1. GENERAL

The Company is a public limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company is disclosed in the section headed "Corporate information" in the annual report.

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 35.

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

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement and the consolidated statement of changes in equity. In particular, the presentation of share of taxation of associates has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

HKFRS 3 "Business Combinations"

Goodwill

In previous years, goodwill arising on acquisitions prior to 1st January, 2005 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill on acquisition of associates, the Group on 1st July, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$63,787,350 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1st July, 2005 onwards and such goodwill will be tested for impairment. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated (see Note 2A for the financial impact).

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

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

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

On or before 30th June, 2005, the Group classified and measured its equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24. Under SSAP 24, investments in debt or equity securities were classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" were measured at fair value. Unrealised gains or losses of "trading securities" were reported in profit or loss for the period in which gains or losses arose. Unrealised gains or losses of "non-trading securities" were reported in equity until the securities were sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity was included in the net profit or loss for that period. From 1st July, 2005 onwards, the Group has classified and measured its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1st July, 2005, the Group classified and measured its equity securities in accordance with the transitional provisions of HKAS 39 as available-for-sale financial assets (see Note 2A for the financial impact). The application of these relevant transitional provisions has had no effect on results for the current year.

Financial assets and financial liabilities other than debt and equity securities

From 1st July, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition. This change in accounting policy has had no material effect on the results for the current year.

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

Hotel Properties

In previous years, hotel properties of the Group are stated at cost and no depreciation was provided on hotel properties held on leases of more than twenty years. It was the Group's practice to maintain its hotel properties in a continual state of sound repairs and maintenance. In the current year, the Group has applied HKAS 16 "Property, plant and equipment". HKAS 16 requires the residual value of the hotel properties to be measured as the amount the Group would currently obtain from disposal of the hotel properties, after deducting the estimated costs of disposal, if the hotel properties were already of the age and in the condition expected at the end of their respective useful lives.

Upon application of HKAS 16, the Group reviewed the residual values of its hotel properties, depreciation is provided on hotel properties and these changes are accounted for as a change in accounting policy in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

As a result, the carrying amount of property, plant and equipment at 30th June, 2006 has been decreased by HK$66,668,333 *(2005: HK$60,976,533)*. In the meantime, deferred taxation relating to hotel properties has also been restated, resulting in a decrease in deferred taxation of HK$1,785,602 *(2005: HK$1,933,696)*. This change in accounting policies has also resulted in a decrease in profit for the year of HK$5,839,894 *(2005: HK$5,623,408)*. Comparative figures have been restated (see Note 2A for the financial impact).

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 2A for the financial impact).

As a result of this change in accounting policy, prepaid lease payments of HK$1,546,000,000 has been reclassified from property, plant and equipment at 30th June, 2004. The carrying amount of prepaid lease payments at 30th June, 2006 has been increased by HK$1,290,493,413 *(2005: HK$1,312,711,377)*. Retained profits have been decreased by HK$255,506,587 *(2005: HK$233,288,623)* as a result of the amortisation in the respective periods. Profit for the year has been decreased by HK$22,217,964 *(2005: HK$22,217,964)*. Comparative figures have been restated (see Note 2A for the financial impact).

Effects of HKAS 16 and HKAS 17 on interests in associates

Upon application of HKAS 16 and HKAS 17, interests in associates at 30th June, 2006 have been decreased by HK$249,489,913 *(2005: HK$224,967,379)* and share of results of associates for the year has been decreased by HK$24,522,534 *(2005: HK$24,778,886)*.

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

2A. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES

(a) The effect of the changes in accounting policies described above on the results for the current and prior year is as follows:

	2006	2005
	HK$	*HK$*
Decrease in amortisation of goodwill	**12,515,100**	–
Increase in amortisation of prepaid lease payments	**(22,217,964)**	(22,217,964)
Increase in depreciation expenses for owner-operated hotel properties	**(5,691,800)**	(5,807,627)
(Increase) decrease in deferred taxation relating to depreciation expenses for owner-operated hotel properties	**(148,094)**	184,219
Share of results of associates		
Decrease in share of profits of associates	**(28,903,897)**	(29,251,382)
Decrease in share of taxation of associates	**4,381,363**	4,472,496
Decrease in profit for the year	**(40,065,292)**	(52,620,258)

Analysis of decrease in profit for the year by line items presented according to their function:

	2006	2005
	HK$	*HK$*
Increase in other operating expenses	**(27,909,764)**	(28,025,591)
Decrease in share of results of associates	**(26,805,599)**	(41,554,408)
Decrease in income tax expense	**14,650,071**	16,959,741
Decrease in profit for the year	**(40,065,292)**	(52,620,258)

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

2A. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) The cumulative effect of the application of the new HKFRSs on 30th June, 2005 and 1st July, 2005 is summarised below:

