1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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 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 1st 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 2.

(b) Basis of preparation of 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 investments in securities as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, 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.

Judgements and estimates made by management in the application of HKFRSs that have significant effect on the financial statements are discussed in note 33.

(c) Subsidiaries and controlled enterprises

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

An investment in a controlled subsidiary is consolidated into the consolidated 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.

In the company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Jointly controlled entities

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 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 jointly controlled entity's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated profit and loss account reflects the group's share of the post-acquisition, post-tax results of the jointly controlled entities for the year.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in securities

The group's policies for investments in securities other than investments in subsidiaries and jointly controlled entities are as follows:

(i) Investments in securities are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant unrealised gain or loss recognised in the consolidated profit and loss account.

(ii) Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

(iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the consolidated profit and loss account as they arise.

(f) Fixed assets

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) 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 1(r)(i).

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 1(h)), 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 1(h).

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(ii) Other properties and fixed assets

Other properties are stated at valuation less accumulated depreciation (see note 1(g)) and impairment losses (see note 1(i)).

All other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(g)) and impairment losses (see note 1(i)).

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

(g) Depreciation

Depreciation is calculated to write off the cost or valuation of the company's and the group's fixed assets over their estimated useful lives as follows:

Other properties	–	over the period of the lease
Motor buses	–	on a straight line basis, over 12 years for new buses and 7 years for converted or second hand buses, to a residual value of $10,000 and $7,000 respectively
Plant, fixtures and equipment	–	on a straight line basis to write off the assets over 10 or 5 years

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets

(i) Classification of assets leased to the group

Assets that are held by 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 leases (see note 1(f)(i)).

– land held for own use under an operating lease, the fair value of which cannot be measured 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 and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. 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 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(iii) Operating lease charges

Where the group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale. Information on accounting policies for land held under operating leases for development for sale is provided in accounting policy note 1(j).

(i) Impairment of assets

(i) Impairment of investments in other receivables

Other current and non-current receivables that are stated at amortised cost 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 financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets (continued)

(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 an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (other than properties carried at revalued amounts); and
- investments in subsidiaries and jointly controlled entities (except for those accounted for at fair value under notes 1(c) and (d)).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

- 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).

- 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 to reduce the carrying amount of the 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

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

(j) Inventories

Property under development for sale

Inventories in respect of property development for sale activities are carried at the lower of cost and net realisable value. The cost of properties under development for sale comprises specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) 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 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(i)).

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) 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 cash flow statement.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Employee benefits

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

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

(ii) Defined benefit retirement plan obligations

The group's net obligations in respect of defined benefit retirement schemes are calculated separately for each scheme by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of the scheme's assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of the group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit and loss account on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in the profit and loss account.

In calculating the group's obligation in respect of a scheme, if any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion is recognised in the profit and loss account over the expected average remaining working lives of the employees participating in the scheme. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the group's net obligation results in a negative amount, the asset recognised is limited to the net total of any cumulative unrecognised net 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.

(o) Income tax

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

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

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

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 the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (continued)

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

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

(p) Deferred profits

Profits from the sale of land and buildings to jointly controlled entities for development for resale and investment are deferred to the extent of the group's attributable interest in the jointly controlled entities. The deferred profits will be recognised and taken to the profit and loss account as and when the properties are sold by the jointly controlled entities.

(q) Provisions and contingent liabilities

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

(r) Revenue recognition

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

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(ii) Dividends

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

(iii) Interest income

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

(s) Translation of foreign currencies

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

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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Segment reporting

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

In accordance with the group's internal financial reporting, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

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

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

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

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1st January, 2005. The changes in accounting policies, which have significant impacts on the group's financial statements are summarised as follows:

(a) Investment properties (HKAS 40, Investment property, and HK(SIC) Interpretation 21, Income taxes - Recovery of revalued non-depreciable assets)

Changes in accounting policies relating to investment properties are as follows:

(i) Timing of recognition of movements in fair value in the profit and loss account

In prior years, movements in the fair value of the group's investment properties were recognised directly in the investment properties revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the profit and loss account had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the profit and loss account.

