Notes on the Financial Statements

1. BASIS OF PREPARATION

(a) Statement of compliance

Although not required to do so under the Bye-Laws of the Company, these financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 4.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries, associates and jointly controlled entities made up to 30 June each year. All material intra-group accounts and transactions are eliminated upon consolidation. The Group's results include, in respect of any subsidiaries acquired during the year, their results attributable to the periods since the dates of acquisition and, in the case of subsidiaries disposed of during the year, their results attributable to the periods up to the dates of disposal.

(c) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and the marking to market of certain financial instruments as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(d) Hong Kong Dollar amounts

The Hong Kong dollar figures shown in the consolidated income statement and the balance sheet are for information only. The Company's functional currency is United States dollars. The Hong Kong dollar figures are translated from United States dollars at the rates ruling at the respective financial year ends.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

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

(i) *Interest income*

– Interest income is recognised as it accrues using the effective interest method.

(ii) *Dividends*

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

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

(iii) Revenue arising from pre-sale of properties is recognised in the financial statements upon completion of the development of the property. Provision for foreseeable loss is made in the year in which such loss is determined.

(iv) Revenue arising from the disposal of other properties is recognised when substantially all the conditions of sales have been met and the risks and rewards of ownership have been transferred to the buyers.

(v) Rental income from operating leases is recognised on a straight line basis over the period of the respective leases.

(vi) Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(vii) Commission and brokerage income in respect of trading securities is recognised on a trade date basis when the relevant transactions are executed.

(b) Investments

(i) *Investments in debt and equity securities*

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in securities held for trading are classified as trading financial assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Other investments in securities are classified as available-for-sale financial assets and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 2(j)(i)) and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in profit or loss. Where these investments are interest– bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(j)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Investments (Cont'd)

(i) Investments in debt and equity securities (Cont'd)

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date.

(ii) Interest in subsidiaries

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

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

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

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Investments (Cont'd)

(iii) Interest in associates and jointly controlled entities

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

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year (see notes 2(d) and 2(j)(ii)).

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

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

In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 2(j)(ii)).

(c) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

(d) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(j)(ii)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Goodwill (Cont'd)

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Fixed assets and depreciation

(i) Properties are stated at cost less accumulated depreciation and impairment loss (see note 2(j)(ii)). Depreciation is calculated to write off the assets over their estimated useful lives as follows:

- Freehold land is not depreciated.
- Building situated on freehold land are depreciated over their remaining useful economic lives (up to 100 years).
- Land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be reliably measured separately at the inception of the lease are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

Furniture, fixtures and equipment are stated at cost less accumulated depreciation and impairment loss (see note 2(j)(ii)). Depreciation is calculated on a straight-line basis to write off the assets over their estimated useful lives, taken as being between 3 to 15 years.

(ii) On disposal of fixed assets, the profit or loss is determined as the difference between the net sale proceeds and the carrying amount.

(f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(g)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(a)(v).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(g)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(g).

(g) Leased assets

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(f)); and

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Leased assets (Cont'd)

(i) Classification of assets leased to the Group (Cont'd)

– land held for own use under an operating lease, the fair value of which cannot be measured reliably separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j)(ii).

(iii) Operating lease charges

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

(h) Properties held for sale

Properties held for sale are included in the balance sheet at the lower of cost and net realisable value. Cost includes land and building cost and other expenses incurred incidental to the acquisition of these properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

(i) Development properties

Development properties are stated at the lower of cost and net realisable value plus, where appropriate, a portion of attributable profit less progress billings. Land, related acquisition expenses, development expenditure, interest and other related expenditure are capitalised as part of the cost of development properties.

(j) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses are reversed if in a subsequent period the amount of the impairment loss decreases.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Impairment of assets (Cont'd)

(i) Impairment of investments in debt and equity securities and other receivables (Cont'd)

– For available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(ii) Impairment of other assets

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

– trade and other receivables;

– property, plant and equipment (other than properties carried at revalued amounts);

– intangible assets;

– investments in subsidiaries, associates and joint ventures;

– goodwill; and

– assets acquired under finance lease.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

Notes on the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Impairment of assets (Cont'd)

(ii) Impairment of other assets (Cont'd)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest rate method.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(j)(ii)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect or discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(j)(ii)).

(m) Cash and cash equivalents

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

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Income tax (Cont'd)

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

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

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

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

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Translation of foreign currencies

Foreign currency transactions during the year are translated into United States dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into United States dollars at the average exchange rates for the year. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 July 2005, are translated into United States dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 July 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as expenses in the income statement as incurred.

The Group also contributed to retirement schemes of its overseas subsidiaries in accordance with their respective requirements and the contributions thereto are charged to the income statement for the year.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the future pension benefits to existing pensioners; those benefits are discounted to determine the present value and the fair value of any plan assets is deducted. The calculations are performed by a qualified actuary using the projected unit credit method. The amount of the excess of the present value of each fund's liabilities over the fair value of that fund's assets is recognised in the income statement upon notification to the Group. The discount rate is the yield at the balance sheet date on AAA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Employee benefits (Cont'd)

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in reserves until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(q) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(r) Provisions and contingent liabilities

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

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

(s) Bass Strait oil and gas royalty

Bass Strait oil and gas royalty is stated at cost less accumulated amortisation and impairment losses (note 2(j)(ii)). The cost is amortised on a straight-line basis so as to write off the cost over its estimated useful lives of 25 years.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(u) Non-current assets/liabilities held for sale

Immediately before classification as held for sale, the measurement of the relevant assets (or all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable HKFRSs. Then on initial classification as held for sale, non-current assets and disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Any differences are taken to the income statement.

(v) Segment reporting

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

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process.

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

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

(i) Business segments

The Group comprises the following main business segments:

Proprietary asset management	:	Conduct treasury and investment management activities
Property development	:	Development of residential and commercial properties
Property investment	:	Holding properties for rental income
Securities, commodities and brokerage	:	Stock and commodity broking
Hotel operations	:	Interest in the Thistle chain of hotels in the United Kingdom
Oil and gas	:	Interest in the Bass Strait oil and gas royalty stream

(ii) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The key assumptions concerning the future and the accounting estimates that have a significant effect on the carrying value of assets and liabilities in the balance sheet and the profit or loss items are discussed below:

(a) Investment properties (note 16)

At 30 June 2006 and 2005, investment properties are stated at fair value based on the valuation performed by the independent professional valuers. The valuers have determined the fair value based on a method of valuation which involves certain estimates. In relying on the valuation report prepared by the valuers, management has reviewed the valuation including the assumptions and estimates adopted. Management has exercised their judgement and is satisfied with the method of valuation.

(b) Impairment of assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on value-in-use calculations. There are a number of assumptions and estimates involved in the calculations.

(c) Income taxes (note 9 & 36)

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on its estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Equity settled share-based transactions (note 40)

The Black-Scholes option pricing model was applied to estimate the fair value of share options granted by the Company and certain of its subsidiaries. This pricing model requires the input of highly subjective assumptions, including the volatility of share price. The changes in input assumptions can materially affect the fair value estimate.

(e) Defined benefit retirement plan obligations (note 39)

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future pension benefits to existing pensioners. Those benefits are discounted to determine the present value and the fair value of any plan assets is deducted. The calculations are performed by a qualified actuary using the projected unit credit method. The amount of the excess of the present value of each plan's liabilities over the fair value of that plan's assets is recognised in the income statement upon notification to the Group.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

Notes on the Financial Statements

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs, that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group after the adoption of these new and revised HKFRSs have been summarised in note 2. The following sets out further information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items in the consolidated income statement and other significant related disclosure items as previously reported for the year ended 30 June 2005. The effects of the changes in accounting policies on the balances at 1 July 2004 and 2005 are disclosed in note 37.

(i) Effect on the consolidated financial statements

Consolidated income statement for the year ended 30 June 2005

		Effect of new policy (increase/(decrease) in profit for the year)			
	2005 (as previously reported) US$'000	HKFRS 2 (note 4(c)) US$'000	HKAS 40 (note 4(d)) US$'000	HKAS 1 (note 4(j)) US$'000	2005 (as restated) US$'000
Turnover	1,903,042	–	–	2,019	1,905,061
Cost of sales	(1,603,612)	(147)	–	–	(1,603,759)
Other attributable costs	(18,145)	–	–	–	(18,145)
	281,285	(147)	–	2,019	283,157
Other revenue	3,405	–	–	(669)	2,736
Other net income	90,551	–	–	(1,350)	89,201
Administrative and other operating expenses	(6,299)	(153)	–	–	(6,452)
Profit from operations before finance cost	368,942	(300)	–	–	368,642
Finance cost	(8,841)	–	–	–	(8,841)
Profit from operations	360,101	(300)	–	–	359,801
Impairment loss made on properties	(1,408)	–	–	–	(1,408)
Reversal of revaluation deficit of investment properties	10,355	–	(10,355)	–	–
Valuation gains on investment properties	–	–	10,355	–	10,355
Profit on disposal of a subsidiary	1,133	–	–	–	1,133
Provision write back on amount due from a jointly controlled entity	14,897	–	–	–	14,897
Net profit on disposal of investment properties	13,662	–	–	–	13,662
Share of profits less losses of associates	68,792	–	–	(11,809)	56,983
Share of profit of a jointly controlled entity	7,644	–	–	–	7,644
Profit for the year before taxation	475,176	(300)	–	(11,809)	463,067
Taxation	(31,722)	–	–	11,809	(19,913)
Minority interests	(27,786)	–	–	27,786	–
Profit for the year	415,668	(300)	–	27,786	443,154
Attributable to:					
Shareholders of the Company	415,668	(192)	–	–	415,476
Minority interests	–	(108)	–	27,786	27,678
Profit for the year	415,668	(300)	–	27,786	443,154
Earnings per share (US$)					
Basic	1.26	–	–	–	1.26
Diluted	1.26	–	–	–	1.26

4. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(a) Restatement of prior periods and opening balances (Cont'd)

(i) Effect on the consolidated financial statements (Cont'd)

Consolidated balance sheet as at 30 June 2005:

	2005 (as previously reported) US$'000	Effect of new policy (increase/(decrease) in net assets) HKAS 32 & HKAS 39 (note 4(f)) US$'000	HKFRS 2 (note 4(c)) US$'000	HKAS 1 (note 4(j)) US$'000	2005 (as restated) US$'000
NON-CURRENT ASSETS					
Fixed assets	230,092	–	–	–	230,092
Interest in associates	553,422	–	–	–	553,422
Interest in jointly controlled entities	12,651	–	–	–	12,651
Other non-current financial assets	70,184	–	–	–	70,184
Deferred tax assets	1,207	–	–	–	1,207
Goodwill	(7,868)	–	–	–	(7,868)
	859,688	–	–	–	859,688
CURRENT ASSETS					
Development properties	411,933	–	–	–	411,933
Properties held for sale	149,039	–	–	–	149,039
Other assets	131,172	–	–	–	131,172
Other investments in securities	606,569	–	–	–	606,569
Cash and short term funds	3,032,611	–	–	–	3,032,611
	4,331,324	–	–	–	4,331,324
CURRENT LIABILITIES					
Trade and other payables	(125,176)	–	–	–	(125,176)
Current portion of bank loans and other borrowings	(148,120)	–	–	–	(148,120)
Taxation	(31,610)	–	–	–	(31,610)
	(304,906)	–	–	–	(304,906)
NET CURRENT ASSETS	4,026,418	–	–	–	4,026,418
TOTAL ASSETS LESS CURRENT LIABILITIES	4,886,106	–	–	–	4,886,106

4. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(a) Restatement of prior periods and opening balances (Cont'd)

(i) Effect on the consolidated financial statements (Cont'd)

Consolidated balance sheet as at 30 June 2005: (Cont'd)

	2005 (as previously reported) US$'000	Effect of new policy (increase/(decrease) in net assets) HKAS 32 & HKAS 39 (note 4(f)) US$'000	HKFRS 2 (note 4(c)) US$'000	HKAS 1 (note 4(j)) US$'000	2005 (as restated) US$'000
NON-CURRENT LIABILITIES					
Non-current portion of bank loans and other borrowings	(344,639)	–	–	–	(344,639)
Deferred tax liabilities	(5,737)	–	–	–	(5,737)
Irredeemable convertible unsecured loan stocks	(8,138)	8,138	–	–	–
	(358,514)	8,138	–	–	(350,376)
MINORITY INTERESTS	(331,574)	–	–	331,574	–
NET ASSETS	4,196,018	8,138	–	331,574	4,535,730
CAPITAL AND RESERVES					
Share capital	164,526	–	–	–	164,526
Reserves	4,031,492	–	108	–	4,031,600
Equity attributable to shareholders of the Company	4,196,018	–	108	–	4,196,126
Minority interests	–	8,138	(108)	331,574	339,604
TOTAL EQUITY	4,196,018	8,138	–	331,574	4,535,730

(ii) Estimated effect on the Company balance sheet as at 30 June 2005:

The changes in accounting policies have no significant impact on the Company balance sheet as at 30 June 2005.

4. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(b) Estimated effect of changes in accounting policies in the current year

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement and balance sheet and other significant related disclosure items for the year ended 30 June 2006 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

(i) Effect on the consolidated financial statements

Estimated effect on the consolidated income statement for the year ended 30 June 2006 (increase/(decrease) in profit for the year):

	HKFRS 3, HKAS 36 & HKAS 38 (note 4(g)) US$'000	HKAS 18 & HK – INT 3 (note 4(i)) US$'000	HKAS 1 (note 4(j)) US$'000	Total US$'000
Turnover	–	70,215	–	70,215
Cost of sales	–	(65,920)	–	(65,920)
Other attributable costs	–	–	–	–
	–	4,295	–	4,295
Other revenue	–	–	–	–
Other net income	–	–	–	–
Administrative and other operating expenses	(18,647)	–	–	(18,647)
Profit from operations before finance cost	(18,647)	4,295	–	(14,352)
Finance cost	–	–	–	–
Profit from operations	(18,647)	4,295	–	(14,352)
Impairment loss write back/(made) on properties	–	–	–	–
Profit on disposal of a subsidiary	–	–	–	–
Valuation gains on investment properties	–	–	–	–
Share of profits less losses of associates	–	–	4,006	4,006
Share of profit of a jointly controlled entity	–	–	–	–
Profit for the year before taxation	(18,647)	4,295	4,006	(10,346)
Taxation	–	(194)	(4,006)	(4,200)
Minority interests	–	–	–	–
Profit for the year	(18,647)	4,101	–	(14,546)
Attributable to:				
Shareholders of the Company	(20,083)	2,615	–	(17,468)
Minority interests	1,436	1,486	–	2,922
Profit for the year	(18,647)	4,101	–	(14,546)
Earnings per share (US$)				
Basic	(0.06)	0.01	–	(0.05)
Diluted	(0.06)	0.01	–	(0.05)

The adoption of HKFRS 2 has been considered to have no significant impact on the consolidated income statement for the year ended 30 June 2006.