	As at 30th June, 2005 (as originally stated) *HK$*	Effects of HKAS 16 and HKAS 17 *HK$*	As at 30th June, 2005 (as restated) *HK$*	Effect of HKAS 39 *HK$*	As at 1st July, 2005 (as restated) *HK$*
Balance sheet items					
Property, plant and equipment	1,961,455,327	(1,606,976,533)	354,478,794	–	354,478,794
Prepaid lease payments – non-current portion	–	1,290,493,413	1,290,493,413	–	1,290,493,413
Prepaid lease payments – current portion	–	22,217,964	22,217,964	–	22,217,964
Interests in associates	1,476,821,088	(224,967,379)	1,251,853,709	–	1,251,853,709
Available-for-sale financial assets	–	–	–	411,418,481	411,418,481
Investments in securities	411,418,481	–	411,418,481	(411,418,481)	–
Deferred taxation	(1,936,137)	1,933,696	(2,441)	–	(2,441)
Total effects on assets and liabilities	3,847,758,759	(517,298,839)	3,330,459,920	–	3,330,459,920
Retained profits (accumulated losses)	422,634,602	(517,298,839)	(94,664,237)	–	(94,664,237)
Total effects on equity	422,634,602	(517,298,839)	(94,664,237)	–	(94,664,237)

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

2A. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) The cumulative effect of the application of the new HKFRSs on 30th June, 2004 is summarised below:

	As at 30th June, 2004 (as originally stated) *HK$*	Effects of HKAS 16 and HKAS 17 *HK$*	As at 30th June, 2004 (as restated) *HK$*
Balance sheet items			
Property, plant and equipment	1,959,223,691	(1,601,168,906)	358,054,785
Prepaid lease payments – non-current portion	–	1,312,711,377	1,312,711,377
Prepaid lease payments – current portion	–	22,217,964	22,217,964
Interests in associates	1,394,709,941	(200,188,493)	1,194,521,448
Deferred taxation	(2,027,513)	1,749,477	(278,036)
Total effects on assets and liabilities	3,351,906,119	(464,678,581)	2,887,227,538
Retained profits (accumulated losses)	352,434,626	(464,678,581)	(112,243,955)
Total effects on equity	352,434,626	(464,678,581)	(112,243,955)

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

2A. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that it will have no material impact on the consolidated financial statements except for HKAS 39 and HKFRS 4 (Amendment) on financial guarantee contracts (which requires financial guarantees to be initially measured at fair value), which may have potential impact to the consolidated financial statements.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

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

For previously capitalised goodwill, the Group has discontinued amortisation from 1st July, 2005 onwards, and such goodwill is tested for impairment (see the accounting policy below).

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

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

Goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions on or after 1st January, 2005 (Continued)

The goodwill included in the carrying amount of interest in an associate is not separately tested for impairment. Instead, the entire carrying amount of the interests in an associate is tested for impairment by comparing the Group's share of the present value of the estimated future cash flows expected to be generated by the associate with its carrying amount. Any impairment loss identified is recognised and is allocated first to goodwill.

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

Interests in associates

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

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

Revenue recognition

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

Income from operations of a hotel and a club are recognised when services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income under operating leases is recognised on a straight-line basis over the period of the respective leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

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

Prepaid lease payments

The up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and amortised over the lease term on a straight-line basis.

Impairment (other than goodwill, see the accounting policy in respect of goodwill above)

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

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

Hotel inventories

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

Leasing

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

The Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

Financial assets

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

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

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

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to an associate and bank loans and other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

4. CRITICAL ACCOUNTING JUDGMENTS

In the process of applying the Group's accounting policies, management makes judgment based on past experience, expectations of the future and other information. The critical judgment that can significantly affect the amounts recognised in the consolidated financial statements is disclosed below.

Tax inquiries of an associate

As detailed in note 19, an associate of the Group is subject to tax inquiries for the years of assessment 1994/95 to 2002/03. The tax in dispute for the years under review amounts to approximately HK$133,062,000 and the effective share of the tax attributable to the Group as at the balance sheet date is estimated to be approximately HK$33,265,000. As the tax inquiries are still at the stage of collation of evidence and the associate has lodged objections with the Inland Revenue Department (the "IRD"), the management of the associate cannot presently determine the ultimate outcome of the tax inquiries with an acceptable degree of reliability. Accordingly, no provision for any liabilities has been made in the financial statements of the associate.

If the objections made to the IRD were unsuccessful, there would be a decrease in interests in the associate as a result of the Group's share of the tax liability.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include pledged fixed deposit, trade and other receivables, amounts due from associates, bank balances and cash, trade and other payables, amount due to an associate and bank loans and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30th June, 2006 is the carrying amount of amounts due from associates as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group reviews the recoverable amount of amounts due from associates at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

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

Interest rate risk

The Group's cash flow interest rate risk relates to variable-rate bank borrowings (note 26). The Group's fair value interest rate risk relates primarily to fixed-rate short-term bank deposits. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Foreign currency risk

Substantially all the transactions entered into by the Group are denominated in Hong Kong Dollars, except for certain bank borrowing which is denominated in United States Dollars. Since United States Dollars is linked to Hong Kong Dollars, the Group does not expect any significant movements in USD/HKD exchange rate. Management closely monitors foreign exchange exposure and will mitigate foreign currency risk should the need arise.