Upon adoption of HKAS 40 as from 1st July, 2005, all changes in the fair value of investment properties are recognised directly in the profit and loss account in accordance with the fair value model in HKAS 40.

This change in accounting policy has been adopted retrospectively. As a result of the adoption of this new policy, the opening balance of retained profits as of 1st July, 2005 has increased by $266,522,000 (2004: $Nil) to include all of the group's previous investment properties revaluation reserve. In addition, the group's profit attributable to shareholders for the year ended 30th June, 2006 has increased by $260,672,000 (2005: $266,522,000).

There is no impact on the group's net assets in the balance sheets as a result of the adoption of this new policy.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Investment properties (HKAS 40, Investment property, and HK(SIC) Interpretation 21, Income taxes - Recovery of revalued non-depreciable assets) (continued)

(ii) Measurement of deferred tax on movements of 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.

As from 1st July, 2005, in accordance with HK(SIC) Interpretation 21, the group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the group has no intention to sell it and the property would have been depreciable had the group not adopted the fair value model. This is notwithstanding that any gain on disposal of Hong Kong investment properties would be considered to be capital in nature and not be subject to tax.

This change in accounting policy has been adopted retrospectively. As a result of the adoption of this new policy, the opening balance of retained profits as at 1st July, 2005 has reduced by $92,660,000 (2004: $68,076,000), deferred tax liabilities have increased by $80,491,000 (2004: $59,988,000), and interest in jointly controlled entities has decreased by $12,169,000 (2004: $8,088,000). In addition, the group's profit attributable to shareholders for the year ended 30th June, 2006 has decreased by $32,326,000 (2005: $24,584,000).

(b) Share of profits less losses of jointly controlled entities (HKAS 1, Presentation of financial statements)

In prior periods, the group's share of taxation of jointly controlled entities accounted for using the equity method was included as part of the group's taxation in the consolidated profit and loss account. With effect from 1st July, 2005, in accordance with the implementation guidance in HKAS 1, the group has changed the presentation and includes the share of taxation of jointly controlled entities accounted for using the equity method in the respective shares of profit or loss in the consolidated profit and loss account. These changes in presentation have been applied retrospectively with comparatives restated and have no effect on net assets in either period.

The group's share of profits less losses of jointly controlled entities has decreased by $12,844,000 (2005: $4,578,000) as a result of this new presentation.

3. TURNOVER

The principal activities of the company and the group are property development and investment. The principal activities of the subsidiaries are set out in note 14 on the financial statements.

Turnover represents rental income from investment properties.

The analysis of geographical location of the operations of the company and its subsidiaries during the year is as follows:

	Group turnover		Operating profit	
	2006	2005	2006	2005
	$000's	$000's	$000's	$000's
Geographical locations of operations				
Hong Kong	15,214	11,448	60,340	21,350
United Kingdom	52,804	55,930	57,244	55,650
	68,018	67,378	117,584	77,000

The turnover of the jointly controlled entities attributable to the group for the year amounted to $125,745,000 (2005: $65,977,000).

4. FINANCE INCOME

	2006	2005
	$000's	$000's
Interest income	54,780	32,667
Dividend income from other investments	517	490
Exchange gains/(losses)	3,961	(6,332)
Net unrealised gains on other investments	90	985
	59,348	27,810

5. OTHER NET INCOME

	2006	2005
	$000's	$000's
Recognition of deferred profits	10,001	–
Management fee	496	496
Unclaimed dividends forfeited	359	–
Write back of provision for third party claims	–	1,903
Loss on disposal of fixed assets	–	(4)
Sundry income	826	681
	11,682	3,076

6. OPERATING PROFIT

Operating profit is arrived at

	2006	2005
	$000's	$000's
after charging:-		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	85	68
Decrease in asset for defined benefit retirement schemes (note 17)	341	496
Salaries, wages and other benefits	7,279	7,543
	7,705	8,107
(b) Other items:		
Auditors' remuneration		
– audit services (Note)	2,582	2,222
– tax services	528	557
Legal and professional fees	2,935	2,026
Property expenses	2,958	3,862
Note: including under/overprovision in respect of previous years		
and after crediting:-		
Rental income less outgoings	65,060	63,516
which includes		
– gross rental income from investment properties	68,018	67,378

7. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

(a) Directors

Directors' fees are set with reference to the articles of association of the company and are approved by the shareholders at Ordinary Yearly Meetings of the company.