Notes on the Financial Statements

4. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(b) Estimated effect of changes in accounting policies in the current year (Cont'd)

(i) Effect on the consolidated financial statements (Cont'd)

Estimated effect on the consolidated balance sheet as at 30 June 2006 (increase/(decrease) in net assets):

	HKAS 32 & HKAS 39 (note 4(f)) US$'000	HKFRS 3, HKAS 36 & HKAS 38 (note 4(g)) US$'000	HKAS 18 & HK – INT 3 (note 4(i)) US$'000	HKAS 1 (note 4(j)) US$'000	HKFRS 5 (note 4(l)) US$'000	Total US$'000
NON-CURRENT ASSETS						
Fixed assets						
– Investment properties	–	–	–	–	88,150	88,150
– Other property, plant and equipment	–	–	–	–	–	–
Bass Strait oil and gas royalty	–	–	–	–	–	–
Interest in associates	2,926	–	–	–	–	2,926
Interest in jointly controlled entities	–	–	–	–	–	–
Available-for-sale financial assets	(15,278)	–	–	–	–	(15,278)
Other non-current financial assets	23,108	–	–	–	–	23,108
Deferred tax assets	–	–	–	–	–	–
Goodwill	–	(51,816)	–	–	–	(51,816)
	10,756	(51,816)	–	–	88,150	47,090
CURRENT ASSETS						
Development properties	–	–	4,440	–	–	4,440
Properties held for sale	–	–	–	–	–	–
Trade and other receivables	–	–	–	–	–	–
Trading financial assets	(509,337)	–	–	–	–	(509,337)
Other investments in securities	509,337	–	–	–	–	509,337
Cash and short term funds	–	–	–	–	–	–
	–	–	4,440	–	–	4,440
Assets held for sale	–	–	–	–	(88,150)	(88,150)
CURRENT LIABILITIES						
Trade and other payables	–	–	–	–	–	–
Current portion of bank loans and other borrowings	–	–	–	–	–	–
Taxation	–	–	(200)	–	–	(200)
Provisions	–	–	–	–	–	–
	–	–	(200)	–	–	(200)
NET CURRENT ASSETS	–	–	4,240	–	(88,150)	(83,910)
TOTAL ASSETS LESS CURRENT LIABILITIES	10,756	(51,816)	4,240	–	–	(36,820)

4. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(b) Estimated effect of changes in accounting policies in the current year (Cont'd)

(i) Effect on the consolidated financial statements (Cont'd)

Estimated effect on the consolidated balance sheet as at 30 June 2006 (increase/(decrease) in net assets): (Cont'd)

	HKAS 32 & HKAS 39 (note 4(f)) US$'000	HKFRS 3, HKAS 36 & HKAS 38 (note 4(g)) US$'000	HKAS 18 & HK – INT 3 (note 4(i)) US$'000	HKAS 1 (note 4(j)) US$'000	HKFRS 5 (note 4(l)) US$'000	Total US$'000
NON-CURRENT LIABILITIES						
Non-current portion of bank loans and other borrowings	–	–	–	–	–	–
Provisions	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–
Irredeemable convertible unsecured loan stocks	(8,071)	–	–	–	–	(8,071)
	(8,071)	–	–	–	–	(8,071)
MINORITY INTERESTS	–	–	–	(966,044)	–	(966,044)
NET ASSETS	2,685	(51,816)	4,240	(966,044)	–	(1,010,935)
CAPITAL AND RESERVES						
Share capital	–	–	–	–	–	–
Reserves	7,721	(34,703)	2,704	–	–	(24,278)
Equity attributable to shareholders of the Company	7,721	(34,703)	2,704	–	–	(24,278)
Minority interests	(5,036)	(17,113)	1,536	(966,044)	–	(986,657)
TOTAL EQUITY	2,685	(51,816)	4,240	(966,044)	–	(1,010,935)

The adoption of HKFRS 2 has been considered to have no significant impact on the consolidated balance sheet as at 30 June 2006.

Estimated effect on net income recognised directly in consolidated equity for the year ended 30 June 2006:

	Effect of new policy (increase/(decrease) in equity) HKAS 39 (note 4(f)) US$'000
For the year ended 30 June 2006	
Equity attributable to shareholders of the Company	(18,025)
Minority interests	(16,511)
Total equity	(34,536)

4. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(b) Estimated effect of changes in accounting policies in the current year (Cont'd)

(i) Effect on the consolidated financial statements (Cont'd)

Estimated effect on amounts recognised as capital transactions with owners of the Group for the year ended 30 June 2006:

	Effect of new policy (increase/(decrease) in equity) HKFRS 2 (note 4(c)) US$'000
For the year ended 30 June 2006	
Equity attributable to shareholders of the Company	**(261)**
Minority interests	**(71)**
Total equity	**(332)**

(ii) Estimated effect on the Company balance sheet as at 30 June 2006

The changes in accounting policies have no significant impact on the Company balance sheet as at 30 June 2006.

(c) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 July 2005, in order to comply with HKFRS 2, the Group recognises the fair value of share options granted to employees as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in the share option reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related share option reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related share option reserve is transferred directly to retained earnings.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the Group has taken advantage of the transitional provisions under which the new recognition and measurement policies have not been applied to the following grants of options:

(i) all options granted to employees on or before 7 November 2002; and

(ii) all options granted to employees after 7 November 2002 but which had vested before 1 July 2005.

4. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(d) Investment properties (HKAS 40, Investment property and HKAS Interpretation ("HKAS – INT") 21, Income taxes – Recovery of revalued non-depreciable assets)

(i) Timing of recognition of movements in fair value on the income statement

In prior years, investment properties with an unexpired lease term of more than 20 years were stated in the balance sheet at their open market value. An internal valuation was done annually and an independent professional valuation was made at least once every three years. The net surplus or deficit on revaluation was taken to the investment property revaluation reserve except when the total of the reserve was not sufficient to cover a deficit on an aggregate basis, in which case the amount by which the deficit exceeded the amount in the investment property revaluation reserve was charged to the income statement. No depreciation was provided in respect of investment properties with an unexpired lease term of over 20 years since the valuation took into account the state of each property at the date of valuation. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve was transferred to the income statement for the year.

Upon adoption of HKAS 40 as from 1 July 2005, all the Group's investment properties are stated at fair value and all changes in the fair value of investment properties are recognised directly in the income statement in accordance with the fair value model in HKAS 40.

These changes in accounting policy have been adopted retrospectively. No adjustment to the opening balances is required as no investment property revaluation reserve existed at 1 July 2004 and 1 July 2005 respectively.

(ii) Measurement of deferred tax on movements in fair value

In prior years, the Group was required to apply the tax rate that would be applicable to the sale of investment properties to determine whether any amounts of deferred tax should be recognised on the revaluation of investment properties. As there would have been no tax payable on the disposal of the Group's investment properties, no deferred tax was provided in prior years.

With effect from 1 July 2005, HKAS-INT 21 required deferred taxation to be recognised on any revaluation changes on investment properties on the basis that the recovery of the carrying amount of the investment properties would be through use and calculated at the applicable profits tax rate and charged to income statement. This new accounting policy has been applied retrospectively and considered to have no significant impact on the Group's results and equity.

(e) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and impairment losses.

With the adoption of HKAS 17 from 1 July 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified reliably from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later. In case the two elements cannot be allocated reliably, the entire lease is classified as a finance lease and carried at cost less accumulated depreciation. The operating leasehold land will no longer be revalued. Instead, the land premium paid for distinguishable leasehold land is accounted for as an operating lease and amortised on a straight-line basis over its unexpired lease term. The new accounting policy has been applied retrospectively and considered to have no significant impact on the Group's results and equity.

4. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(f) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

(i) Changes in measurement of financial instruments

In prior years, the accounting policies for certain financial instruments were as follows:

– investments which are intended to be held on a continuing basis for an identifiable long-term purpose at the time of acquisition were classified as investment securities and stated at cost less any provisions for diminution in value which is other than temporary;

– other investments in securities were stated at fair value with changes in fair value recognised in the income statement;

– the accounting for derivative financial instruments was dependent upon whether the transactions were undertaken for dealing purposes or to hedge risk. Derivative financial instruments entered for dealing purposes were marked to market and the net present value of the gain or loss arising was recognised in the income statement as dealing profits or losses. Those designated as hedges were valued on an equivalent basis to the assets, liabilities or net positions which they were hedging. Any profit or loss was recognised on the same basis as that arising from the related assets, liabilities or net positions.

With effect from 1 July 2005, and in accordance with HKAS 39, the following new accounting policies are adopted for the financial instruments mentioned above:

All non-trading investments are classified as available-for-sale financial assets and carried at fair value. Changes in fair value are recognised in equity, unless there is objective evidence that an individual investment has been impaired. If there is objective evidence that an individual investment has been impaired, any amount held in the investment revaluation reserve in respect of the investment is transferred to the income statement for period in which the impairment is identified.

Impairment losses recognised in the income statement in respect of available-for-sale equity securities are not reversed through income statement. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the income statement.

All derivative financial instruments entered into by the Group are stated at fair value with change in fair value recognised in the income statement.

These changes were adopted by way of an adjustment to the opening balance of certain reserves as at 1 July 2005. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

(ii) Irredeemable convertible unsecured loan stock ("ICULS")

In prior year, ICULS issued were stated at amortised cost. With effect from 1 July 2005, and in accordance with HKAS 32 and HKAS 39, ICULS issued are split into their liability and equity components at initial recognition. The liability component is subsequently carried at amortised cost. The equity component is recognised in the reserve until the ICULS is converted.

4. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(g) Positive and negative goodwill (HKFRS 3, Business combinations, HKAS 36, Impairment of assets and HKAS 38, Intangible assets (collectively known as "the HKFRS 3 package"))

In prior years, for business combinations with the agreement dates before 1 January 2005, positive goodwill was amortised to the consolidated income statement on a straight-line basis over its estimated useful life and was stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses. Negative goodwill was recognised as a deferred item and was released to the income statement on a proportional basis.

The Group has adopted the HKFRS 3 package in the annual financial statement for the year ended 30 June 2006 in respect of the business combinations with the agreement dates on or after 1 January 2005. Accordingly, the Group no longer amortises positive goodwill arising from those business combinations. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash-generating unit to which the goodwill has been allocated exceeds its recoverable amount. If the fair value of the net assets acquired in a business combination exceeds the consideration paid, the excess is recognised immediately in the income statement as it arises.

For business combinations with the agreement dates before 1 January 2005, this change in accounting policy has been adopted prospectively from 1 July 2005. In accordance with the transitional arrangements under HKFRS 3, comparative amounts have not been restated and the cumulative amount of amortisation as at 1 July 2005 has been offset against the cost of the positive goodwill. The carrying amount of negative goodwill has been transferred to the opening balance of retained profits as at 1 July 2005. No amortisation charge for positive and negative goodwill has been recognised in the income statement.

(h) Translation of foreign currencies (HKAS 21, The effects of changes in foreign exchange rates)

With effect from 1 July 2005, in order to comply with HKAS 21, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation. Thus it is expressed in the functional currency of that foreign operation and is retranslated at the closing rate at each balance sheet date. Any resulting exchange difference is taken directly to the exchange reserves, together with any other differences arising from the re-translation of the net assets of the foreign operation.

In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and will only be applied to acquisitions occurring on or after 1 July 2005. This change in accounting policy has no material impact on the Group's results and equity.

As a result of the adoption of HKAS 21, exchange differences on loans from the Company to its subsidiaries and associates which form part of the Company's net investments in the subsidiaries and associates would be recognised in the Company's income statement as exchange differences. These exchange differences were previously recognised as equity in the financial statements of the Company. In the consolidated financial statements, these exchange differences are reclassified to equity. These changes in accounting policies have been applied retrospectively with comparatives restated in accordance with HKAS21.

(i) Properties under development for sale (HKAS 18, Revenue and HK Interpretation 3, Revenue-Pre-completion contracts for the sale of development properties)

In prior years, revenue on pre-sale of properties under development for sale was recognised in the financial statements using the percentage of completion method based on the stage of completion as certified by the architects or quantity surveyors. Provision for foreseeable loss was made in the year in which such loss was determined.

4. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(i) Properties under development for sale (HKAS 18, Revenue and HK Interpretation 3, Revenue-Pre-completion contracts for the sale of development properties) (Cont'd)

With the introduction of the HK Interpretation 3, the Group now recognises revenue arising from pre-sale of properties upon completion of the development of the property. The Group has relied on the transitional provisions set out in the Interpretation such that the Group will continue to adopt the stage of completion method to recognise revenue arising from pre-sale contracts entered into before 1 January 2005 while the completion method has been adopted for pre-sale contracts entered into after 1 January 2005.

(j) Presentation changes (HKAS 1, Presentation of financial statements)

(i) Minority interests

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 July 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the shareholders of the Company, and minority interests in the results of the Group for the year are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between the minority interests and the shareholders of the Company.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

(ii) Presentation of shares of associates' and jointly controlled entities' taxation

In prior years, the Group's share of taxation of associates and jointly controlled entities accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 July 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates and jointly controlled entities accounted for using the equity method in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax. These changes in presentation have been applied retrospectively with comparatives restated.

(iii) Reclassification of comparative information

Certain items in turnover, other revenue and other net income have been reclassified to conform with current year presentation.

(k) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, the definition of related parties has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related party disclosures, still been in effect.

4. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(l) Non-current assets/liabilities held for sale (HKFRS 5, Non-current assets held for sale and discontinued operations)

With effect from 1 July 2005, in order to comply with HKFRS 5, non-current assets/liabilities held for sale are presented separately from other assets/liabilities on the face of the balance sheet. Immediately before classification as held for sale, the measurement of the relevant assets (or all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable HKFRSs. Then on initial classification as held for sale, non-current assets and disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Any differences are taken to the income statement.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and short term funds, equities, debt securities and other investments, derivative financial instruments, trade and other receivables and borrowings. The Group's activities expose it to credit risk, foreign currency risk, liquidity risk, interest rate risk and other pricing risk. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

(a) Credit risk

The Group's credit risks are primarily attributable to bank deposits, debt securities, derivative financial instruments and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's bank deposits are only deposited in and debt securities are only purchased from counterparties which have high credit quality. Transactions involving derivative financial instruments are with counterparties with sound credit ratings. The Group has limits for exposures to individual counterparty and country to manage concentration risk.

The Group's credit exposure in property business is minimal as customers mostly fund their purchases of residential housing units with mortgaged home loans from independent financial institutions.

(b) Foreign currency risk

Structural foreign currency positions arise mainly on overseas investments in Singapore, Malaysia, PRC and United Kingdom. Currency exposure to these overseas investments is managed primarily at the Group level with the principal objective of ensuring that the Group's reserves are protected from exchange rate fluctuations.

The Group has entered into foreign exchange rate related contracts, which are primarily over-the-counter derivatives, for hedging foreign currency exposures or dealing purposes. All foreign currency positions are tightly managed and monitored within approved limits.

(c) Liquidity risk

Liquidity is managed on a daily basis by the treasury and finance departments. They are responsible for ensuring that the Group has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches. The Group manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure that short term funding requirements are covered within prudent limits.

(d) Interest rate risk

The Group's interest rate positions arise from treasury activities and borrowings. Interest rate risk is managed by the treasury department within approved limits. The Group also uses interest rate swaps and other derivatives to manage interest rate risk. For details of the interest rates and repricing analysis, please refer to note 41.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(e) Other pricing risk

The Group has invested in listed equity securities and they are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity price risk. Management will monitor the price movements and take appropriate actions when it is required.

6. TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the year include proprietary asset management, property development and investment, stock and commodities broking, investment advisory and hotel investment and management.

An analysis of the amount of each significant category of revenue recognised as turnover during the year is as follows:

	The Group	
	2006	2005 (Restated)
	US$'000	US$'000
Proceeds from sale of investments in securities	**5,111,197**	1,535,110
Income from sale of properties	**152,797**	240,400
Revenue from hotel operations	**244,436**	–
Interest income		
– from listed securities	**1,505**	669
– others	**101,043**	67,707
Dividend income	**32,396**	33,378
Gross insurance premiums	**–**	10,805
Rental income from properties	**9,406**	11,424
Security commission and brokerage	**6,541**	5,197
Other income	**693**	371
	5,660,014	1,905,061

7. OTHER REVENUE AND NET INCOME

(a) Other revenue

	The Group	
	2006	2005
		(Restated)
	US$'000	US$'000
Sublease income	**2,405**	–
Bass Strait oil and gas royalty	**12,042**	–
Others	**3,558**	2,736
	18,005	2,736

(b) Other net income

	The Group	
	2006	2005
		(Restated)
	US$'000	US$'000
Net unrealised gains on trading financial assets	**35,976**	37,892
Net exchange (losses)/gains on FX contracts	**(2,083)**	12,146
Other exchange gains	**6,276**	37,022
Net (losses)/profits on disposal of fixed assets	**(7,867)**	59
Real estate tax rebate income	**4,280**	–
Cash distributions of investments	**10,347**	–
Others	**459**	2,082
	47,388	89,201

8. PROFIT FOR THE YEAR BEFORE TAXATION

Profit for the year before taxation is arrived at after charging/(crediting):

(a) Finance cost

	The Group	
	2006	2005
	US$'000	US$'000
Interest on bank advances and other borrowings wholly repayable within five years	**27,434**	14,475
Other borrowing costs	**33,803**	1,286
Total borrowing costs	**61,237**	15,761
Less: borrowing costs capitalised into development properties (Note)	**(11,967)**	(6,920)
	49,270	8,841

Note: The borrowing costs have been capitalised at rates of 2.99% to 5.38% per annum (2005: 1.99% to 3.57%).

(b) Staff cost

	The Group	
	2006	2005
		(Restated)
	US$'000	US$'000
Contributions to defined contribution retirement plan	**1,133**	906
Expenses recognised in respect of defined benefit retirement plans	**1,286**	–
Retirement costs	**2,419**	906
Equity settled share-based payment expenses	**417**	153
Salaries, wages and other benefits	**101,812**	18,646
	104,648	19,705

8. PROFIT FOR THE YEAR BEFORE TAXATION (Cont'd)

(c) Other items

	The Group	
	2006	2005 (Restated)
	US$'000	US$'000
Depreciation	**21,117**	1,569
Amortisation of Bass Strait oil and gas royalty	**4,224**	–
Operating lease charges		
– properties	**1,095**	873
– others	**1,799**	6
Amortisation of goodwill included in share of profits less losses of associates	**–**	1,724
Auditors' remuneration		
– audit services	**771**	385
– tax services	**157**	29
– other services	**88**	15
Donations	**320**	162
Recognition of negative goodwill	**(37,226)**	(28,251)
Amortisation of negative goodwill included in share of profits less losses of associates	**–**	(13,222)
Amortisation of negative goodwill	**–**	(8,899)
Gross rental income from investment properties	**(6,072)**	(7,544)
Less: direct outgoings	**481**	2,058
Net rental income	**(5,591)**	(5,486)
Share of profits less losses of associates:		
– listed	**(43,336)**	(47,967)
– unlisted	**(24,700)**	(9,016)
	(68,036)	(56,983)
Share of associates' taxation	**4,006**	11,809
Share of profit of a jointly controlled entity:		
– unlisted	**(20,652)**	(7,644)

Notes on the Financial Statements

9. TAXATION

(a) Tax income/(expenses) in the consolidated income statement represents:

	The Group	
	2006	2005
		(Restated)
	US$'000	US$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**(13,451)**	(5,130)
Over-provision in respect of prior years	**713**	3
	(12,738)	(5,127)
Current tax – Overseas		
Tax for the year	**(15,199)**	(16,647)
Over-provision in respect of prior years	**4,933**	744
	(10,266)	(15,903)
Deferred tax		
Over-provision in respect of prior years	**32,240**	–
Origination and reversal of temporary differences	**8,801**	1,117
Utilisation of deferred tax asset in relation to tax losses	**(21)**	–
	41,020	1,117
	18,016	(19,913)

The provision for Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year ended 30 June 2006. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

9. TAXATION (Cont'd)

(b) Reconciliation between tax income/(expense) and accounting profit at applicable tax rates

	The Group			
	2006		2005 (Restated)	
	US$'000	**%**	US$'000	%
Profit before tax	**760,861**		463,067	
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	**(130,563)**	**(17.1)**	(88,992)	(19.2)
Deferred tax benefit not recognised	**(696)**	**(0.1)**	–	–
Tax effect of non-deductible expenses	**(14,226)**	**(1.9)**	(6,773)	(1.5)
Tax effect of non-taxable revenue	**127,429**	**16.7**	73,505	15.9
Tax effect of unused tax losses not recognised	**(5,279)**	**(0.7)**	(2,523)	(0.5)
Tax effect of utilisation of tax losses not previously recognised	**10,851**	**1.4**	3,435	0.7
Reversal of temporary differences not accounted for in previous years	**127**	**–**	610	0.1
Overprovision in prior years	**37,886**	**5.0**	747	0.2
Others	**(7,513)**	**(1.0)**	78	–
Actual taxation	**18,016**	**2.3**	(19,913)	(4.3)

(c) Taxation in the balance sheet represents:

	The Group	
	2006	2005
	US$'000	US$'000
Hong Kong Profits Tax	**15,558**	7,709
Overseas taxation	**20,593**	23,901
Taxation payable	**36,151**	31,610
Amount of taxation payable expected to be settled after more than 1 year	**1,535**	8,375

Notes on the Financial Statements

10. DIRECTORS' REMUNERATION

Directors' emoluments comprises payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The amounts paid to each Director of the Company for the year ended June 2006 are as below:

	The Group				
Name	**Fees US$'000**	**Salaries, allowances and benefits in kind US$'000**	**Discretionary bonuses US$'000**	**Pension contributions US$'000**	**2006 Total emoluments US$'000**
Quek Leng Chan	**85**	**164**	**–**	**–**	**249**
Kwek Leng Hai	**86**	**652**	**3,673**	**48**	**4,459**
Sat Pal Khatter **	**68**	**–**	**–**	**–**	**68**
Kwek Leng San *	**26**	**–**	**–**	**–**	**26**
Tan Lim Heng	**26**	**379**	**253**	**22**	**680**
James Eng, Jr.	**26**	**455**	**258**	**2**	**741**
Harry Richard Wilkinson **	**39**	**–**	**–**	**–**	**39**
Volker Stoeckel **	**36**	**–**	**–**	**–**	**36**
	392	**1,650**	**4,184**	**72**	**6,298**

		The Group				
Name		Fees US$'000	Salaries, allowances and benefits in kind US$'000	Discretionary bonuses US$'000	Pension contributions US$'000	2005 Total emoluments US$'000
Quek Leng Chan		47	154	–	–	201
Kwek Leng Hai		53	683	3,654	48	4,438
Sat Pal Khatter **		60	–	–	–	60
Kwek Leng San *		26	–	–	–	26
Tan Lim Heng		26	379	64	22	491
James Eng, Jr.		26	475	206	2	709
Harry Richard Wilkinson **		39	–	–	–	39
Volker Stoeckel **		28	–	–	–	28
Jamal Al-Babtain *	1	–	–	–	–	–
Tung Hsi Hui, Frank **	2	–	–	–	–	–
Peter Anthony Wakefield *	3	–	–	–	–	–
		305	1,691	3,924	72	5,992

Notes:

1 Resigned with effect from 7 May 2004

2 Resigned with effect from 14 November 2003

3 Resigned with effect from 12 November 2003

* Non-executive director

** Independent non-executive director

11. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Among the five highest paid individuals of the Group, one (2005: three) is a director whose remuneration is disclosed in Note 10. The remuneration of the other four (2005: two) individuals is as follows:

	The Group	
	2006	2005
		(Restated)
	US$'000	US$'000
Salaries, allowances and benefits in kind	**1,759**	757
Discretionary bonuses	**3,276**	337
Share-based payments	**158**	–
Pension contributions	**31**	29
	5,224	1,123

The number of individuals whose remuneration falls within the following bands is :

	The Group	
	2006	2005
	Number of	Number of
US$	**individuals**	individuals
400,001 – 450,000	**–**	1
700,001 – 750,000	**–**	1
950,001 – 1,000,000	**1**	–
1,200,001 – 1,300,000	**1**	–
1,300,001 – 1,400,000	**1**	–
1,700,001 – 1,750,000	**1**	–
	4	2

12. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a profit of US$354,954,000 (2005 restated: US$169,484,000) which has been dealt with in the financial statements of the Company.

Notes on the Financial Statements

13. DIVIDENDS

	The Group		The Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
2005: Final dividend paid of HK$3.00 per share (2004: HK$2.60 per share)	**125,981**	109,836	**127,250**	109,836
2006: Interim dividend paid of HK$1.00 per share (2005: HK$0.80 per share)	**41,961**	33,753	**42,410**	33,753
	167,942	143,589	**169,660**	143,589
2006: Proposed final dividend of HK$3.00 per share (2005: HK$3.00 per share)	**127,125**	127,014	**127,125**	127,014
2006: Proposed special dividend of HK$1.00 per share (2005: Nil)	**42,375**	–	**42,375**	–

The proposed final dividend and special dividend for the year ended 30 June 2006 of US$127,125,000 (2005: US$127,014,000) and US$42,375,000 (2005: Nil) respectively are calculated based on 329,051,373 ordinary shares (2005: 329,051,373 ordinary shares) in issue as at 30 June 2006.

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of US$725,876,000 (2005 restated: US$415,476,000) and the weighted average number of 327,317,936 ordinary shares (2005: 328,923,149 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of US$724,767,000 (2005 restated: US$415,360,000) and the weighted average number of 327,317,936 ordinary shares (2005: 328,923,149 ordinary shares) in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

15. SEGMENT INFORMATION

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

Business Segments

For the year ended 30 June 2006

	Proprietary asset management US$'000	Property development US$'000	Property investment US$'000	Securities, commodities and brokerage US$'000	Hotel operations US$'000	Oil and gas US$'000	Inter-segment elimination US$'000	Total US$'000
Turnover	5,243,989	152,797	9,644	9,148	244,436	–	–	5,660,014
Inter-segment turnover	76,867	–	619	646	–	–	(78,132)	–
	5,320,856	152,797	10,263	9,794	244,436	–	(78,132)	5,660,014
Contribution from operations	636,455	7,394	16,027	4,185	(10,796)	7,743	–	661,008
Unallocated income								43,724
Unallocated expenses								(22,387)
Profit from operations before finance cost								682,345
Finance cost								(49,270)
Profit from operations								633,075
Impairment loss write back on properties	–	16,186	–	–	–	–	–	16,186
Valuation gains on investment properties	–	–	22,912	–	–	–	–	22,912
Share of profits less losses of associates	45,683	8,293	–	–	14,060	–	–	68,036
Share of profit of a jointly controlled entity	–	20,652	–	–	–	–	–	20,652
Profit for the year before taxation								760,861
Taxation								18,016
Profit for the year								778,877

15. SEGMENT INFORMATION (Cont'd)

Business Segments (Cont'd)

For the year ended 30 June 2005 (Restated)

	Proprietary asset management US$'000	Property development US$'000	Property investment US$'000	Securities, commodities and brokerage US$'000	(Note) Insurance US$'000	Hotel operations US$'000	Oil and gas US$'000	Inter-segment elimination US$'000	Total US$'000
Turnover	1,635,338	240,400	12,034	6,267	11,022	–	–	–	1,905,061
Inter-segment turnover	19,063	–	491	204	17	–	–	(19,775)	–
	1,654,401	240,400	12,525	6,471	11,039	–	–	(19,775)	1,905,061
Contribution from operations	299,640	41,916	5,118	910	275	–	–	–	347,859
Unallocated income									35,560
Unallocated expenses									(14,777)
Profit from operations before finance cost									368,642
Finance cost									(8,841)
Profit from operations									359,801
Impairment loss on properties	–	(1,408)	–	–	–	–	–	–	(1,408)
Valuation gains on investment properties	–	–	10,355	–	–	–	–	–	10,355
Profit on disposal of a subsidiary									1,133
Provision write back on amount due from a jointly controlled entity	–	14,897	–	–	–	–	–	–	14,897
Net profit on disposal of investment properties	–	–	13,662	–	–	–	–	–	13,662
Share of profits less losses of associates	36,914	20,069	–	–	–	–	–	–	56,983
Share of profit of a jointly controlled entity	–	7,644	–	–	–	–	–	–	7,644
Profit for the year before taxation									463,067
Taxation									(19,913)
Profit for the year									443,154

Note: The Group has disposed of the entire interest in Dao Heng Insurance Co., Limited in 2005.