6. TURNOVER

	2006	2005
	HK$	*HK$*
Hotel operations	**163,252,664**	148,080,999
Club operations	**7,534,458**	7,227,522
Dividend income from available-for-sale financial assets/investments in securities	**7,132,996**	6,023,940
Hotel management service fees	**1,930,000**	1,930,000
	179,850,118	163,262,461

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into four segments – hotel operations, club operations, investment holding and hotel management services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operations	–	own and operate a hotel
Club operations	–	operate a club
Investment holding	–	investments in available-for-sale financial assets/investments in securities
Hotel management services	–	provide hotel management services

Segment information about these businesses is presented below.

CONSOLIDATED INCOME STATEMENT
For the year ended 30th June, 2006

	Hotel operations *HK$*	Club operations *HK$*	Investment holding *HK$*	Hotel management services *HK$*	Consolidated *HK$*
TURNOVER	**163,252,664**	**7,534,458**	**7,132,996**	**1,930,000**	**179,850,118**
RESULT					
Segment result	**35,730,604**	**1,588,819**	**7,127,782**	**1,930,000**	**46,377,205**
Unallocated corporate expenses					**(3,998,631)**
Finance income					**3,588,967**
Finance costs					**(45,796,298)**
Share of results of associates					**66,380,950**
Profit before taxation					**66,552,193**
Income tax expense					**(3,707,936)**
Profit for the year					**62,844,257**

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

CONSOLIDATED BALANCE SHEET
At 30th June, 2006

	Hotel operations *HK$*	Club operations *HK$*	Investment holding *HK$*	Consolidated *HK$*
ASSETS				
Segment assets	**1,680,180,762**	**2,557,472**	**443,429,946**	**2,126,168,180**
Interests in associates				**1,318,234,659**
Unallocated corporate assets				**297,679,886**
Consolidated total assets				**3,742,082,725**
LIABILITIES				
Segment liabilities	**13,859,504**	**838,171**	**6,000**	**14,703,675**
Unallocated corporate liabilities				**1,243,917,145**
Consolidated total liabilities				**1,258,620,820**

OTHER INFORMATION
For the year ended 30th June, 2006

	Hotel operations *HK$*	Club operations *HK$*	Consolidated *HK$*
Capital additions	**25,761,676**	**–**	**25,761,676**
Depreciation of property, plant and equipment	**11,084,429**	**25,029**	**11,109,458**
Release of prepaid lease payments	**22,217,964**	**–**	**22,217,964**
Loss on disposal of property, plant and equipment	**11,530,117**	**–**	**11,530,117**

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

CONSOLIDATED INCOME STATEMENT
For the year ended 30th June, 2005 – as restated

	Hotel operations HK$	Club operations HK$	Investment holding HK$	Hotel management services HK$	Consolidated HK$
TURNOVER	148,080,999	7,227,522	6,023,940	1,930,000	163,262,461
RESULT					
Segment result	27,131,836	1,662,115	6,016,662	1,930,000	36,740,613
Unallocated corporate expenses					(6,577,484)
Finance income					1,618,902
Finance costs					(23,765,948)
Share of results of associates					57,332,261
Profit before taxation					65,348,344
Income tax expense					(6,461,173)
Profit for the year					58,887,171

CONSOLIDATED BALANCE SHEET
At 30th June, 2005 – as restated

	Hotel operations HK$	Club operations HK$	Investment holding HK$	Consolidated HK$
ASSETS				
Segment assets	1,697,015,372	2,886,385	411,436,288	2,111,338,045
Interests in associates				1,251,853,709
Unallocated corporate assets				295,232,272
Consolidated total assets				3,658,424,026
LIABILITIES				
Segment liabilities	11,267,416	1,023,402	6,000	12,296,818
Unallocated corporate liabilities				1,246,701,206
Consolidated total liabilities				1,258,998,024

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

OTHER INFORMATION
For the year ended 30th June, 2005 – as restated

	Hotel operations HK$	Club operations HK$	Consolidated HK$
Capital additions	6,319,924	13,361	6,333,285
Depreciation of property, plant and equipment	9,517,169	24,223	9,541,392
Release of prepaid lease payments	22,217,964	–	22,217,964
Loss on disposal of property, plant and equipment	367,884	–	367,884

(b) Geographical segments

All of the activities of the Group are based in Hong Kong and all of the Group's turnover, profit before taxation, assets and liabilities are derived from Hong Kong.

8. FINANCE INCOME

	2006 ***HK$***	2005 *HK$*
Interest income on:		
Advance to an associate	**2,935,300**	1,453,688
Bank deposits	**653,667**	165,214
	3,588,967	1,618,902

9. FINANCE COSTS

	2006 ***HK$***	2005 *HK$*
Interests and other finance costs on:		
Bank loans wholly repayable within five years	**38,603,250**	15,717,360
Advance from an associate	**6,765,529**	3,272,477
Other unsecured loans	**427,519**	4,776,111
	45,796,298	23,765,948

10. SHARE OF RESULTS OF ASSOCIATES

Share of results of associates for the year ended 30th June, 2005 included amortisation of goodwill arising on the acquisition of an associate of HK$12,515,100. There was no amortisation for the current year after the adoption of HKFRS 3 as stated in note 2.