Directors' bouns is calculated on the basis provided in the articles of association of the company.

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:-

Name	Fees	Salaries, allowances and benefits in kind	Bonus in accordance with article 155	Group's contributions to retirement scheme	Total
	$000's	$000's	$000's	$000's	$000's
2006					
Ngan Kit-ling	45	2,336	–	–	2,381
Dr. Ngan Kit-keung	45	1,219	–	–	1,264
Dr. Henry Ngan	45	240	–	–	285
Fritz Helmreich	45	240	–	–	285
Dr. Liu Lit-mo	40	–	–	–	40
Anthony Grahame Stott	40	–	–	–	40
Tse Yiu-wah	40	–	–	–	40
	300	4,035	–	–	4,335
2005					
Ngan Kit-ling	45	2,343	–	–	2,388
Dr. Ngan Kit-keung	45	1,219	–	–	1,264
Dr. Henry Ngan	45	240	–	–	285
Fritz Helmreich	45	240	–	–	285
Dr. Liu Lit-mo	40	–	–	–	40
Anthony Grahame Stott	40	–	–	–	40
Tse Yiu-wah	31	–	–	–	31
	291	4,042	–	–	4,333

Fees and other emoluments in respect of independent non-executive directors for the year ended 30th June, 2006 amounted to $120,000 (2005: $111,000).

(b) Employees

Set out below are analyses of the emoluments for the year ended 30th June, 2006 of three employees (2005: three) of the group who, not being directors of the company, are among the top five highest paid individuals (including directors of the company and other employees of the group) employed by the group.

(i) Aggregate emoluments

	2006	2005
	$000's	$000's
Basic salary, housing allowance and other benefits	1,425	1,653
Retirement scheme contribution	24	24
	1,449	1,677

(ii) Bandings

Bands (in HK$)	*Number*	*Number*
$Nil – $1,000,000	3	3

8. TAXATION

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

(a) Taxation in the consolidated profit and loss account represents:-

	2006	2005
	$000's	$000's (restated)
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	93	104
(Over)/underprovision in respect of prior years	(1)	299
	92	403
Current tax – Overseas		
Tax for the year	4,953	4,737
(Over)/underprovision in respect of prior years	(317)	28
	4,636	4,765
Deferred tax		
Origination and reversal of temporary differences		
– relating to property valuation	29,840	20,503
– others	10,526	1,540
	40,366	22,043
	45,094	27,211

Share of taxation of jointly controlled entities for the year ended 30th June, 2006 amounting to $12,844,000 (2005: $4,578,000 (restated)) is included in share of results of jointly controlled entities in the consolidated profit and loss account.

(b) Reconciliation between the actual total tax charge and accounting profit at applicable tax rates:

	2006	2005
	$000's	$000's (restated)
Profit before taxation	440,307	465,576
Notional tax on profit before taxation calculated at applicable tax rates	83,113	83,556
Tax effect of non-deductible expenses	160	1,319
Tax effect of non-taxable revenue	(39,243)	(60,525)
(Over)/underprovision in respect of prior years	(318)	327
Tax effect of tax losses not recognised	2,198	2,534
Tax losses utilised	(276)	–
Tax effect of previously unrecognised tax losses now recognised	(540)	–
Actual total tax charge	45,094	27,211

9. DIVIDENDS

(a) Dividends attributable to the year:

	2006	2005
	$000's	$000's
First interim dividend declared and paid of $0.10 per share (2005: $0.10)	4,559	4,559
Special dividend declared and paid of $0.50 per share (2005: $0.50)	22,798	22,798
Second interim dividend declared after the balance sheet date of $0.30 per share (2005: $0.30)	13,678	13,678
Final dividend proposed after the balance sheet date of $0.10 per share (2005: $0.10)	4,559	4,559
Special dividend proposed after the balance sheet date of $1.00 per share (2005: $1.00)	45,595	45,595
	91,189	91,189

The interim dividend, final dividend and special dividend declared or proposed after the balance sheet date have not been recognised as liabilities at the balance sheet date.