15. SEGMENT INFORMATION (Cont'd)

Business Segments (Cont'd)

Assets and liabilities

	Proprietary asset management US$'000	Property development US$'000	(Note) Property investment US$'000	Securities, commodities and brokerage US$'000	Hotel operations US$'000	Oil and gas US$'000	Other operations US$'000	Total US$'000
As at 30 June 2006								
Segment assets	**3,700,397**	**1,308,939**	**334,012**	**30,679**	**1,478,107**	**125,939**	**–**	**6,978,073**
Interest in associates	**246,507**	**13,030**	**–**	**–**	**203**	**–**	**–**	**259,740**
Interest in jointly controlled entities	**754**	**57,364**	**–**	**–**	**–**	**–**	**51,657**	**109,775**
Unallocated assets								**123,138**
Total assets								**7,470,726**
Segment liabilities	**140,786**	**745,339**	**32,893**	**13,162**	**608,861**	**324**	**–**	**1,541,365**
Unallocated liabilities								**208,970**
Total liabilities								**1,750,335**
As at 30 June 2005 (restated)								
Segment assets	3,551,923	734,259	261,369	24,391	–	–	–	4,571,942
Interest in associates	466,972	86,450	–	–	–	–	–	553,422
Interest in jointly controlled entities	–	12,651	–	–	–	–	–	12,651
Unallocated assets								52,997
Total assets								5,191,012
Segment liabilities	24,007	363,342	5,148	9,001	–	–	–	401,498
Unallocated liabilities								253,784
Total liabilities								655,282

Note: US$88,150,000 assets held for sale has been presented in the property investment segment as at 30 June 2006.

15. SEGMENT INFORMATION (Cont'd)

Business Segments (Cont'd)

Other information

	Proprietary asset management US$'000	Property development US$'000	Property investment US$'000	Securities, commodities and brokerage US$'000	Insurance US$'000	Hotel operations US$'000	Oil and gas US$'000	Total US$'000
2006								
Capital expenditure incurred during the year	**925**	**225**	**–**	**333**	**–**	**13,722**	**–**	**15,205**
Depreciation and amortisation for the year	**875**	**216**	**–**	**77**	**–**	**19,949**	**4,224**	**25,341**
2005								
Capital expenditure incurred during the year	304	288	–	82	91	–	–	765
Depreciation and amortisation for the year	(6,233)	(13,010)	–	177	238	–	–	(18,828)

15. SEGMENT INFORMATION (Cont'd)

Geographical Segments

	Turnover		Profit from operations	
	2006	2005 (Restated)	**2006**	2005 (Restated)
	US$'000	US$'000	**US$'000**	US$'000
Hong Kong	**5,112,837**	1,646,969	**577,039**	264,676
United Kingdom	**244,436**	–	**(40,973)**	–
Singapore	**211,879**	120,940	**55,405**	26,970
The People's Republic of China ("PRC")	**78,376**	136,845	**4,709**	40,508
USA	**11,945**	–	**1,227**	–
Australasia	**369**	–	**5,275**	–
Malaysia	**166**	97	**21,293**	27,203
Asia (excluding Hong Kong, Singapore, PRC and Malaysia)	**6**	210	**9,100**	444
	5,660,014	1,905,061	**633,075**	359,801

	Segment assets		Capital expenditure	
	2006	2005 (Restated)	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Hong Kong	**3,732,431**	3,588,455	**452**	229
United Kingdom	**1,423,200**	–	**13,722**	–
Singapore	**870,580**	1,050,755	**820**	326
The People's Republic of China ("PRC")	**504,772**	210,067	**198**	210
USA	**218,856**	–	**–**	–
Australasia	**170,474**	–	**–**	–
Malaysia	**499,292**	318,823	**–**	–
Asia (excluding Hong Kong, Singapore, PRC and Malaysia)	**51,121**	22,912	**13**	–
	7,470,726	5,191,012	**15,205**	765

Notes on the Financial Statements

16. FIXED ASSETS

	The Group					
	Investment properties US$'000	Interests in leasehold land and buildings US$'000	Freehold land and buildings US$'000	Furniture, fixtures and equipment US$'000	Other property, plant and equipment US$'000	Total US$'000
Cost or valuation						
At 1 July 2004	229,909	24,093	–	9,730	33,823	263,732
Additions	–	6	–	759	765	765
Disposals	(25,602)	(5,508)	–	(3,697)	(9,205)	(34,807)
Surplus on revaluation	10,355	–	–	–	–	10,355
Exchange adjustments	4,018	28	–	85	113	4,131
At 30 June 2005	218,680	18,619	–	6,877	25,496	244,176
Representing:						
Cost	–	18,619	–	6,877	25,496	25,496
Valuation – 2005	218,680	–	–	–	–	218,680
	218,680	18,619	–	6,877	25,496	244,176
Cost or valuation						
At 1 July 2005	218,680	18,619	–	6,877	25,496	244,176
Additions through acquisition of subsidiaries	29,104	805,825	471,430	382,976	1,660,231	1,689,335
Additions	–	3,949	383	10,873	15,205	15,205
Disposals	–	–	–	(10,168)	(10,168)	(10,168)
Transfer to assets held for sale	(88,150)	–	–	–	–	(88,150)
Surplus on revaluation	22,912	–	–	–	–	22,912
Exchange adjustments	11,780	30,311	16,742	14,867	61,920	73,700
At 30 June 2006	194,326	858,704	488,555	405,425	1,752,684	1,947,010
Representing:						
Cost	–	858,704	488,555	405,425	1,752,684	1,752,684
Valuation – 2006	194,326	–	–	–	–	194,326
	194,326	858,704	488,555	405,425	1,752,684	1,947,010

16. FIXED ASSETS (Cont'd)

	The Group					
	Investment properties US$'000	Interests in leasehold land and buildings US$'000	Freehold land and buildings US$'000	Furniture, fixtures and equipment US$'000	Other property, plant and equipment US$'000	Total US$'000
Accumulated amortisation and depreciation:						
At 1 July 2004	–	10,252	–	7,305	17,557	17,557
Charge for the year	–	439	–	1,130	1,569	1,569
Written back on disposals	–	(2,001)	–	(3,116)	(5,117)	(5,117)
Exchange adjustments	–	15	–	60	75	75
At 30 June 2005	–	8,705	–	5,379	14,084	14,084
At 1 July 2005	–	8,705	–	5,379	14,084	14,084
Additions through acquisition of subsidiaries	–	20,792	2,653	244,801	268,246	268,246
Charge for the year	–	1,091	264	19,762	21,117	21,117
Written back on disposals	–	–	–	(2,014)	(2,014)	(2,014)
Exchange adjustments	–	877	113	10,300	11,290	11,290
At 30 June 2006	–	31,465	3,030	278,228	312,723	312,723
Net book value:						
At 30 June 2006	194,326	827,239	485,525	127,197	1,439,961	1,634,287
At 30 June 2005	218,680	9,914	–	1,498	11,412	230,092

(a) The analysis of net book value of properties is as follows:

	The Group	
	2006 US$'000	2005 US$'000
In Hong Kong:		
– Leasehold with over 50 years unexpired	**18,028**	16,733
– Leasehold with between 10 to 50 years unexpired	**36,732**	29,009
– Leasehold with less than 10 years unexpired	**8**	10
Outside Hong Kong:		
– Leasehold with over 50 years unexpired	**952,563**	182,842
– Leasehold with between 10 to 50 years unexpired	**4,170**	–
– Freehold	**495,589**	–
	1,507,090	228,594

(b) The Group's investment properties are located in Hong Kong, Singapore and Malaysia. The properties which are located in Singapore were valued on an open market basis as at 30 June 2006 by DTZ Debenham Tie Leung (SEA) Pte Ltd, an independent firm of professional valuers, who are members of the Singapore Institute of Surveyors and Valuers. The properties in Malaysia were revalued on a market value basis as at 30 April 2006 by KS Dhillon, a firm which is registered with the Board of Valuers, Appraisers and Estate Agents, Malaysia. The properties in Hong Kong were revalued on an open market basis as at 30 June 2006 by CB Richard Ellis Limited, an independent firm of professional valuers, who are members of the Hong Kong Institute of Surveyors.

16. FIXED ASSETS (Cont'd)

(c) Certain of the Group's properties with a book value of US$993.7 million (2005: US$74 million) were pledged for bank loans and mortgage debenture stock.

(d) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to three years. None of the leases includes contingent rentals. The gross carrying amounts of investment properties of the Group held for use in operating leases were US$194,326,000 (2005: US$218,680,000).

(e) All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

17. ASSETS HELD FOR SALE

In June 2006, a wholly-owned subsidiary of the Group entered into a Sale and Purchase Agreement to sell Robinson Centre for a consideration of US$93 million. The sale was completed in July 2006.

As at 30 June 2006, the investment property was valued at US$88 million based on the sale consideration net of the provision for a property income undertaking for a yield of 4.5% on the property in favour of the purchaser. The investment property was pledged to banks to secure banking facilities granted to the Group.

18. BASS STRAIT OIL AND GAS ROYALTY

	The Group
	US$'000
Cost	
At 1 July 2005	–
Addition through acquisition of subsidiaries	144,345
Exchange adjustments	(3,776)
At 30 June 2006	140,569
Amortisation	
At 1 July 2005	–
Addition through acquisition of subsidiaries	18,523
Charge for the year	4,224
Exchange adjustments	(483)
At 30 June 2006	22,264
Net book value	
At 30 June 2006	118,305
At 30 June 2005	–

The Bass Strait oil and gas royalty represents the Group's interest in the Bass Strait Oil Trust. The amortisation charge for the year is included in administrative and other operating expenses in the consolidated income statement.

19. INTEREST IN SUBSIDIARIES

	The Company	
	2006	2005
	US$'000	US$'000
Unlisted shares	**25,236**	22,502
Amounts due from subsidiaries	**890,526**	978,329
	915,762	1,000,831

(a) Details of the principal subsidiaries incorporated and operating in Hong Kong are as follows:

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Asia Fountain Investment Company Limited	2 shares of HK$10 each	–	100	Investment trading
BIL (Far East Holdings) Limited	635,855,324 shares of HK$1 each	–	43	Investment holding
Dao Heng Commodities Limited	100,000 shares of HK$100 each	–	100	Commodities broking
Dao Heng Enterprises Limited	23,000,000 shares of HK$1 each	100	100	Investment holding
Dao Heng Securities Limited	120,000 shares of HK$100 each	–	100	Stockbroking and securities trading
Guoco Management Company Limited	2 shares of HK$1 each	100	100	Provision of general management services
Guoco Investments (China) Limited	10,000,000 shares of HK$1 each	100	100	Investment holding

(b) Details of the principal subsidiaries incorporated and operating in Singapore are as follows:

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
BIL Management Pte Ltd	2 shares of S$1 each	–	43	Management company
Branmil Holdings Pte Ltd	2 shares of S$1 each	–	64	Investment holding
Chelford Pte Ltd	2 shares of S$1 each	–	64	Investment holding
Cheltenham Investments Pte Ltd	500,000 shares of S$1 each	–	64	Investment holding
Da Zhong Investment Pte Ltd	4,000,000 shares of S$1 each	–	64	Investment holding
Elias Development Pte Ltd	7,500,000 shares of S$1 each	–	64	Property development
Everian Holdings Pte Ltd	32,000,000 shares of S$1 each	–	64	Property development
Fasidon Holdings Pte Ltd	77,112,700 shares of S$1 each	–	64	Property development

19. INTEREST IN SUBSIDIARIES (Cont'd)

(b) Details of the principal subsidiaries incorporated and operating in Singapore are as follows: (Cont'd)

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
FCC Equities Pte Ltd	4,500,000 shares of S$1 each	–	64	Investment holding and trading
FCC Holdings Pte Ltd	2 shares of S$1 each	–	64	Investment holding
FCC Net Pte Ltd	2 shares of S$1 each	–	64	Investment holding
First Bedok Land Pte Ltd	101,000,000 shares of S$1 each	–	64	Property development
First Capital Asia Land Pte Ltd	88,000,000 shares of S$1 each	–	64	Property Investment
First Capital Asia Pte Ltd	19,000,000 shares of S$1 each	–	64	Investment holding
First Capital Assets Pte Ltd	15,000,000 shares of S$1 each	–	64	Investment holding
First Capital Development Pte Ltd	1,000,000 shares of S$1 each	–	64	Property investment
First Capital Realty Pte Ltd	30,000,000 shares of S$1 each	–	64	Property development
First Coventry Development Pte Ltd	17,830,000 shares of S$1 each	–	64	Property development
First Garden Development Pte Ltd	80,000,000 shares of S$1 each	–	58	Property development
First Meyer Development Pte Ltd	118,930,000 shares of S$1 each	–	64	Property development
GLL Land Pte Ltd	70,000,000 shares of S$1 each	–	64	Property investment
GLL (Malaysia) Pte Ltd	58,000,000 shares of S$1 each	–	64	Investment holding and trading
Guoco Assets Pte Ltd	2 shares of S$1 each	100	100	Investment holding
Guoco Investment Pte Ltd	20,000,000 shares of S$1 each	100	100	Investment holding
Guoco Investment Services Pte Ltd	50,000 shares of S$1 each	100	100	Provision of investment advisory services
Guoco Property Management Pte Ltd	2 shares of S$1 each	–	64	Property management
GuocoLand Limited	665,647,468 shares of S$1 each	–	64	Investment holding
GuocoLand Management Pte Ltd	500,000 shares of S$1 each	–	64	Provision of management services
GuocoLand Property Management Pte Ltd	2 shares of S$1 each	–	64	Property management, marketing and maintenance services
GuocoLand (Singapore) Pte Ltd	100,000,000 shares of S$1 each	–	64	Investment holding