11. PROFIT BEFORE TAXATION

	2006	2005
	HK$	*HK$*
		(as restated)
Profit before taxation has been arrived at after charging:		
Directors' emoluments *(note 12)*	**604,000**	529,000
Other staff costs	**46,423,905**	43,894,095
Retirement benefit scheme contributions, other than Directors	**1,999,454**	1,890,700
Total staff costs	**49,027,359**	46,313,795
Auditors' remuneration		
Audit services		
Current year	**569,500**	398,000
Underprovision in prior years	**79,000**	35,000
	648,500	433,000
Non-audit services	**224,000**	170,000
	872,500	603,000
Cost of hotel inventories recognised as an expense	**8,933,889**	8,666,232
Depreciation of property, plant and equipment	**11,109,458**	9,541,392
Loss on disposal of property, plant and equipment	**11,530,117**	367,884
Repairs and maintenance in respect of hotel properties	**2,863,399**	13,794,030
Release of prepaid lease payments	**22,217,964**	22,217,964
Share of Hong Kong Profits Tax of associates (included in share of results of associates)	**14,798,165**	16,775,522
and after crediting:		
Net foreign exchange gain	**488,750**	–
Rental income in respect of premises, net of negligible outgoings *(2005: HK$12,241)*	**2,654,305**	2,612,004

12. DIRECTORS' EMOLUMENTS

	Notes	2006 Fees HK$	2006 Other emoluments HK$	2006 Total HK$	2005 Fees HK$	2005 Other emoluments HK$	2005 Total HK$
Executive Directors:							
Mr. Robert Ng Chee Siong		**28,000**	**–**	**28,000**	28,000	–	28,000
Mr. Thomas Tang Wing Yung		**18,000**	**–**	**18,000**	16,500	–	16,500
Mr. Daryl Ng Win Kong		**26,000**	**–**	**26,000**	4,500	–	4,500
		72,000	**–**	**72,000**	49,000	–	49,000
Non-executive Directors:							
Mr. Gilbert Lui Wing Kwong	*(1)*	**120,000**	**–**	**120,000**	120,000	–	120,000
The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP	*(2)*	**36,000**	**–**	**36,000**	–	–	–
		156,000	**–**	**156,000**	120,000	–	120,000
Independent Non-executive Directors:							
Mr. Peter Wong Man Kong, BBS, JP		**128,000**	**–**	**128,000**	100,000	–	100,000
Mr. Adrian David Li Man-kiu		**128,000**	**–**	**128,000**	30,000	–	30,000
Mr. Steven Ong Kay Eng		**120,000**	**–**	**120,000**	–	–	–
Mr. Gilbert Lui Wing Kwong	*(1)*	**–**	**–**	**–**	–	–	–
The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP	*(2)*	**–**	**–**	**–**	120,000	–	120,000
Mr. Paul Cheng Ming Fun, JP	*(3)*	**–**	**–**	**–**	110,000	–	110,000
		376,000	**–**	**376,000**	360,000	–	360,000
		604,000	**–**	**604,000**	529,000	–	529,000

No Directors waived any emoluments in the year ended 30th June, 2006 *(2005: Nil)*.

Notes:

(1) Mr. Gilbert Lui Wing Kwong was re-designated from Independent Non-executive Director to Non-executive Director on 30th August, 2004.

(2) The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP was re-designated from Independent Non-executive Director to Non-executive Director on 1st July, 2005.

A consultancy fee of HK$416,666 *(2005: nil)* was paid to Arculli and Associates (July – December 2005) and since 1st January, 2006 to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP is the sole proprietor.

(3) Mr. Paul Cheng Ming Fun, JP resigned on 31st May, 2005.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none *(2005: none)* of them was Director of the Company. The emoluments of the five *(2005: five)* individuals were as follows:

	2006	2005
	HK$	*HK$*
Salaries and other emoluments	**2,744,780**	2,379,501
Contributions to retirement benefit scheme	**84,353**	88,273
Discretionary bonus	**466,457**	269,020
	3,295,590	2,736,794

The aggregate emoluments of each of the five highest paid individuals in the Group were within the emolument band of less than HK$1,000,000.

During the year, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

14. INCOME TAX EXPENSE

	2006	2005
	HK$	*HK$*
		(as restated)
The charge comprises:		
Hong Kong Profits Tax calculated at 17.5% *(2005: 17.5%)* on the estimated assessable profit		
Current year	**1,769,597**	6,734,859
(Over) underprovision in prior years	**(32,269)**	1,909
	1,737,328	6,736,768
Deferred tax *(note 28)*	**1,970,608**	(275,595)
Taxation attributable to the Company and its subsidiaries	**3,707,936**	6,461,173

14. INCOME TAX EXPENSE *(Continued)*

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

	2006	2005
	HK$	*HK$*
		(as restated)
Profit before taxation	**66,552,193**	65,348,344
Tax at Hong Kong Profits Tax rate of 17.5%	**11,646,633**	11,435,960
Tax effect of results attributable to associates	**(11,616,666)**	(12,223,288)
Tax effect of expenses not deductible for tax purpose	**5,051,020**	7,826,669
Tax effect of income not taxable for tax purpose	**(1,358,809)**	(1,108,469)
(Over) underprovision in prior years	**(32,269)**	1,909
Tax effect of tax losses not recognised	**18,027**	528,392
Tax charge for the year	**3,707,936**	6,461,173

15. DIVIDENDS

	2006	2005
	HK$	*HK$*
Final dividend for the year ended 30th June, 2005 paid – HK3.5 cents *(2004: HK3 cents)* per share	**29,158,506**	24,710,965
Interim dividend for the year ended 30th June, 2006 paid – HK2.2 cents *(2005: HK2 cents)* per share	**18,444,337**	16,596,488
	47,602,843	41,307,453

A final dividend of HK2.6 cents for the year ended 30th June, 2006 *(2005: HK3.5 cents)* per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming Annual General Meeting.

16. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit for the year of HK$62,844,257 *(2005: HK$58,887,171 as restated)* and on the weighted average number of 836,367,979 *(2005: 827,306,965)* shares in issue during the year.

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

	2006	2005
	HK Cent	*HK Cent*
Figures before adjustments	**12.30**	13.48
Adjustments arising from changes in accounting policies *(see note 2A)*	**(4.79)**	(6.36)
Adjusted/Restated	**7.51**	7.12

17. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties	**Furniture, fixtures and hotel operating equipment**	**Total**
	HK$	*HK$*	*HK$*
COST			
At 1st July, 2004 (as restated)	404,110,500	22,825,543	426,936,043
Additions	–	6,333,285	6,333,285
Disposals	–	(2,012,554)	(2,012,554)
At 30th June, 2005 (as restated)	404,110,500	27,146,274	431,256,774
Additions	–	25,761,676	25,761,676
Disposals	(13,477,963)	(2,867,480)	(16,345,443)
At 30th June, 2006	**390,632,537**	**50,040,470**	**440,673,007**
DEPRECIATION			
At 1st July, 2004 (as restated)	55,168,906	13,712,352	68,881,258
Provided for the year	5,807,627	3,733,765	9,541,392
Eliminated on disposals	–	(1,644,670)	(1,644,670)
At 30th June, 2005 (as restated)	60,976,533	15,801,447	76,777,980
Provided for the year	5,691,800	5,417,658	11,109,458
Eliminated on disposals	(2,111,669)	(2,703,657)	(4,815,326)
At 30th June, 2006	**64,556,664**	**18,515,448**	**83,072,112**
CARRYING VALUES			
At 30th June, 2006	**326,075,873**	**31,525,022**	**357,600,895**
At 30th June, 2005 (as restated)	343,133,967	11,344,827	354,478,794

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

Hotel properties	70 years
Furniture and fixtures	10% – 20%
Hotel operating equipment	20%

18. PREPAID LEASE PAYMENTS

	HK$
COST	
At 1st July, 2004, 30th June, 2005 and 30th June, 2006	**1,546,000,000**
AMORTISATION	
At 1st July, 2004	211,070,659
Provided for the year	22,217,964
At 30th June, 2005	233,288,623
Provided for the year	22,217,964
At 30th June, 2006	**255,506,587**
CARRYING VALUES	
At 30th June, 2006	**1,290,493,413**
At 30th June, 2005	1,312,711,377

	2006	2005
	HK$	*HK$*
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Long lease	**1,290,493,413**	1,312,711,377
Analysed for reporting purposes as:		
Current assets	**22,217,964**	22,217,964
Non-current assets	**1,268,275,449**	1,290,493,413
	1,290,493,413	1,312,711,377

19. INTERESTS IN ASSOCIATES

	2006	2005
	HK$	*HK$*
		(as restated)
Cost of unlisted investments in associates	**1,062,961,933**	1,062,961,933
Share of post-acquisition profits, net of dividends received	**255,272,726**	188,891,776
	1,318,234,659	1,251,853,709

Details of the associates at 30th June, 2006 are as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued share capital held by the Company *Directly*	*Indirectly*	Principal activities
Asian Glory Limited	Incorporated	British Virgin Islands	Ordinary	–	25%	Investment holding
Bestown Property Limited	Incorporated	Hong Kong	Ordinary	–	25%	Hotel owner
Greenroll Limited	Incorporated	Hong Kong	Ordinary	–	50%	Hotel owner
Regent Step Investment Limited	Incorporated	Hong Kong	Ordinary	25%	–	Provision of financial services

Notes:

(a) All associates are unlisted.
(b) Bestown Property Limited is a wholly-owned subsidiary of Asian Glory Limited.

19. INTERESTS IN ASSOCIATES *(Continued)*

Included in the cost of investment in associates is goodwill of HK$186,513,404 *(2005: HK$186,513,404)* arising on acquisitions of associates in prior years. The movement of goodwill is set out below.

	HK$
COST	
At 1st July, 2004 and 30th June, 2005	250,300,754
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see Note 2)*	(63,787,350)
At 1st July, 2005 and 30th June, 2006	186,513,404
AMORTISATION	
At 1st July, 2004	51,272,250
Charge for the year	12,515,100
At 30th June, 2005	63,787,350
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see Note 2)*	(63,787,350)
At 1st July, 2005 and 30th June, 2006	–
CARRYING VALUES	
At 30th June, 2006	186,513,404
At 30th June, 2005	186,513,404

Until 30th June, 2005, goodwill had been amortised over 20 years.