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

	2006	2005
	$000's	$000's
Second interim dividend declared in respect of previous financial year of $0.30 per share (2005: $0.30)	13,678	13,678
Final dividend approved in respect of previous financial year of $0.10 per share (2005: $0.10)	4,559	4,559
Special dividend approved in respect of previous financial year of $1.00 per share (2005: $1.80)	45,595	82,071
	63,832	100,308

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to shareholders, $260,091,000 (2005 (restated): $6,834,000) is dealt with in the financial statements of the company.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of $395,213,000 (2005 (restated): $438,365,000) and the weighted average of 45,594,656 (2005: 45,594,656) shares in issue during the year.

12. SEGMENT REPORTING

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 this is more relevant to the group's internal financial reporting.

(a) Business segments

The group comprises the following main business segments:

	Property investment and development		Treasury management		Unallocated		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	$000's	$000's (restated)	$000's	$000's	$000's	$000's (restated)	$000's	$000's (restated)
Turnover	68,018	67,378	–	–	–	–	68,018	67,378
Finance income	–	–	59,348	27,810	–	–	59,348	27,810
Other income	10,001	–	–	–	1,681	3,076	11,682	3,076
Total revenue	78,019	67,378	59,348	27,810	1,681	3,076	139,048	98,264
Segment results	74,821	63,051	59,348	27,810			134,169	90,861
Unallocated expenses							(16,585)	(13,861)
Operating profit							117,584	77,000
Share of results of jointly controlled entities	173,997	202,059	–	–			173,997	202,059
Valuation gains on investment properties	148,726	186,517	–	–			148,726	186,517
Taxation							(45,094)	(27,211)
Profit attributable to shareholders							395,213	438,365
Depreciation for the year	(255)	(142)	–	–	(885)	(899)	(1,140)	(1,041)
Fixed assets	1,827,876	1,661,433	–	–	20,239	28,112	1,848,115	1,689,545
Other investments	–	–	11,876	11,786	–	–	11,876	11,786
Defined benefit asset	–	–	–	–	803	1,144	803	1,144
Property under development for sale	587,862	–	–	–	–	–	587,862	–
Debtors, deposits and prepayments	1,270	1,187	3,192	2,025	443	549	4,905	3,761
Cash balances	–	–	1,248,948	1,701,052	–	–	1,248,948	1,701,052
Segment assets	2,417,008	1,662,620	1,264,016	1,714,863	21,485	29,805	3,702,509	3,407,288
Interest in jointly controlled entities	833,752	767,655	–	–	–	–	833,752	767,655
Total assets							4,536,261	4,174,943
Deferred profits	441,197	451,198	–	–	–	–	441,197	451,198
Creditors and accruals	29,308	20,707	–	–	12,948	7,390	42,256	28,097
Contingency reserves	–	–	–	–	–	3,600	–	3,600
Taxation	–	–	–	–	3,944	4,903	3,944	4,903
Deferred taxation	–	–	–	–	128,756	88,390	128,756	88,390
Segment liabilities	470,505	471,905	–	–	145,648	104,283	616,153	576,188
Capital expenditure incurred during the year	581,497	8,834	–	–	20	1,616	581,517	10,450

(b) Geographical segments

The group participates in two principal economic environments. Hong Kong is a major market for all of the group's business. In the United Kingdom, the major business is property investment.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical locations of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Hong Kong		United Kingdom	
	2006	2005	2006	2005
	$000's	$000's	$000's	$000's
Turnover	15,214	11,448	52,804	55,930
Segment assets	2,565,124	2,430,577	1,137,385	976,711
Capital expenditure incurred during the year	581,517	10,450	–	–