19. INTEREST IN SUBSIDIARIES (Cont'd)

(b) Details of the principal subsidiaries incorporated and operating in Singapore are as follows: (Cont'd)

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
GuocoLand Vietnam (S) Pte Ltd (formerly known as Alphington Pte Ltd)	1 share of S$1 each	–	64	Investment holding
Leonie Land Pte Ltd	19,310,000 shares of S$1 each	–	64	Property development
My Home Online Pte Ltd	10 shares of S$1 each	–	64	Provider of internet commerce services
Sanctuary Land Pte Ltd	60,000,000 shares of S$1 each	–	58	Property development
Winterhall Pte Ltd	71,000,000 shares of S$1 each	–	64	Property development

(c) Details of the principal subsidiaries incorporated and operating in Malaysia are as follows:

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Bedford Development Sdn. Bhd.	88,499,000 shares of RM1 each	–	43	Investment holding and property development
Bedford Industrial Development Sdn. Bhd.	8,870,000 shares of RM1 each	–	43	Property development
Bedford Land Sdn. Bhd.	90,000,000 shares of RM1 each	–	43	Investment holding
BLV Fashions Sdn. Bhd.	37,300,000 shares of RM1 each	–	43	Property investment
Camerlin Group Berhad	392,959,802 shares of RM1 each	–	69	Investment holding
Guobena Development Sdn. Bhd.	46,000,000 shares of RM0.80 each	–	43	Property investment
Guoco Assets Sdn. Bhd.	2 shares of RM1 each	100	100	Investment holding
GuocoLand (Malaysia) Berhad	700,458,418 shares of RM0.5 each	–	43	Investment holding
Guoman Hotel & Resort Holdings Sdn. Bhd.	277,000,000 shares of RM1 each	–	49	Investment holding
Guoman International Sdn. Bhd.	4,600,000 shares of of RM1 each	–	49	Provision of technical and management services

19. INTEREST IN SUBSIDIARIES (Cont'd)

(c) Details of the principal subsidiaries incorporated and operating in Malaysia are as follows: (Cont'd)

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
GLM REIT Management Sdn. Bhd. (formerly known as Premiumview Development Sdn. Bhd.)	1,000,000 shares of of RM1 each	–	43	Provision of management services
HL Bandar Sdn. Bhd.	30,000,000 shares of RM1 each	–	43	Property investment
HLL Overseas Limited	100 shares of GBP1 each	–	43	Investment holding and trading in securities
HLP Equities Sdn. Bhd.	370,000 shares of RM1 each	–	43	Investment holding
Hong Leong Housing Sdn. Bhd.	20,000,000 shares of RM1 each	–	43	Provision of construction management services
Hong Leong Property Management Co Sdn. Bhd.	50,000 shares of RM1 each	–	43	Provision of property management services
Hong Leong Property Services Sdn. Bhd.	200,000 shares of RM1 each	–	43	Provision of property management services
Hong Leong Real Estate Holdings Sdn. Bhd.	160,000,000 shares of RM1 each	–	43	Investment holding
JB Parade Sdn. Bhd.	30,000,000 shares of RM1 each	–	30	Investment holding and hotel operations
Kiapeng Development Sdn. Bhd.	160,000,000 shares of RM1 each	–	49	Property development and property investment
Orithree Sdn. Bhd.	20,000,000 shares of RM1 each	–	43	Property development
Pembinaan Sri Jati Sdn. Bhd.	20,000,000 shares of RM1 each	–	43	Investment holding and property development
Prophills Development Sdn. Bhd.	2,500,000 shares of RM1 each	–	43	Property investment
PD Resort Sdn. Bhd.	100,000,000 shares of RM1 each	–	49	Property investment, development and hotel operations

19. INTEREST IN SUBSIDIARIES (Cont'd)

(d) Details of the principal subsidiaries incorporated and operating in other countries are as follows:

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Asian Financial Common Wealth Limited	British Virgin Islands	1 share of US$1 each	–	100	Provision of trustee service
Beijing Jiang Sheng Property Development Co., Ltd (Note (i))	The People's Republic of China	RMB250,000,000 (Note (ii))	–	63	Property development
Beijing Minghua Property Development Co., Ltd (Note (i))	The People's Republic of China	RMB200,000,000 (Note (ii))	–	48	Property development
BIL Asia Group Treasury Limited (Note (v))	British Virgin Islands	100 shares of NZD1 each	–	43	Financing company
BIL Australia Pty Limited	Australia	90,000,000 shares of AUD1 each	–	43	Investment holding
BIL Finance Limited	New Zealand	100 shares of NZD1 each	–	43	Investment holding
BIL International Limited	Bermuda	1,368,063,633 shares of US$0.2 each	–	43	Hotel and property management
BIL NZ Treasury Limited	New Zealand	200,000,100 shares of NZD1 each	–	43	Investment holding
BIL (UK) Limited	United Kingdom	2 shares of GBP1 each	–	43	Investment holding
Brightspring Holdings Limited	British Virgin Islands	1 share of US$1 each	100	100	Investment holding
Brightwealth Investments Limited	British Virgin Islands	1 share of US$1 each	100	100	Investment holding
Capital Intelligence Limited (Note (iii))	Cayman Islands	1 share of US$1 each	100	100	Investment trading
Checkenden Limited	British Virgin Islands	2 shares of S$1 each	–	64	Investment holding
DH Capital Management (BVI) Limited (Note (iii))	British Virgin Islands	2 shares of US$1 each	100	100	Investment holding
First Capital Assets (BVI) Ltd	British Virgin Islands	2 shares of US$1 each	–	64	Investment trading
Guoco Assets (Philippines), Inc.	The Philippines	1,210,000 shares of P100 each	–	100	Investment holding

19. INTEREST IN SUBSIDIARIES (Cont'd)

(d) Details of the principal subsidiaries incorporated and operating in other countries are as follows: (Cont'd)

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Guoco Investment (Bermuda) Limited	Bermuda	12,000 shares of US$1 each	100	100	Investment holding
Guoco Securities (Bermuda) Limited (Note (iii))	Bermuda	120,000 shares of US$0.10 each	100	100	Investment holding
GuocoLand (China) Limited	Bermuda	20,000,000 shares of US$1 each	–	64	Investment holding
Guoman (Hanoi) Limited (Note (vi))	Jersey Channel Islands	4,000,000 shares of GBP1 each	–	49	Investment holding
Guoman Hotels Limited (Note (vi))	Bermuda	12,000,000 shares of US$1 each	–	49	Investment holding
Guoman International Limited (Note (vi))	Jersey Channel Islands	90,000 shares of GBP1 each	–	49	Investment holding, provision of technical and management services
GL Holdings Limited (Note (iii))	British Virgin Islands	1 share of US$1 each	100	100	Investment holding
High Glory Investment Limited	Cayman Islands	1 share of US$1 each	100	100	Investment holding
HLL-Guoco Vietnam Co. Limited	Vietnam	6,748,923 shares of US$1 each	–	37	Hotel operations
Hong Way Holdings, Inc.	The Philippines	100,000 shares of P1 each	–	100	Investment holding
Ma Sing Investment Limited (Note (iv))	British Virgin Islands	407,174,860 shares of A$1 each	–	43	Investment holding
Molokai Properties Limited	United States of America	100 shares of US$1 each	–	43	Investment holding
Nanjing Docker Club Realestate Co. (Note (i))	The People's Republic of China	RMB100,500,000 (Note (ii))	–	61	Property development
Nanjing Xinhaoning Property Development Co., Ltd (Note (i))	The People's Republic of China	US$11,920,000 (Note (ii))	–	63	Property development
Nanjing Xinhaoxuan Property Development Co., Ltd (Note (i))	The People's Republic of China	US$11,920,000 (Note (ii))	–	63	Property development

19. INTEREST IN SUBSIDIARIES (Cont'd)

(d) Details of the principal subsidiaries incorporated and operating in other countries are as follows: (Cont'd)

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Oceanease Limited	Cayman Islands	1 share of US$1 each	100	100	Investment trading
Reunification Properties Limited (Note (iii))	British Virgin Islands	1 share of US$1 each	–	100	Investment holding
Scorewell Corporation (Note (iii))	British Virgin Islands	1 share of US$1 each	–	100	Investment holding
Shanghai Xin Hao Long Property Development Co., Ltd (Note (i))	The People's Republic of China	US$126,000,000 (Note (ii))	–	64	Property development
Shanghai Xin Hao Zhong Property Development Co., Ltd (Note (i))	The People's Republic of China	US$20,000,000 (Note (ii))	–	63	Property development
Supreme Goal Investments Limited (Note (iii))	British Virgin Islands	1 share of US$1 each	–	100	Property investment
Tabua Investments Limited	Fiji	2 shares of FJD1 each	–	43	Investment holding
Thistle Hotels Limited	United Kingdom	310,545,213 shares of GBP0.2565 each	–	43	Ownership and operation of hotels in UK
Wanchai Property Investment Limited (Note (iii) & (vii))	British Virgin Islands	500,000 shares of HK$1 each	–	100	Property investment
Wayforward Services Limited (Note (v))	British Virgin Islands	1 share of US$1 each	–	43	Investment holding

Notes:

(i) These companies have a financial year end of 31 December.

(ii) These comprise capital contribution to the companies. These companies have a defined period of existence.

(iii) These companies are operating in Hong Kong.

(iv) These companies are operating in Australia.

(v) These companies are operating in United Kingdom.

(vi) These companies are operating in Malaysia.

(vii) This company has issued and paid up preference share capital of 4,500,000 shares of HK$1 each.

Notes on the Financial Statements

20. INTEREST IN ASSOCIATES

	The Group 2006 US$'000	2005 US$'000
Share of net assets		
Listed shares, overseas	**244,043**	555,824
Unlisted	**33,269**	30,496
Goodwill	**12,091**	(13,207)
	289,403	573,113
Amounts due from associates	**7,799**	17,771
	297,202	590,884
Less: Impairment loss	**(37,462)**	(37,462)
	259,740	553,422

The market value of the listed investments at 30 June 2006 was US$337 million (2005: US$590 million).

Details of the principal associates are as follows:

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Group	Principal activities
Crawforn Pte Ltd	Singapore	1,000,000 shares of S$1 each	26	Property development
First Capital Property Ventures Pte Ltd	Singapore	100 shares of S$1 each	22	Investment holding
Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad)	Malaysia	1,040,722,242 shares of RM1 each	26	Financial services and property development
Pepsi-Cola Products Philippines, Inc.	Philippines	3,312,989,386 shares of P0.15 each	40	Manufacturing, sales and distribution of beverages
Razgrad Pte Ltd	Singapore	1,000,000 shares of S$1 each	26	Property development
Stockton Investments Pte Ltd	Singapore	10,000 shares of S$1 each	24	Investment holding
Tiara Investment Holdings Limited	Mauritius	6,500,000 shares of US$1 each	26	Investment holding

20. INTEREST IN ASSOCIATES (Cont'd)

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

	The Group	
	2006	2005
	US$'000	US$'000
Total assets	**18,055,647**	18,566,738
Total liabilities	**(16,591,071)**	(15,951,513)
	1,464,576	2,615,225
Minority interests	**(468,463)**	(456,325)
Net assets	**996,113**	2,158,900
Group's share of associates' net assets	**277,312**	586,320
Turnover	**1,184,919**	1,320,875
Profit for the year	**146,226**	209,704
Group's share of associates' profits for the year	**68,036**	56,983

21. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2006	2005
	US$'000	US$'000
Share of net assets/(liabilities) – unlisted	**106,694**	(1,471)
Amounts due from jointly controlled entities	**3,081**	14,122
	109,775	12,651

21. INTEREST IN JOINTLY CONTROLLED ENTITIES (Cont'd)

Details of jointly controlled entities are as follows :

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Group	Principal activities
Bedford Damansara Heights Development Sdn. Bhd.	Malaysia	84,000,000 shares of RM1 each	22	Investment holding
Continental Estates Sdn. Bhd.	Malaysia	50,600,000 shares of RM1 each	22	Property development and operation of an oil palm estate
HLP Bina Sdn. Bhd.	Malaysia	10,000,000 shares of RM1 each	22	Property construction
Kota Selatan Indah Sdn. Bhd.	Malaysia	30,000,000 shares of RM1 each	22	Property development
Positive Properties Sdn. Bhd.	Malaysia	23,120,000 shares of RM1 each	22	Property investment
Promakmur Development Sdn. Bhd.	Malaysia	90,000,000 shares of RM1 each	22	Property development
Putrajaya Properties Sdn. Bhd.	Malaysia	200,000,000 shares of RM0.4 each	22	Investment holding
Sabna Development Sdn. Bhd.	Malaysia	50,000,000 shares of RM1 each	22	Property development
Vintage Heights Sdn. Bhd.	Malaysia	140,000,000 shares of RM1 each	20	Property development and operation of an oil palm estate

Summary financial information on jointly controlled entities – Group's effective interest:

	The Group	
	2006 US$'000	2005 US$'000
Non-current assets	**1,863**	–
Current assets	**160,469**	32,227
Non-current liabilities	**(29,928)**	(33,698)
Current liabilities	**(25,710)**	–
Net assets	**106,694**	(1,471)
Income	**35,521**	47,197
Expenses	**(14,869)**	(39,553)
Profit for the year	**20,652**	7,644

22. ACQUISITION OF SUBSIDIARIES

(a) On 21 October 2005, the Group acquired 21.0% of the issued share capital of BIL International Limited ("BIL"). After the acquisition, BIL became a 50.5% owned and controlled subsidiary of the Group. BIL is an international investment company with a global portfolio of investments. The BIL Group's current key investments are in: (i) Thistle Hotels, a hotel chain in the United Kingdom; (ii) development properties on the island of Molokai in Hawaii; (iii) resorts and development properties in Denarau Fiji, and (iv) the 2.5% royalty on the gross value of all hydrocarbons, liquid or gas produced and recovered in designated areas within Australia's Bass Strait. BIL contributed US$279,334,000 turnover and US$10,056,000 to the Group's profit for the year attributable to shareholders of the Company since acquisition to the balance sheet date.