19. INTERESTS IN ASSOCIATES *(Continued)*

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

	2006	2005
	HK$	*HK$*
		(as restated)
Total assets	**6,263,629,715**	6,316,074,686
Total liabilities	**(4,039,335,951)**	(4,241,641,327)
Net assets	**2,224,293,764**	2,074,433,359
Group's share of net assets of associates	**1,131,721,255**	1,065,340,305
Revenue	**853,343,651**	759,375,035
Profit for the year	**149,860,405**	158,570,541
Group's share of results of associates for the year	**66,380,950**	69,847,361

The IRD initiated tax inquiries for the years of assessment 1994/95 to 2002/03 on a wholly-owned subsidiary, Bestown Property Limited ("Bestown") of the Group's associate, Asian Glory Limited. Notices of assessments for additional tax in an aggregate amount of approximately HK$133,062,000 were issued to Bestown for the years under review and objections were properly lodged with the IRD by Bestown. The effective share of the additional tax attributable to the Group as at 30th June, 2006 is estimated to be approximately HK$33,265,000. In the opinion of the management of Bestown, as the tax inquiries are still at the stage of collation of evidence, the ultimate outcome of the tax inquiries, cannot presently be determined by the management of Bestown with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made in the financial statements of Bestown.

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

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS/INVESTMENTS IN SECURITIES

The carrying value of investments in securities as at 30th June, 2005 (which were previously classified and measured under the alternative treatment in accordance with SSAP 24 issued by the HKICPA) were reclassified to available-for-sale financial assets upon application of HKAS 39 on 1st July, 2005.

	2006	2005
	HK$	*HK$*
Equity securities:		
Listed in Hong Kong	**443,413,953**	411,418,481
Market value of listed securities	**443,413,953**	411,418,481
Analysed for reporting purposes as:		
Non-current assets	**443,413,953**	411,418,481

During the year, scrip dividend of HK$7,132,996 *(2005: HK$4,517,955)* was received by the Group and such amount was included in available-for-sale financial assets/investments in securities.

As at 30th June, 2006, all available-for-sale financial assets are stated at fair value. Fair values of those investments have been determined by reference to bid prices quoted on the relevant stock exchanges.

21. PLEDGED FIXED DEPOSIT/BANK BALANCES AND CASH

Pledged fixed deposit of HK$1,433,979 *(2005: HK$1,384,746)* represents deposit pledged to a bank to secure a letter of guarantee issuance facility granted to the Group and is therefore classified as non-current asset.

The pledged fixed deposit carries interest ranging from 3.10% to 4.40% per annum *(2005: 0.04% to 3.11% per annum)*. The fair value of the pledged fixed deposit at the balance sheet date approximated its carrying amount.

Bank balances and cash comprise bank balances and cash and short-term bank deposits held by the Group which are interest-bearing at market interest rates. All bank deposits are with maturity of three months or less and carry interest ranging from 3.53% to 3.85% per annum *(2005: 3.02% to 3.05% per annum)*.

The fair value of the bank balances and cash at the balance sheet date approximated their corresponding carrying amounts.

22. TRADE AND OTHER RECEIVABLES

The Group maintains a defined credit policy. An aged analysis of trade receivables is as follows:

	2006	2005
	HK$	*HK$*
Trade receivables		
0-30 days	**4,130,140**	4,101,049
31-60 days	**1,225,360**	787,298
61-90 days	**297,779**	184,922
	5,653,279	5,073,269
Other receivables	**1,836,599**	3,157,178
	7,489,878	8,230,447

The fair value of the amount at 30th June, 2006 approximated its carrying amount.

23. BALANCES WITH ASSOCIATES

The amounts are unsecured and repayable on demand.

At 30th June, 2006, the balances due from associates included an amount of HK$296,461,759 *(2005: HK$293,714,211)* which was interest-bearing at nominal rates and the remaining balances were interest-free. The amount due to an associate was interest-free.

The fair values of the balances with associates at 30th June, 2006 approximated their carrying amounts.

24. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	2006	2005
	HK$	*HK$*
Trade payables		
0-30 days	**2,844,636**	2,856,660
31-60 days	**214,163**	208,814
61-90 days	**19,064**	2,967
	3,077,863	3,068,441
Other payables	**16,431,358**	11,134,829
	19,509,221	14,203,270

The fair value of the amount at 30th June, 2006 approximated its carrying amount.