13. FIXED ASSETS

(a) The group

	Investment properties	Other properties	Property held for redevelopment	Motor buses	Plant, fixtures and equipment	Total
	$000's	$000's	$000's	$000's	$000's	$000's
Cost or valuation:						
At 1st July, 2004	1,364,847	25,514	110,882	8,565	6,928	1,516,736
Exchange adjustment	(9,599)	–	–	–	–	(9,599)
Additions	–	1,586	8,106	–	758	10,450
Transfer in/(out)	118,988	–	(118,988)	–	–	–
Disposal	–	–	–	–	(9)	(9)
Revaluation surplus	186,517	–	–	–	–	186,517
At 30th June, 2005	1,660,753	27,100	–	8,565	7,677	1,704,095
Representing:						
Cost	–	4,624	–	8,565	7,677	20,866
2002 valuation	–	22,476	–	–	–	22,476
2005 valuation	1,660,753	–	–	–	–	1,660,753
	1,660,753	27,100	–	8,565	7,677	1,704,095
At 1st July, 2005	1,660,753	27,100	–	8,565	7,677	1,704,095
Exchange adjustment	17,329	–	–	–	–	17,329
Additions	–	568,300	–	–	663	568,963
Transfer out	–	(575,324)	–	–	–	(575,324)
Revaluation surplus	148,726	–	–	–	–	148,726
At 30th June, 2006	1,826,808	20,076	–	8,565	8,340	1,863,789
Representing:						
Cost	–	–	–	8,565	8,340	16,905
2002 valuation	–	20,076	–	–	–	20,076
2006 valuation	1,826,808	–	–	–	–	1,826,808
	1,826,808	20,076	–	8,565	8,340	1,863,789
Accumulated depreciation:						
At 1st July, 2004	–	224	–	6,714	6,575	13,513
Charge for the year	–	66	–	758	217	1,041
Written back on disposal	–	–	–	–	(4)	(4)
At 30th June, 2005	–	290	–	7,472	6,788	14,550
At 1st July, 2005	–	290	–	7,472	6,788	14,550
Charge for the year	–	66	–	758	316	1,140
Written back on transfer out	–	(16)	–	–	–	(16)
At 30th June, 2006	–	340	–	8,230	7,104	15,674
Net book value:						
At 30th June, 2006	1,826,808	19,736	–	335	1,236	1,848,115
At 30th June, 2005	1,660,753	26,810	–	1,093	889	1,689,545
Tenure of title to properties:						
2006						
Held in Hong Kong						
– Long leases	443,000	19,736	–	–	–	462,736
– Medium term leases	446,124	–	–	–	–	446,124
	889,124	19,736	–	–	–	908,860
Held outside Hong Kong						
– Freehold	937,684	–	–	–	–	937,684
	1,826,808	19,736	–	–	–	1,846,544
2005						
Held in Hong Kong						
– Long leases	437,000	26,810	–	–	–	463,810
– Medium term leases	388,124	–	–	–	–	388,124
	825,124	26,810	–	–	–	851,934
Held outside Hong Kong						
– Freehold	835,629	–	–	–	–	835,629
	1,660,753	26,810	–	–	–	1,687,563

13. FIXED ASSETS (Continued)

(b) The company

	Investment properties	Other properties	Motor buses	Plant, fixtures and equipment	Total
	$000's	$000's	$000's	$000's	$000's
Cost or valuation:					
At 1st July, 2004	285,124	25,514	8,565	6,513	325,716
Additions	–	1,586	–	30	1,616
Disposal	–	–	–	(9)	(9)
Revaluation surplus	20,000	–	–	–	20,000
At 30th June, 2005	305,124	27,100	8,565	6,534	347,323
Representing:					
Cost	–	4,624	8,565	6,534	19,723
2002 valuation	–	22,476	–	–	22,476
2005 valuation	305,124	–	–	–	305,124
	305,124	27,100	8,565	6,534	347,323
At 1st July, 2005	305,124	27,100	8,565	6,534	347,323
Additions	–	568,300	–	20	568,320
Transfer out	–	(575,324)	–	–	(575,324)
At 30th June, 2006	305,124	20,076	8,565	6,554	340,319
Representing:					
Cost	–	–	8,565	6,554	15,119
2002 valuation	–	20,076	–	–	20,076
2006 valuation	305,124	–	–	–	305,124
	305,124	20,076	8,565	6,554	340,319
Accumulated depreciation:					
At 1st July, 2004	–	224	6,714	6,254	13,192
Charge for the year	–	66	758	75	899
Written back on disposal	–	–	–	(4)	(4)
At 30th June, 2005	–	290	7,472	6,325	14,087
At 1st July, 2005	–	290	7,472	6,325	14,087
Charge for the year	–	66	758	61	885
Written back on transfer out	–	(16)	–	–	(16)
At 30th June, 2006	–	340	8,230	6,386	14,956
Net book value:					
At 30th June, 2006	305,124	19,736	335	168	325,363
At 30th June, 2005	305,124	26,810	1,093	209	333,236
Tenure of title to properties:					
2006					
Held in Hong Kong					
– Long leases	300,000	19,736	–	–	319,736
– Medium term leases	5,124	–	–	–	5,124
	305,124	19,736	–	–	324,860
2005					
Held in Hong Kong					
– Long leases	300,000	26,810	–	–	326,810
– Medium term leases	5,124	–	–	–	5,124
	305,124	26,810	–	–	331,934