(b) On 31 March 2006, the Group acquired 60.6% effective interest in Nanjing Docker Club Realestate Co. Ltd. ("NDCR") for a total cash consideration of US$18,774,000. For the three months to 30 June 2006, NDCR contributed a net loss of US$6,000 to the profit for the year attributable to shareholders of the Company.

(c) On 27 April 2006, the Group announced a mandatory general offer ("Offer") to acquire the shares in GuocoLand (Malaysia) Berhad ("GLM"), a company listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") for a cash consideration of RM0.78 per offer share. As at 7 June 2006, the closing date of the Offer, the Group had received valid acceptances in respect of 73,532,963 shares. Together with shares acquired through market transactions on Bursa Securities during the financial year, the Group has acquired a total of 142,888,263 shares in GLM for a total cash consideration of US$30,049,000. The principal activities of the GLM group comprise the development and investment of residential and commercial properties, mostly in Malaysia. For the financial year ended 30 June 2006, GLM contributed US$1,374,000 to the profit for the year attributable to shareholders of the Company.

(d) The above acquisitions have been accounted for by the purchase method of accounting. The negative goodwill is recognised in the administrative and other operating expenses.

22. ACQUISITION OF SUBSIDIARIES (Cont'd)

The net assets acquired in the above acquisitions and the negative goodwill arising are as follows:

	Acquirees' carrying value before combination	Fair value adjustment	Acquirees' fair value before combination
	US$'000	US$'000	US$'000
Net assets acquired:			
Property, plant and equipment	1,372,446	19,539	1,391,985
Goodwill on consolidation	670	–	670
Investment properties	29,104	–	29,104
Development properties	260,149	30,878	291,027
Bass Strait oil & gas royalties	125,822	–	125,822
Interest in associates and jointly-controlled entities	100,837	2,130	102,967
Investments	47,024	–	47,024
Deferred tax assets	230	–	230
Properties held for sale	2,104	20	2,124
Trade and other receivables	85,248	–	85,248
Cash and short term funds	55,886	–	55,886
Bank loans and borrowings	(537,313)	–	(537,313)
Trade and other payables	(99,480)	(283)	(99,763)
Taxation	(8,589)	–	(8,589)
Provisions	(34,368)	–	(34,368)
Deferred tax liabilities	(164,716)	(843)	(165,559)
Minority interests	(14,953)	–	(14,953)
Net identifiable assets and liabilities	1,220,101	51,441	1,271,542
Share of interests relating to previously held associates			(408,943)
Share of minority interests			(569,510)
Net identifiable assets and liabilities acquired			293,089
Negative goodwill arising from acquisition			(31,556)
Total consideration			261,533
Total consideration satisfied by:			
Cash			260,606
Other payables			927
			261,533

If the above acquisitions had occurred on 1 July 2005, total Group turnover would have been US$5,771,817,000 and profit for the year attributable to shareholders of the Company would have been US$730,595,000 for the year ended 30 June 2006.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Equity securities				
– Listed outside Hong Kong	**12,082**	–	**–**	–
– Unlisted	**1,524**	–	**–**	–
	13,606	–	**–**	–
Club and other debentures	**1,672**	–	**203**	–
	15,278	–	**203**	–
Market value of listed equity securities	**12,082**	–	**–**	–

As as 1 July 2005, following the adoption of HKAS 39, all other non-current financial assets (note 24) held by the Group and the Company with fair value of US$93 million and US$0.2 million respectively have been reclassified to available-for-sale financial assets.

24. OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	The Company
	2005	2005
	US$'000	US$'000
Equity securities		
– Listed outside Hong Kong	65,674	–
– Unlisted	4,022	–
	69,696	–
Club and other debentures	488	203
	70,184	203
Market value of listed equity securities	88,475	–

As at 30 June 2005, certain listed other non-current financial assets with total carrying value of US$49.1 million were pledged with banks to secure short-term bank loan facilities.

As at 1 July 2005, following the adoption of HKAS 39, other non-current financial assets held by the Group and the Company with carrying value of US$70.1 million and US$0.2 million respectively have been reclassified to available-for-sale financial assets.

Notes on the Financial Statements

25. GOODWILL

	The Group US$'000
Cost :	
At 1 July 2004	(24,332)
Addition during the year	(2,060)
At 30 June 2005 and 1 July 2005	(26,392)
Opening balance adjustment to transfer to the retained profits	26,392
Addition through acquisition of subsidiaries	670
Addition during the year	710
	27,772
At 30 June 2006	1,380
Accumulated amortisation:	
At 1 July 2004	(9,625)
Amortisation for the year	(8,899)
At 30 June 2005 and 1 July 2005	(18,524)
Opening balance adjustment to transfer to the retained profits	18,524
At 30 June 2006	–
Carrying amount:	
At 30 June 2006	1,380
At 30 June 2005	(7,868)

The Group has adopted HKFRS 3, Business Combinations, whereby the negative goodwill as at 1 July 2005 has been transferred with a corresponding adjustment to the retained profits.

26. DEVELOPMENT PROPERTIES

	The Group	
	2006 US$'000	2005 US$'000
Cost as at 30 June	**1,277,216**	597,199
Add: Attributable profit/(loss)	**3,604**	(22,585)
Less: Impairment loss	**(33,057)**	(76,872)
Less: Progress instalments received and receivable	**(290,424)**	(85,809)
	957,339	411,933

The carrying amounts of development properties were written down based on their estimated selling prices.

Certain of the Group's development properties with an original book value of US$367.6 million (2005: US$443.8 million) were pledged for bank loans and mortgage debenture stock.

27. PROPERTIES HELD FOR SALE

	The Group	
	2006	2005
	US$'000	US$'000
As at 1 July	**149,039**	59,366
Additions through acquisition of subsidiaries	**2,124**	–
Transfer from development properties	**3,289**	99,739
Disposals	**(89,969)**	(10,738)
	64,483	148,367
Add: Realised loss written off against allowance	**1,737**	–
Write back for foreseeable loss	**523**	672
Exchange adjustment	**9,089**	–
As at 30 June	**75,832**	149,039

28. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Trade debtors	**184,981**	103,449	**–**	–
Deposits and prepayments	**79,586**	18,753	**39**	197
Derivative financial instruments, at fair value	**1,172**	1,658	**–**	–
Interest receivable	**12,872**	7,312	**10,166**	6,927
	278,611	131,172	**10,205**	7,124

Included in the Group's trade and other receivables are amounts of US$8.4 million (2005: US$3.3 million) which are expected to be recovered after more than one year.

Included in trade and other receivables are trade debtors with the following ageing analysis as of the balance sheet date:

	The Group	
	2006	2005
	US$'000	US$'000
Current	**175,853**	103,218
1 to 3 months overdue	**4,866**	18
More than 3 months overdue but less than 12 months overdue	**4,262**	213
	184,981	103,449

Trade and other receivables, which are denominated in a currency other than the functional currency of the entity, are mainly denominated in British pound, Hong Kong dollar, Singapore dollar, Malaysian Ringgit and Renminbi.

29. TRADING FINANCIAL ASSETS

	The Group	
	2006	2005
	US$'000	US$'000
Trading securities:		
Debt securities		
Listed (at market value)		
– In Hong Kong	**–**	–
– Outside Hong Kong	**38,951**	–
	38,951	–
Unlisted	**20,196**	–
	59,147	–
Equity securities		
Listed (at market value)		
– In Hong Kong	**47,157**	–
– Outside Hong Kong	**390,986**	–
	438,143	–
Unit trust		
Listed (at market value)	**–**	–
Unlisted	**12,047**	–
	12,047	–
	509,337	–

As at 1 July 2005, following the adoption of HKAS 39, all other investments in securities (note 30) with fair value of US$606.6 million have been reclassified to trading financial assets.

30. OTHER INVESTMENTS IN SECURITIES

	The Group 2005 US$'000
Debt securities	
Listed (at market value)	
– In Hong Kong	–
– Outside Hong Kong	74
	74
Unlisted	15,000
	15,074
Equity securities	
Listed (at market value)	
– In Hong Kong	99,902
– Outside Hong Kong	426,093
	525,995
Unlisted	44,293
	570,288
Unit trust	
Listed (at market value)	20,607
Unlisted	600
	21,207
	606,569

As at 1 July 2005, following the adoption of HKAS 39, all other investments in securities with carrying value of US$606.6 million have been reclassified to trading financial assets.

31. CASH AND SHORT TERM FUNDS

	The Group		The Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Deposits with banks	**3,338,232**	2,945,116	**3,000,165**	2,687,774
Cash at bank and in hand	**83,503**	87,495	**1,338**	3,187
Cash and cash equivalents in the balance sheet and cash flow statement	**3,421,735**	3,032,611	**3,001,503**	2,690,961

32. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Trade creditors	**64,099**	34,938	**–**	–
Other payables and accrued operating expenses	**197,879**	75,699	**1,987**	1,889
Derivative financial instruments, at fair value	**3,329**	1,305	**–**	–
Amount due to a fellow subsidiary	**21,943**	13,233	**21,943**	13,233
Amounts due to associates	**28**	1	**–**	–
	287,278	125,176	**23,930**	15,122

Included in trade and other payables of the Group and the Company are amounts of US$11.4 million (2005: US$5.0 million) and US$1.7 million (2005: US$1.4 million) respectively which are expected to be settled after more than one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	The Group	
	2006	2005
	US$'000	US$'000
Due within 1 month or on demand	**58,097**	30,399
Due after 1 month but within 3 months	**1,560**	16
Due after 3 months but within 6 months	**64**	2,955
Over 6 months	**4,378**	1,568
	64,099	34,938

Trade and other payables, which are denominated in a currency other than the functional currency of the entity, are mainly denominated in British pound, Hong Kong dollar, Singapore dollar, Malaysian Ringgit and Renminbi.

33. PROVISIONS

	Restructuring Costs	Pensions	Others	Total
	US$'000	US$'000	US$'000	US$'000
As at 1 July 2005	–	–	–	–
Addition through acquisition of subsidiaries	938	28,158	5,272	34,368
Provisions made/(write back) during the year	8,275	1,286	(198)	9,363
Provisions utilised during the year	(562)	(3,644)	(2,065)	(6,271)
Exchange adjustments	306	53	(123)	236
As at 30 June 2006	8,957	25,853	2,886	37,696
Provisions as at 30 June 2006 are disclosed as:				
Current liabilities	6	–	2,886	2,892
Non-current liabilities	8,951	25,853	–	34,804
	8,957	25,853	2,886	37,696

The restructuring costs were provided for reorganisation costs, including IT charges, redundancy costs and relocation costs, at one of the Group's subsidiaries. The restructuring is expected to be completed by 30 June 2007.

34. CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

	The Group	
	2006	2005
	US$'000	US$'000
Bank loans		
– Secured (Note)	**133,725**	96,772
– Unsecured	**10,896**	39,477
	144,621	136,249
Unsecured capital notes	**18,889**	–
Unsecured medium term notes repayable within 1 year	**85,347**	11,871
	248,857	148,120

35. NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

	The Group 2006 US$'000	2005 US$'000
Bank loans		
– Secured (Note)	**151,286**	173,818
– Unsecured	**224,758**	20,778
	376,044	194,596
Unsecured medium term notes	**129,077**	150,043
Unsecured fixed rate bonds	**1,453**	–
Secured mortgage debenture stock	**498,108**	–
	1,004,682	344,639

Note:

The bank loans and mortgage debenture stock are secured by the following :

- legal mortgages on investment properties with an aggregate book value of US$29.1 million (Note 16);
- legal mortgages on development properties with an aggregate book value of US$367.6 million (Note 26);
- legal mortgages on property, plant and equipment with an aggregate book value of US$964.6 million (Note 16); and
- legal mortgages on assets held for sale with an aggregate carrying value of US$88.2 million (Note 17).

The Group's bank loans and other borrowings were repayable as follows:

	The Group 2006 Bank loans US$'000	2006 Mortgage debenture stock US$'000	2006 Other borrowings US$'000	2006 Total US$'000	2005 Bank loans US$'000	2005 Mortgage debenture stock US$'000	2005 Other borrowings US$'000	2005 Total US$'000
On demand or within 1 year	**144,621**	**–**	**104,236**	**248,857**	136,249	–	11,871	148,120
After 1 year but within 2 years	**58,464**	**–**	**1,453**	**59,917**	93,676	–	78,806	172,482
After 2 years but within 5 years	**315,540**	**–**	**129,077**	**444,617**	100,920	–	71,237	172,157
After 5 years	**2,040**	**498,108**	**–**	**500,148**	–	–	–	–
	376,044	**498,108**	**130,530**	**1,004,682**	194,596	–	150,043	344,639
	520,665	**498,108**	**234,766**	**1,253,539**	330,845	–	161,914	492,759

Bank loans and other borrowings, which are denominated in a currency other than the functional currency of the entity, are mainly denominated in British pound and Singapore dollar.

36. DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised:

(i) The Group

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

Deferred tax arising from:	Depreciation allowance in excess of related depreciation	Revaluation of properties	Timing difference on development properties	Revaluation of financial liabilities	Provisions	Tax losses	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 July 2005	(117)	1,840	3,837	–	–	(1,090)	60	4,530
Addition through acquisition of subsidiaries	375	197,364	509	(26,511)	(6,178)	(230)	–	165,329
Charged/(credited) to consolidated income statement	13	(39,739)	(3,940)	2,045	611	22	(32)	(41,020)
Others	221	–	150	–	–	–	–	371
	492	159,465	556	(24,466)	(5,567)	(1,298)	28	129,210
Exchange adjustments	–	6,601	107	(978)	(227)	–	1	5,504
As at 30 June 2006	492	166,066	663	(25,444)	(5,794)	(1,298)	29	134,714
As at 1 July 2004	(3)	1,802	4,872	–	(14)	(1,046)	59	5,670
Credited to consolidated income statement	(39)	–	(1,035)	–	–	(43)	–	(1,117)
Others	(76)	–	–	–	14	–	–	(62)
	(118)	1,802	3,837	–	–	(1,089)	59	4,491
Exchange adjustments	1	38	–	–	–	(1)	1	39
As at 30 June 2005	(117)	1,840	3,837	–	–	(1,090)	60	4,530

36. DEFERRED TAXATION (Cont'd)

(a) Deferred tax assets and liabilities recognised: (Cont'd)

(i) The Group (Cont'd)

	2006 US$'000	2005 US$'000
Net deferred tax assets recognised on the balance sheet	**(957)**	(1,207)
Net deferred tax liabilities recognised on the balance sheet	**135,671**	5,737
	134,714	4,530

(b) Deferred tax assets unrecognised:

Deferred tax assets have not been recognised in respect of the following items:

	The Group	
	2006 US$'000	2005 US$'000
Deductible temporary differences	**179,206**	169,450
Tax losses	**895,453**	117,463
	1,074,659	286,913

The deductible temporary differences and tax losses do not expire under current tax legislation.