25. SHARE CAPITAL

	Number of ordinary shares of HK$1 each		Nominal value	
	2006	2005	**2006**	2005
			HK$	*HK$*
Authorised:				
At beginning and end of the year	**3,000,000,000**	3,000,000,000	**3,000,000,000**	3,000,000,000
Issued and fully paid:				
At beginning of the year	**833,100,184**	823,698,838	**833,100,184**	823,698,838
Shares issued pursuant to scrip dividend schemes for final dividend in respect of the year ended 30th June, 2005/2004	**5,278,856**	6,125,562	**5,278,856**	6,125,562
Shares issued pursuant to scrip dividend schemes for interim dividend in respect of the year ended 30th June, 2006/2005	**3,472,968**	3,275,784	**3,472,968**	3,275,784
At end of the year	**841,852,008**	833,100,184	**841,852,008**	833,100,184

On 16th December, 2005 and 18th May, 2006, pursuant to scrip dividend schemes, the Company issued and allotted a total of 5,278,856 shares and 3,472,968 shares of HK$1 each at an issue price of HK$4.98 and HK$5.12 each to the shareholders who elected to receive shares of the Company in lieu of cash for the 2005 final and 2006 interim dividends in respect of the years ended 30th June, 2005 and 2006, respectively. These shares rank pari passu in all respects with the then existing shares.

26. BANK LOANS AND OTHER BORROWINGS

	2006	2005
	HK$	*HK$*
Bank loans	**813,372,793**	831,221,418
Other interest-bearing unsecured loans	**27,147,007**	13,555,037
	840,519,800	844,776,455
Represented by:		
Secured	**706,569,668**	714,229,668
Unsecured	**133,950,132**	130,546,787
	840,519,800	844,776,455
Carrying amount repayable:		
On demand or within one year	**94,088,418**	82,418,980
More than one year, but not exceeding two years	**145,691,382**	62,713,662
More than two years, but not exceeding three years	**31,160,000**	118,903,813
More than three years, but not exceeding four years	**569,580,000**	31,160,000
More than four years, but not exceeding five years	**–**	549,580,000
	840,519,800	844,776,455
Less: Amount due within one year shown under current liabilities	**(94,088,418)**	(82,418,980)
Amount due after one year	**746,431,382**	762,357,475

The exposure of the Group's fixed-rate borrowing and the contractual maturing dates are as follows:

	2006	2005
	HK$	*HK$*
Fixed-rate borrowing:		
More than one year, but not exceeding two years	**27,147,007**	13,555,037

Bank loans and other borrowings carry effective interest rates (which are also the contracted interest rates) at HIBOR/SIBOR plus a margin.

26. BANK LOANS AND OTHER BORROWINGS *(Continued)*

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

	HK$ equivalent of United States Dollars
	HK$
As at 30th June, 2006	106,803,125
As at 30th June, 2005	116,991,750

The fair value of the borrowings at 30th June, 2006 approximated their corresponding carrying amount.

27. AMOUNT DUE TO AN ASSOCIATE

The amount due to an associate of the Group is unsecured, interest-bearing at HIBOR + 0.45% *(2005: HIBOR + 0.45%)* per annum and is not repayable within twelve months from the balance sheet date and accordingly, the amount is classified as non-current.

The fair value of the amount at 30th June, 2006 approximated its carrying amount.

28. DEFERRED TAXATION

The following is the major deferred tax liability recognised and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation
	HK$
At 1st July, 2004 (as originally stated)	2,027,513
Effects of changes in accounting policies *(Note 2A)*	(1,749,477)
At 1st July, 2004 (as restated)	278,036
Credit to consolidated income statement during the year	(275,595)
At 30th June, 2005 (as restated)	2,441
Charge to consolidated income statement during the year	1,970,608
At 30th June, 2006	**1,973,049**

At 30th June, 2006, the Group had unused tax losses of approximately HK$5,135,000 *(2005: HK$5,032,000)* available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

29. PLEDGE OF ASSETS

(a) The Group has pledged its hotel properties and prepaid lease payments having carrying values of HK$326,075,873 *(2005: HK$343,133,967 as restated)* and HK$1,290,493,413 *(2005: HK$1,312,711,377 as restated)*, and available-for-sale financial assets *(2005: investments in securities)* at fair value of HK$434,837,784 *(2005: HK$411,418,481)* and pledged by way of floating charges in other assets of HK$62,229,848 *(2005: HK$39,839,115)* to banks to secure long-term loan facilities granted to the Group;

(b) The Group has pledged its time deposit of HK$1,433,979 *(2005: HK$1,384,746)* to secure a letter of guarantee issuance facility; and

(c) The investments in certain subsidiaries of the Company have been pledged to banks or financial institutions to secure the loan facilities granted to the Group.

30. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK$2,654,305 *(2005: HK$2,624,245)*. The properties held have committed tenants with rental fixed for an average term of three years.

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

	2006	2005
	HK$	*HK$*
Within one year	**2,655,360**	2,655,360
In the second to fifth year inclusive	**770,911**	3,429,840
	3,426,271	6,085,200

31. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities as follows:

	2006	2005
	HK$	*HK$*
Guarantees given to banks, in respect of loan facilities utilised by an associate	**204,750,000**	216,000,000

32. CAPITAL COMMITMENTS

	2006	2005
	HK$	*HK$*
Capital expenditure in respect of acquisition of operating equipment contracted for but not provided in the consolidated financial statements	**–**	1,068,333

33. RELATED PARTY DISCLOSURES

(a) During the year, the Group entered into the following transactions with related parties:

	NOTES	**2006** ***HK$***	2005 *HK$*
Interest expenses paid to an associate		**6,765,529**	3,272,477
Hotel management fee received from an associate		**980,000**	980,000
Hotel management fee received from a related company	(i)	**950,000**	950,000
Interest income received from an associate		**2,935,300**	1,453,688
Security guard services fee paid to a related company	(ii)	**1,354,799**	1,018,338
Consultancy fee paid to a related company	(iii)	**416,666**	–

Notes:

(i) Mr. Robert Ng Chee Siong was interested in this transaction as a Director of the related company.