(i) The group's investment properties which are situated in Hong Kong and held under long and medium term leases, have been revalued at 30th June, 2006 by Professional Property Services Limited, an independent firm of professional surveyors, on an open market value basis, after taking into consideration the net income and allowing for development potential or reversionary potential as appropriate.

(ii) The group's investment properties which are situated in the United Kingdom and are freehold properties, have been revalued at 30th June, 2006 by SAVILLS Commercial Limited, an independent firm of professional surveyors, on an open market value basis, after taking into consideration the net income and allowing for reversionary potential.

(iii) The gross carrying amounts of investment properties of the group held for use in operating leases were $1,826,808,000 (2005: $1,660,753,000). Further details of the leasing arrangements are contained in note 30(a).

(iv) The carrying amount of other properties of the group at 30th June, 2006 would have been $11,575,000 (2005: $13,888,000) had they been carried at cost less accumulated depreciation.

14. INTEREST IN SUBSIDIARIES

	The company	
	2006	2005
	$000's	$000's
Unlisted shares, at cost	1,018,356	1,018,356

Details of the subsidiaries are as follows:-

Name of company	Place of incorporation	Place of operation	Issued ordinary share capital	Percentage directly held	Percentage indirectly held	Principal activity
Island Communication Enterprises Limited	Hong Kong	Hong Kong	185,073,024 HK$1 shares	100%	–	Investment holding
Heartwell Limited	Hong Kong	Hong Kong	9,000,002 HK$10 shares	100%	–	Investment holding
Communication Holdings Limited	British Virgin Islands	Hong Kong	35,900,010 HK$10 shares	100%	–	Investment holding
Forever Vitality Limited	Hong Kong	Hong Kong	100 HK$1 shares	100%	–	Property development
Affluent Dragon Island Limited	Hong Kong	Hong Kong	2 HK$10 shares	100%	–	Dormant
Island Communication Investments Limited	British Virgin Islands	Hong Kong	2 HK$1 shares	–	100%	Investment property holding
Grand Island Place Investments Limited	British Virgin Islands	Hong Kong	2 HK$1 shares	–	100%	Investment property holding
Nottingham Developments Limited	British Virgin Islands	Hong Kong	1 US$1 share	–	100%	Investment holding
Oxney Investments Limited	British Virgin Islands	United Kingdom	1 US$1 share	–	100%	Investment property holding
Communication Properties Limited	British Virgin Islands	United Kingdom	1 US$1 share	–	100%	Investment property holding
Eaglefield Properties Limited	British Virgin Islands	United Kingdom	1 US$1 share	–	100%	Investment property holding
Prosperous Orient Limited	Hong Kong	Hong Kong	2 HK$10 shares	–	100%	Investment property holding

15. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The group	
	2006	2005
	$000's	$000's (restated)
Share of net assets	93,695	13,098
Loans to jointly controlled entities	740,057	754,557
	833,752	767,655

Details of the group's interest in the jointly controlled entities are as follows:-

