhongshan Development Limited	2	US$1	Ordinary	100	Investment holdings

(i) Foreign investment enterprise registered in the PRC

(ii) Sino-foreign equity joint venture registered in the PRC

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

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

54. Particulars of Principal Subsidiaries *(continued)*

All the above indirect subsidiaries are incorporated and are operating in Hong Kong except the followings:

Name of indirect subsidiary	Place of incorporation	Place of operation
Accessway Profits Limited	British Virgin Islands	Hong Kong
Action Fulfilled Assets Limited	British Virgin Islands	Hong Kong
Asia Land Pty Limited	Australia	Australia
Bradney Proprietary Limited	Australia	Australia
Cathay General Inc.	Republic of Liberia	Hong Kong
Ching Chu Property Management (Shanghai) Company Limited	The PRC	The PRC
Dorsett Regency Hotel (M) Sdn. Bhd.	Malaysia	Malaysia
E-Cash Ventures Limited	British Virgin Islands	Hong Kong
Far East Consortium Holdings (Australia) Pty Limited	Australia	Australia
Far East Consortium (Netherlands Antilles) N.V.	Netherlands Antilles	Netherlands Antilles
Far East Consortium Properties Pty Limited	Australia	Australia

54. Particulars of Principal Subsidiaries *(continued)*

Name of indirect subsidiary	Place of incorporation	Place of operation
Far East Consortium Property & Marketing Service Pty Limited	Australia	Australia
Far East Development (Macau) Limited	Macau	Macau
Far East Rockman Hotels (Australia) Pty Limited	Australia	Australia
Far East Rockman Investments Pty Limited	Australia	Australia
FEC Development (Malaysia) Sdn. Bhd.	Malaysia	Malaysia
FEC Financing Solutions Pty Limited	Australia	Australia
FEC Properties Limited	British Virgin Islands	Hong Kong
FEC Strategic Investments (Netherlands) B.V.	The Netherlands	The Netherlands
FECFW 1 Pty Limited	Australia	Australia
FECFW 2 Pty Limited	Australia	Australia
FEH Strategic Investment Pte Limited	Singapore	Singapore
Focus Venue Sdn. Bhd.	Malaysia	Malaysia
Fortune Plus (M) Sdn. Bhd.	Malaysia	Malaysia
Gain Wealth International Limited	Hong Kong	Macau
Grandco Investment Limited	British Virgin Islands	The U.S.A.
Group Power Developments Limited	British Virgin Islands	Macau
Guangzhou Pegasus Boiler Manufacture Company Limited	The PRC	The PRC
Hamsher International Limited	British Virgin Islands	The U.S.A.
Kuala Lumpur Land Holdings Limited	Channel Islands	Malaysia
New Empire Assets Limited	British Virgin Islands	Macau
People Assets Limited	British Virgin Islands	Macau
Regency Hotels Proprietary Limited	Australia	Australia
Rich Diamond Holdings Limited	British Virgin Islands	The Philippines
Royal Domain Plaza Pty. Limited	Australia	Australia
Royal Domain Towers Pty. Limited	Australia	Australia
Shanghai Chingchu Property Development Company Limited	The PRC	The PRC
Shelborn Enterprises, Inc.	British Virgin Islands	The U.S.A.
Singford Holdings Limited	British Virgin Islands	Hong Kong
Smartland Assets Limited	British Virgin Islands	Singapore
Tang City Parkway Pte. Limited	Singapore	Singapore
Tang City Properties Pte. Limited	Singapore	Singapore
Top Trend Developments Limited	British Virgin Islands	China
Victoria Land Pty. Limited	Australia	Australia
Waldorf Development Pte Limited	Singapore	Singapore
Waldorf Holdings Pte Limited	Singapore	Singapore
Wonder China Investments Limited	British Virgin Islands	The PRC
Worldlead Assets Limited	British Virgin Islands	Macau
Zhongshan Development Limited	British Virgin Islands	The PRC

55. Particulars of Principal Associates

Name of indirect associate	Issued share capital: Class of shares held	Issued share capital: Proportion of nominal value of issued capital/registered capital held by the Group	Principal activities
Bermuda Investments Limited	Ordinary	25	Property investment
Gold Coin (Hong Kong) Limited	Ordinary	26	Investment holdings
Gold Coin Feedmill (China) Limited	Ordinary	26	Operation of feedmill factory
Guangdong Xin Shi Dai Real Estate Limited	N/A	50	Property development
Kanic Property Management Limited	Ordinary	50	Building management
Liuzhou Universe Compressor Company Limited	N/A	25.24	Operation of compressor factory
Naples Investments Limited	Ordinary	35	Investment holdings
Omicron International Limited	Ordinary	30	Investment holding
Peacock Estates Limited	Ordinary	25	Property investment
Philippine Dream Company, Inc.	Ordinary	25.2	Hotel operation

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

All the above associates are incorporated and are operating in Hong Kong except the followings:

Name of indirect associate	Place of incorporation	Place of operation
Gold Coin Feedmill (China) Limited	The PRC	The PRC
Guangdong Xin Shi Dai Real Estate Limited	The PRC	The PRC
Liuzhou Universe Compressor Company Limited	The PRC	The PRC
Naples Investments Limited	British Virgin Islands	The Philippines
Philippine Dream Company, Inc.	The Philippines	The Philippines