(ii) The related company is a wholly-owned subsidiary of Sino Land Company Limited.

(iii) The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP was interested in this transaction as a sole proprietor of the related company.

(b) At 30th June, 2006, the Group had the outstanding balances with related parties as follows:

(i) Details of amounts with associates are set out in notes 23 and 27.

(ii) The Group had contingent liabilities in respect of guaranteed loan facilities utilised by an associate amounting to HK$204,750,000 *(2005: HK$216,000,000)*.

33. RELATED PARTY DISCLOSURES (Continued)

(c) The remuneration of Directors during the year was as follows:

	2006 HK$	2005 HK$
Short-term benefits	**604,000**	529,000

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

Certain of the above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed on page 23 in the Directors' Report.

34. SUMMARISED BALANCE SHEET OF THE COMPANY

	NOTES	2006 HK$	2005 HK$
NON-CURRENT ASSETS			
Investments in subsidiaries		**76**	76
Investments in associates		**25**	25
		101	101
CURRENT ASSETS			
Amounts due from subsidiaries	(i)	**3,183,492,644**	3,176,804,287
Bank balances and cash		**165,350**	100,997
		3,183,657,994	3,176,905,284
CURRENT LIABILITY			
Trade and other payables		**1,441,176**	1,410,981
NET CURRENT ASSETS		**3,182,216,818**	3,175,494,303
NON-CURRENT LIABILITY			
Amounts due to subsidiaries		**109,172**	24,532
		3,182,107,747	3,175,469,872
CAPITAL AND RESERVES			
Share capital		**841,852,008**	833,100,184
Reserves	(ii)	**2,340,255,739**	2,342,369,688
		3,182,107,747	3,175,469,872

34. SUMMARISED BALANCE SHEET OF THE COMPANY *(Continued)*

Notes:

(i) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayments.

(ii) Reserves

	Share premium *HK$*	**Distributable reserve** *HK$*	**Retained profits** *HK$*	**Total** *HK$*
At 1st July, 2004	71,258,601	1,823,877,078	312,112,974	2,207,248,653
Shares issued at premium	29,897,977	–	–	29,897,977
Share issue expenses	(339,903)	–	–	(339,903)
Profit for the year	–	–	146,870,414	146,870,414
Dividends paid	–	–	(41,307,453)	(41,307,453)
At 30th June, 2005	100,816,675	1,823,877,078	417,675,935	2,342,369,688
Shares issued at premium	35,318,465	–	–	35,318,465
Share issue expenses	(138,276)	–	–	(138,276)
Profit for the year	–	–	10,308,705	10,308,705
Dividends paid	–	(18,444,337)	(29,158,506)	(47,602,843)
At 30th June, 2006	135,996,864	1,805,432,741	398,826,134	2,340,255,739

The distributable reserve of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the share capital issued by the Company pursuant to a group reorganisation in 1995. Under the Companies Law (Revised) of the Cayman Islands, the distributable reserve is available for distribution to shareholders.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company at 30th June, 2006 which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name of company	Place of incorporation/ operation	Class of shares held/ issued capital	Proportion of nominal value of issued/registered capital held by the Company	Principal activities
Direct subsidiary				
Active Finance Limited	Hong Kong	Ordinary HK$2	100%	Provision of financial services
Aldrich Worldwide Holdings Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Allied Joy Limited	Hong Kong	Ordinary HK$2	100%	Provision of nominee services
Asian Statesman Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Halliwell Ltd.	Cayman Islands	Ordinary US$1	100%	Investment holding
Island Pacific Hotel Limited	Hong Kong	Ordinary HK$2	100%	Hotel management
Sheridan Holdings Ltd.	Cayman Islands	Ordinary US$1	100%	Investment holding
Sino Fortune Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Sino March Assets Ltd.	British Virgin Islands	Ordinary US$1	100%	Investment holding
Toby Investments Limited	Cayman Islands	Ordinary US$1	100%	Investment holding

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ operation	Class of shares held/ issued capital	Proportion of nominal value of issued/registered capital held by the Company	Principal activities
Indirect subsidiary				
Bosco Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Bright Tower (HK) Limited	Hong Kong	Ordinary HK$2	100%	Club and café operations
China Asia Property Limited	Hong Kong	Ordinary HK$2	100%	Hotel owner
City Garden Hotel Limited	Hong Kong	Ordinary HK$2	100%	Hotel management
R.P. Hotel Limited	Hong Kong	Ordinary HK$2	100%	Hotel management
Speed Advance Limited	Republic of Liberia/ Hong Kong	Registered/ Bearer shares US$1	100%	Share investment
Wellrich International Ltd.	Republic of Liberia/ Hong Kong	Registered/ Bearer shares US$1	100%	Share investment

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.