37. SHARE CAPITAL AND RESERVES

	Share Capital US$'000	Share premium US$'000	Capital and other reserves US$'000	Contri-buted surplus US$'000	ESOP reserve US$'000	Share option reserve US$'000	Exchange translation reserve US$'000	Fair value reserve US$'000	Revalu-ation reserve US$'000	Retained profits US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
(a) The Group													
At 1 July 2005													
– as previously reported	164,526	10,493	43,731	2,896	(10,132)	–	13,004	–	–	3,971,500	4,196,018	331,574	4,527,592
– prior year adjustments:													
– in respect of financial instruments	–	–	–	–	–	–	–	–	–	–	–	8,138	8,138
– in respect of equity settled share-based transactions	–	–	–	–	–	300	–	–	–	(192)	108	(108)	–
– as restated, before opening balance adjustments	164,526	10,493	43,731	2,896	(10,132)	300	13,004	–	–	3,971,308	4,196,126	339,604	4,535,730
– opening balance adjustments:													
– in respect of financial instruments	–	–	–	–	–	–	–	6,544	–	7,979	14,523	8,416	22,939
– in respect of negative goodwill	–	–	(17,024)	–	–	–	–	–	–	31,644	14,620	18,549	33,169
– as restated, after opening balance adjustments	164,526	10,493	26,707	2,896	(10,132)	300	13,004	6,544	–	4,010,931	4,225,269	366,569	4,591,838
Transfer between reserves	–	–	5,312	–	–	–	–	–	–	(5,312)	–	–	–
Share of subsidiaries' and associates' capital and other reserves movement	–	–	(48,939)	–	–	–	–	–	–	–	(48,939)	(9,310)	(58,249)
Equity settled share-based transactions	–	–	(533)	–	–	482	–	–	–	(210)	(261)	(71)	(332)
Purchase of own shares for Share Option Plan	–	–	–	–	(30,892)	–	–	–	–	–	(30,892)	–	(30,892)
Share of new subsidiaries' reserves in relation to the interests previously acquired	–	–	–	–	–	–	–	–	–	33,215	33,215	3,882	37,097
Changes in fair value and disposal of available-for-sale financial assets	–	–	–	–	–	–	–	(14,265)	–	(3,760)	(18,025)	(16,511)	(34,536)

Notes on the Financial Statements

37. SHARE CAPITAL AND RESERVES (Cont'd)

	Share Capital US$'000	Share premium US$'000	Capital and other reserves US$'000	Contri-buted surplus US$'000	ESOP reserve US$'000	Share option reserve US$'000	Exchange translation reserve US$'000	Fair value reserve US$'000	Revalu-ation reserve US$'000	Retained profits US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	–	–	(194)	(1)	–	–	26,481	–	–	–	26,286	23,418	49,704
Increase in fair value of fixed assets and development properties shared by previously held interest in associates	–	–	–	–	–	–	–	–	9,760	–	9,760	18,364	28,124
Minority interests on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	548,171	548,171
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	(24,269)	(24,269)
Dilution of interest in a subsidiary arising from conversion of preference shares to ordinary shares	–	–	–	–	–	–	–	–	–	–	–	3,110	3,110
Capital contribution from minority interests	–	–	–	–	–	–	–	–	–	–	–	315	315
Exercise of ICULS issued by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(625)	(625)
Final dividend paid	–	–	–	–	–	–	–	–	–	(125,981)	(125,981)	–	(125,981)
Interim dividend paid	–	–	–	–	–	–	–	–	–	(41,961)	(41,961)	–	(41,961)
Retained profits for the year	–	–	–	–	–	–	–	–	–	725,876	725,876	53,001	778,877
At 30 June 2006	164,526	10,493	(17,647)	2,895	(41,024)	782	39,485	(7,721)	9,760	4,592,798	4,754,347	966,044	5,720,391
Retained in													
– Company and subsidiaries													5,487,311
– Associates													233,080
													5,720,391
The Group													
At 1 July 2004	164,526	10,493	56,038	3,978	–	–	3,650	–	–	3,694,920	3,933,605	243,961	4,177,566
Transfer between reserves	–	–	(6,890)	(1,052)	–	–	–	–	–	7,942	–	–	–
Shares repurchased and cancelled by a subsidiary	–	–	–	–	–	–	–	–	–	(3,441)	(3,441)	(10,756)	(14,197)
Realised on disposal of a subsidiary	–	–	–	(30)	–	–	–	–	–	–	(30)	–	(30)
Share of subsidiaries' and associates' capital and other reserves movement	–	–	(5,751)	–	–	–	–	–	–	–	(5,751)	2,080	(3,671)

37. SHARE CAPITAL AND RESERVES (Cont'd)

	Share Capital US$'000	Share premium US$'000	Capital and other reserves US$'000	Contri-buted surplus US$'000	ESOP reserve US$'000	Share option reserve US$'000	Exchange translation reserve US$'000	Fair value reserve US$'000	Revalu-ation reserve US$'000	Retained profits US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
Equity settled share-based transactions	–	–	–	–	–	300	–	–	–	–	300	–	300
Purchase of own shares for Share Option Plan	–	–	–	–	(10,132)	–	–	–	–	–	(10,132)	–	(10,132)
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	–	–	334	–	–	–	9,354	–	–	–	9,688	10,840	20,528
Issue of ordinary share capital of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	11	11
Share of new subsidiaries' reserves in relation to the interests previously acquired	–	–	–	–	–	–	–	–	–	–	–	(545)	(545)
Minority interest on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	75,762	75,762
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	(9,427)	(9,427)
Final dividend paid	–	–	–	–	–	–	–	–	–	(109,836)	(109,836)	–	(109,836)
Interim dividend paid	–	–	–	–	–	–	–	–	–	(33,753)	(33,753)	–	(33,753)
Retained profits for the year (restated)	–	–	–	–	–	–	–	–	–	415,476	415,476	27,678	443,154
At 30 June 2005	164,526	10,493	43,731	2,896	(10,132)	300	13,004	–	–	3,971,308	4,196,126	339,604	4,535,730
Retained in													
– Company and subsidiaries													4,378,744
– Associates													165,044
– Jointly controlled entities													(8,058)
													4,535,730

37. SHARE CAPITAL AND RESERVES (Cont'd)

	Share Capital US$'000	Share premium US$'000	Capital and other reserves US$'000	Contri-buted surplus US$'000	ESOP reserve US$'000	Share option reserve US$'000	Exchange translation reserve US$'000	Fair value reserve US$'000	Revalu-ation reserve US$'000	Retained profits US$'000	Total equity US$'000
(b) The Company											
At 1 July 2005											
– as previously reported	164,526	10,493	–	–	–	–	9,500	–	–	3,214,576	3,399,095
– prior year adjustments:											
– in respect of the effects of changes in foreign exchange rates	–	–	–	–	–	–	(9,500)	–	–	9,500	–
– as restated	164,526	10,493	–	–	–	–	–	–	–	3,224,076	3,399,095
Final dividend paid	–	–	–	–	–	–	–	–	–	(127,250)	(127,250)
Interim dividend paid	–	–	–	–	–	–	–	–	–	(42,410)	(42,410)
Retained profits for the year	–	–	–	–	–	–	–	–	–	354,954	354,954
At 30 June 2006	164,526	10,493	–	–	–	–	–	–	–	3,409,370	3,584,389
The Company											
At 1 July 2004											
– as previously reported	164,526	10,493	–	–	–	–	6,133	–	–	3,192,048	3,373,200
– prior year adjustments:											
– in respect of the effects of changes in foreign exchange rates	–	–	–	–	–	–	(6,133)	–	–	6,133	–
– as restated	164,526	10,493	–	–	–	–	–	–	–	3,198,181	3,373,200
Final dividend paid	–	–	–	–	–	–	–	–	–	(109,836)	(109,836)
Interim dividend paid	–	–	–	–	–	–	–	–	–	(33,753)	(33,753)
Retained profits for the year (restated)	–	–	–	–	–	–	–	–	–	169,484	169,484
At 30 June 2005	164,526	10,493	–	–	–	–	–	–	–	3,224,076	3,399,095

37. SHARE CAPITAL AND RESERVES (Cont'd)

(c) Share capital

	The Group and The Company			
	2006		2005	
	No. of shares '000	**US$'000**	No. of shares '000	US$'000
Authorised:				
Ordinary shares of US$0.50 each	**1,000,000**	**500,000**	1,000,000	500,000
Issued and fully paid:				
As at 1 July and 30 June	**329,051**	**164,526**	329,051	164,526

As at 30 June 2006, 4,026,862 ordinary shares (2005: 1,020,000 ordinary shares) were acquired by the Group to reserve for the Share Option Plan for the purpose of satisfying the exercise of share options to be granted to eligible employees.

Notes:

(i) The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

(ii) The capital and other reserves have been set up and will be dealt with in accordance with the Group's accounting policies.

(iii) The contributed surplus is governed by Section 54 of the Companies Act 1981 of Bermuda.

The contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iv) The ESOP reserve comprises the purchase consideration for issued shares of the Company acquired for the Share Option Plan for the purpose of satisfying the exercise of share options to be granted to eligible employees. (Note 40)

(v) The share option reserve comprises the cumulative value of employee services received for the issue of share options.

(vi) The exchange translation reserve comprises:

(a) the foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates whose functional currencies are different from the functional currency of the Company.

(b) the exchange differences on monetary items which form part of the Group's net investment in the foreign subsidiaries and associates.

(vii) Fair value reserve comprises unrealised gain or loss arising from changes in fair value of available-for-sale financial assets.

(viii) Revaluation reserve comprises increase in fair value of property, plant and equipment and development properties from previously held interests in associates.

(ix) Distributable reserves of the Company as at 30 June 2006 amounted to US$3,409,370,000 (2005: US$3,224,076,000).

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	The Group	
	2006	2005
	US$'000	US$'000
Net assets acquired:		
Property, plant and equipment	**1,391,985**	–
Goodwill on consolidation	**670**	–
Investment properties	**29,104**	–
Development properties	**291,027**	30,096
Bass Strait oil & gas royalties	**125,822**	–
Interest in associates and jointly-controlled entities	**102,967**	188,314
Investments	**47,024**	–
Deferred tax assets	**230**	–
Properties held for sale	**2,124**	–
Trade and other receivables	**85,248**	2,277
Cash and short term funds	**55,886**	5,827
Bank loans and borrowings	**(537,313)**	(18,560)
Trade and other payables	**(99,763)**	(1,041)
Taxation	**(8,589)**	–
Provisions	**(34,368)**	–
Deferred tax liabilities	**(165,559)**	–
Irredeemable convertible unsecured loan stocks	**–**	(8,531)
Minority interests	**(14,953)**	(67,659)
	1,271,542	130,723
Share of interests relating to previously held associates	**(408,943)**	–
Share of minority interests	**(569,510)**	–
Negative goodwill arising from acquisition	**(31,556)**	(28,251)
Total consideration	**261,533**	102,472
Satisfied by:		
Cash consideration	**260,606**	70,193
Conversion of ICULS	**–**	23,415
Other non-current financial assets	**–**	8,864
Other payables	**927**	–
	261,533	102,472

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	The Group	
	2006	2005
	US$'000	US$'000
Cash consideration	**260,606**	70,193
Cash at bank and in hand acquired	**(55,886)**	(5,827)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**204,720**	64,366

39. EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit retirement plans

The Group has several defined benefit pension schemes, all of which are closed to new members and managed by independent administrators. Actuarial valuations are carried out at least once every three years and informal valuations are carried out in the intervening years.

Actuarial gains and losses are accumulated in the balance sheet. Any gains or losses greater than 10% of a scheme's assets or liabilities are written off to the profit and loss account over the average remaining service lives of the scheme's employees.

(i) The amounts recognised in the balance sheets are as follows:

	The Group	
	2006	2005
	US$'000	US$'000
Present value of wholly or partly funded obligations	**(110,316)**	–
Fair value of plan assets	**80,465**	–
Net unrecognised actuarial losses	**3,998**	–
	(25,853)	–

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in an actuarial assumptions and market conditions.

39. EMPLOYEE RETIREMENT BENEFITS (Cont'd)

(a) Defined benefit retirement plans (Cont'd)

(ii) Movements in the net liability recognised in the balance sheet are as follows:

	The Group	
	2006	2005
	US$'000	US$'000
At 1 July	**–**	–
Addition through acquisition of subsidiaries	**(28,164)**	–
Contributions paid to plans	**3,643**	–
Expense recognised in profit or loss	**(1,286)**	–
Exchange difference	**(46)**	–
At 30 June	**(25,853)**	–

(iii) Expense recognised in profit or loss is as follows:

	The Group	
	2006	2005
	US$'000	US$'000
Current service cost	**(1,011)**	–
Interest cost	**(4,818)**	–
Actuarial expected return on plan assets	**4,488**	–
Net actuarial losses recognised	**55**	–
	(1,286)	–

(iv) The principal actuarial assumptions used as at 30 June 2006 (expressed as weighted averages) are as follows:

	The Group	
	2006	2005
Discount rate	**4.92%**	N/A
Expected returns on plan assets – equities	**7.60%**	N/A
Expected returns on plan assets – bonds	**5.20%**	N/A
Expected rates of salary increase	**3.50%**	N/A

39. EMPLOYEE RETIREMENT BENEFITS (Cont'd)

(b) Defined contribution retirement plans

The Company and its subsidiaries in Hong Kong operate a Mandatory Provident Fund Scheme ("MPF Scheme") which has been established under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance in December 2000. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group's contribution is 10 percent or 5 percent of employees' monthly salaries and is expensed as incurred.

Subsidiaries in Singapore operates a Central Provident Fund Scheme ("CPF Scheme") which is a defined contribution scheme. Under this CPF Scheme, the subsidiary's contribution is 3.5 percent to 13 percent of employees' monthly salaries and is expensed as incurred.

40. EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) The Company:

The Company adopted a share option scheme (the "Share Option Scheme") on 29 November 2001 for the purpose of providing any employees or directors of the Company or any of its subsidiaries or associated companies (the "Eligible Employee") the opportunity of participating in the growth and success of the Group.

The option price per share payable upon exercise of any share option will be determined by the directors upon the grant of the share option. It will not be less than the greatest of (a) the average closing price of a share as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited ("the Stock Exchange") for the five business days immediately preceding the day of offer of such a share option; (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the day of offer of such a share option; and (c) the nominal value of a share.

A nominal consideration of HK$1 is payable on acceptance of the share option within 21 days inclusive of, and from the date of making such offer. The exercise period of the share option shall fall within the period from the date of grant and ending on the tenth anniversary of the date of grant in respect of such offer. No share option may be granted more than ten years after 29 November 2001, the date on which the Share Option Scheme was adopted by the Company.

On 16 December 2002, the Company established a share option plan (the "Share Option Plan") for the purpose of motivating the employees and directors of the Group companies and the employees of associated companies (the "Participants") and allowing them to participate in the growth of the Group through the grant of options over existing shares.

The exercise price of an option for the purchase of share will not be less than the greatest of (a) the average closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the day of offer of such a share option; (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the day of offer of such a share option, which must be a business day; and (c) the nominal value of a share.

A nominal consideration of HK$1 is payable on acceptance of the share option within 21 days from the date of making such offer. The exercise period of the share option shall fall within the period from the date of grant and ending on the tenth anniversary of the date of grant of such option. No share option may be granted more than ten years after 16 December 2002, the date on which the Share Option Plan was adopted by the Company.

No share options were outstanding during the year.

40. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Cont'd)

(b) BIL International Limited ("BIL"):

The BIL International Share Option Plan (the "BIL Plan") was approved by the shareholders of BIL in 2001 to allow the grant of options to eligible participants including employees and executive and non-executive directors of BIL and its subsidiaries (the "BIL Group") who are not controlling shareholders of BIL.

There were no outstanding options pursuant to the BIL Plan as at 30 June 2006, and no option has been granted to any eligible participants pursuant to the BIL Plan during the year.

The BIL Value Creation Incentive Share Scheme (the "Scheme") is a share incentive scheme which was approved by the board in 2003 and is administered by its board remuneration committee. Under the Scheme, options over existing shares of BIL are issued to eligible participants.

There were no new options granted during the year.

(i) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors of BIL:			
– on 12 May 2003	1,184,000	1 to 3 years from the date of grant	1 to 3 years
Options granted to employees of BIL:			
– on 12 May 2003	166,000	1 to 3 years from the date of grant	1 to 3 years
Total share options	1,350,000		

(ii) The number and weighted average exercise prices of share options are as follows:

	2006 Weighted average exercise price	2006 Number of options
Outstanding at the beginning of the year	**S$0.47**	**1,350,000**
Exercised during the year	**S$0.47**	**(100,000)**
Lapsed during the year	**S$0.47**	**(1,250,000)**
Outstanding at the end of the year		**–**
Exercisable at the end of the year		**–**

The weighted average share price at the date of exercise for share options exercised during the year was S$1.36.

40. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Cont'd)

(b) BIL International Limited ("BIL"): (Cont'd)

(iii) Fair value of share options and assumptions

Fair value at measurement date	S$0.44
Share price	S$0.81
Exercise price	S$0.47
Expected volatility	63.2%
Expected option life	2.1 years
Expected dividend yield	Management's forecast
Risk-free interest rates	2.0%

(c) GuocoLand Limited ("GLL"):

The GuocoLand Limited Executives' Share Option Scheme (the "Scheme") was approved by shareholders of GLL at an extraordinary general meeting held on 31 December 1998. The Scheme was further approved by the Company at an extraordinary general meeting held on 1 February 1999.

In October 2004, shareholders of GLL and the Company approved the proposed amendments to the rules of the Scheme (the "Rules") to inter alia alter the structure of the Scheme to allow the grant of options to be satisfied over newly issued ordinary shares of GLL (the "Shares") or the transfer of existing Shares, or a combination of both new Shares and existing Shares, as well as to align the Rules with the requirements under Chapter 17 of The Stock Exchange of Hong Kong Limited Listing Rules.

(i) The terms and conditions of the grants that existed during the year, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors of GLL:			
– on 1 November 2004	3,250,000	Certain financial and performance	3.75 years
– on 1 November 2004	3,250,000	targets to be met during	4.75 years
		the performance period for FY2005 to 2007.	
Options granted to employees of GLL:			
– on 1 November 2004	3,000,000		3.75 years
– on 1 November 2004	3,000,000		4.75 years
– on 30 May 2005	2,000,000	Vested	2 years
– on 30 May 2005	2,000,000	Certain financial and performance targets	3.17 years
– on 30 May 2005	2,000,000	to be met during the performance	4.17 years
		period for FY2006 to 2007.	
Total share options	18,500,000		

40. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Cont'd)

(c) GuocoLand Limited ("GLL"): (Cont'd)

(ii) The number and weighted average exercise prices of share options are as follows:

	2006		2005	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**S$1.23**	**18,500,000**	S$2.28	3,440,000
Lapsed during the year	**N/A**	**–**	S$2.28	(3,440,000)
Granted during the year	**N/A**	**–**	S$1.23	18,500,000
Outstanding at the end of the year	**S$1.23**	**18,500,000**	S$1.23	18,500,000
Exercisable at the end of the year	**S$1.32**	**2,000,000**	N/A	–

	2006	2005
The weighted average exercise price per share of the outstanding options	**S$1.23**	S$1.23
The weighted average remaining contractual life of the options	**2.4 years**	3.4 years

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The expected volatility is based on 1 year historical volatility.

Date of grant of options	**1 Nov 2004**	**30 May 2005**
Fair value at measurement date	S$0.10 to S$0.11	S$0.09 to S$0.10
Share price at grant date	S$1.22	S$1.34
Exercise price	S$1.19	S$1.32
Expected volatility	21.4%	18.8%
Expected option life	3.2 years to 4.2 years	1.5 years to 3.6 years
Expected dividend yield	6.6%	6.0%
Risk-free interest rate	1.8% to 2.2%	2.1% to 2.3%

41. FINANCIAL INSTRUMENTS

(a) Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the year in which they reprice or the maturity dates, if earlier.

	2006						2005					
The Group	**Effective interest rate %**	**Total US$'000**	**One year or less US$'000**	**1-2 years US$'000**	**2-5 years US$'000**	**More than 5 years US$'000**	Effective interest rate %	Total US$'000	One year or less US$'000	1-2 years US$'000	2-5 years US$'000	More than 5 years US$'000
Repricing dates for assets/ (liabilities) which reprice before maturity												
Trading debt securities	**5.87**	**20,196**	**20,196**	**–**	**–**	**–**	N/A	–	–	–	–	–
Bank loans and other borrowings	**3.23 to 8.00**	**(523,813)**	**(513,923)**	**(9,890)**	**–**	**–**	2.92 to 5.28	(253,671)	(253,671)	–	–	–
		(503,617)	**(493,727)**	**(9,890)**	**–**	**–**		(253,671)	(253,671)	–	–	–
Maturity dates for assets/ (liabilities) which do not reprice before maturity												
Deposit with banks	**0.60 to 7.25**	**3,338,232**	**3,338,232**	**–**	**–**	**–**	0.31 to 5.36	2,945,116	2,945,116	–	–	–
Trading debt securities	**5.20 to 5.90**	**38,951**	**–**	**–**	**2,896**	**36,055**	5.75 to 8.75	15,074	74	–	15,000	–
Bank loans and other borrowings	**3.23 to 10.75**	**(729,726)**	**(79,051)**	**(23,490)**	**(129,077)**	**(498,108)**	2.38 to 5.20	(239,088)	(11,870)	(135,203)	(92,015)	–
		2,647,457	**3,259,181**	**(23,490)**	**(126,181)**	**(462,053)**		2,721,102	2,933,320	(135,203)	(77,015)	–
TOTAL		**2,143,840**	**2,765,454**	**(33,380)**	**(126,181)**	**(462,053)**		2,467,431	2,679,649	(135,203)	(77,015)	–

	2006						2005					
The Company	**Effective interest rate %**	**Total US$'000**	**One year or less US$'000**	**1-2 years US$'000**	**2-5 years US$'000**	**More than 5 years US$'000**	Effective interest rate %	Total US$'000	One year or less US$'000	1-2 years US$'000	2-5 years US$'000	More than 5 years US$'000
Maturity dates for assets which do not reprice before maturity												
Deposit with banks	**3.30 to 5.42**	**3,000,165**	**3,000,165**	**–**	**–**	**–**	1.69 to 5.36	2,687,774	2,687,774	–	–	–

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Fair values

The aggregate net fair values of financial assets and liabilities, which are not carried at fair value in the balance sheet are represented in the following table:

	2006		2005	
	Carrying Amount US$'000	**Fair Value US$'000**	Carrying Amount US$'000	Fair Value US$'000
Group				
Financial assets:				
Available-for-sale financial assets	**15,278**	**15,278**	–	–
Other non-current financial assets	**–**	**–**	70,184	92,985
	15,278	**15,278**	70,184	92,985
Financial liabilities:				
Bank loans and other borrowings	**1,253,539**	**1,254,415**	492,759	497,665

The fair value of the financial instruments is estimated using discounted cash flow analysis on the loan principal, including the interest due on the loans, based on current incremental lending rates for similar instruments at the balance sheet date.

It is not practicable to estimate the fair value of the unquoted securities and amounts due from/to subsidiaries, associated companies, related corporations and minority shareholders of subsidiaries because of the inability to estimate fair value without incurring excessive costs. However, management believes that the carrying amounts recorded at balance sheet date reflect their corresponding fair values.

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate the fair value due to the relatively short-term maturity of these financial assets and liabilities.

42. COMMITMENTS

(a) Operating lease arrangements

(i) As lessee

As at 30 June 2006, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	The Group	
	2006	2005
	US$'000	US$'000
Within 1 year	**2,066**	931
After 1 year but within 5 years	**7,435**	516
After 5 years	**65,346**	–
	74,847	1,447

The Group leases a number of properties under operating leases. The leases typically run for periods of up to thirty years, with an option to renew the lease after expiry date. Regular lease payment reviews are required by the majority of the lease agreements.

(ii) As lessor

As at 30 June 2006, the total future minimum lease payments under non-cancellable operating lease are receivable as follows:

	The Group	
	2006	2005
	US$'000	US$'000
Within 1 year	**5,561**	5,858
After 1 year but within 5 years	**2,135**	4,850
	7,696	10,708

There were also commitments in respect of foreign currency contracts, interest rate swap and equity swap relating to the normal operations as at 30 June 2006.

(b) Capital commitments outstanding not provided for in the final financial report

	At 30 June 2006 US$'000	At 30 June 2005 US$'000
Authorised and contracted for	**91,459**	–

43. CONTINGENT LIABILITIES

A subsidiary of the Group, BIL, had contingent liabilities of approximately US$8.9 million (2005: Nil) in relation to the guarantees of investment performance. In addition, BIL has given a guarantee to the owner of the 28 hotel businesses sold in 2002 that the aggregate Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of the business will not be less than US$59.9 million (2005: Nil) per calendar year (or pro-rata amount) thereafter until 4 April 2012. The maximum liability on any one year under the guarantee was US$59.9 million (2005: Nil) and the maximum aggregate liability under the guarantee was approximately US$119.9 million (2005: Nil). BIL's expectation is that the future annual EBITDA will be in excess of the guaranteed amount.

44. MATERIAL RELATED PARTY TRANSACTIONS

(a) Banking transactions

Transactions with companies in the Hong Leong Company (Malaysia) Berhad Group ("HLCM").

During the year, the Group entered into a number of transactions in the normal course of business with companies in the HLCM group including deposits and correspondent banking transactions. The transactions were priced based on the relevant market rates at the time of each transaction, and were under the same terms as those available to the independent counterparties and customers.

Information relating to interest income from these transactions during the year and balance outstanding at the balance sheet date is set out below:–

(i) Income for the year ended 30 June

	The Group	
	2006	2005
	US$'000	US$'000
Interest income	**470**	1,474

(ii) Balance as at 30 June

	The Group	
	2006	2005
	US$'000	US$'000
Cash and short term funds	**629**	74,879

(b) Management fee

On 21 August 2001, the Company entered into a management services agreement, determinable by either party giving six months' notice, with GOMC Limited ("GOMC"), a subsidiary of HLCM, for provision of general management services to the Group by GOMC. Total management fees paid and payable to GOMC for the year ended 30 June 2006 amounted to US$22.1 million (2005: US$13.4 million).

44. MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

(c) Key management personnel information

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 10 is as follows:

	The Group	
	2006	2005
	US$'000	US$'000
Short-term employee benefits	**6,298**	5,992

Total remuneration is included in "staff costs" (see note 8(b)).

45. PARENT AND ULTIMATE HOLDING COMPANY

The directors consider the parent company at 30 June 2006 to be GuoLine Overseas Limited, which is incorporated in Bermuda and the ultimate holding company to be Hong Leong Company (Malaysia) Berhad, which is incorporated in Malaysia.

46. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 30 JUNE 2006

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting year ended 30 June 2006 and which have not been adopted in these financial statements:

	Effective for accounting periods beginning on or after
HKFRS – Int 4, Determining whether an arrangement contains a lease	1 January 2006
Amendments to HKAS 19, Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
Amendments to HKAS 39, Financial instruments: Recognition and measurement:	
– Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
– The fair value option	1 January 2006
– Financial guarantee contracts	1 January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:	
– HKAS 1, Presentation of financial statements	1 January 2006
– HKAS 27, Consolidated and separate financial statements	1 January 2006
– HKFRS 3, Business combinations	1 January 2006
HK(IFRIC) – Int 8, Scope of HKFRS 2	1 May 2006
HK(IFRIC) – Int 9, Reassessment of embedded derivatives	1 June 2006
Amendments to HKAS 21, The effects of changes in foreign exchange rates – net investment in a foreign operation	1 January 2006
HKFRS 7, Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.