Name of jointly controlled entity	Form of business structure	Place of incorporation	Place of operation	Particulars of issued share capital	Proportion of ownership interest: Group's effective interest or held by subsidiary company	Principal activity	Financial year end
Swire and Island Communication Developments Limited	Incorporated	British Virgin Islands	Hong Kong	60 'A' shares of HK$10 40 'B' shares of HK$10 1 non-voting dividend share of HK$10	– 100% 100%	Property development for resale and investment	31st December
Island Land Development Limited	Incorporated	British Virgin Islands	Hong Kong	100 shares of HK$10	50%	Property development for investment	31st December
Hareton Limited	Incorporated	Hong Kong	Hong Kong	100 shares of HK$10	50%	Property development for resale and investment	31st December
Uttoxeter Limited	Incorporated	Hong Kong	Hong Kong	100 shares of HK$10	20%	Property development for resale	31st December

The loans to the jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

15. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

The following supplementary financial information is disclosed relating to the group's effective share of the four principal jointly controlled entities based on the management accounts of the respective jointly controlled entities at 30th June:

(i) Swire and Island Communication Developments Limited

	2006	2005
	$000's	$000's (restated)
(a) Profit and loss account		
Income (Note)	110,838	62,781
Expenses	(45,431)	(10,026)
Profit before taxation	65,407	52,755
Taxation	(11,404)	(5,718)
Profit after taxation	54,003	47,037
(b) Balance sheet		
Fixed assets	291,602	282,803
Current assets	6,686	40,319
Current liabilities	(14,974)	(9,029)
Deferred taxation	(17,176)	(14,758)
Net assets	266,138	299,335

(ii) Island Land Development Limited

	2006	2005
	$000's	$000's (restated)
(a) Profit and loss account		
Income (Note)	127,144	156,126
Expenses	(7,716)	(7,614)
Profit before taxation	119,428	148,512
Taxation	(1,198)	(1,367)
Profit after taxation	118,230	147,145
(b) Balance sheet		
Fixed assets	536,000	432,500
Deferred expenditure	–	61
Retirement benefit assets	80	64
Current assets	7,567	3,983
Current liabilities	(540,676)	(553,065)
Deferred taxation	(18,537)	(17,339)
Net liabilities	(15,566)	(133,796)

15. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

(iii) Hareton Limited

	2006 $000's	2005 $000's
(a) Profit and loss account		
Income	470	484
Expenses	(34)	(125)
Profit before taxation	436	359
Taxation	–	–
Profit after taxation	436	359
(b) Balance sheet		
Current assets	50,703	50,443
Current liabilities	(207,845)	(208,021)
Net assets	(157,142)	(157,578)

(iv) Uttoxeter Limited

	2006 $000's	2005 $000's
(a) Profit and loss account		
Income	1,585	17,142
Expenses	(14)	(8,050)
Profit before taxation	1,571	9,092
Taxation	(243)	(1,575)
Profit after taxation	1,328	7,517
(b) Balance sheet		
Current assets	3,423	9,872
Current liabilities	(3,158)	(4,735)
Net assets	265	5,137

Note: Income includes revaluation gains on investment properties.

16. OTHER INVESTMENTS

	The group	
	2006 $000's	2005 $000's
Equity securities listed in Hong Kong, at fair value	11,876	11,786

17. DEFINED BENEFIT RETIREMENT SCHEMES

During the year, the company operated two separate non-contributory defined benefit retirement schemes, namely, "China Motor Bus General Monthly Rated Staff Retirement Scheme" and "China Motor Bus Senior Executive Retirement Scheme" for its monthly rated staff and senior executives respectively. Both schemes are formally established under trust and registered with the Registrar of Occupational Retirement Schemes. The assets of the schemes are held by an independent trustee, HSBC International Trustee Limited. The members' benefits are determined based on their final remuneration and length of service. The company's contributions to the schemes are made in accordance with the recommendations of independent actuaries who carry out actuarial valuations of the schemes at regular intervals, currently annually. The actuary of these schemes is Watson Wyatt Hong Kong Limited.

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

	2006	2005
	$000's	$000's
Present value of the funded obligations	9,498	9,488
Fair value of scheme assets	(11,319)	(11,220)
Net unrecognised actuarial gains	1,018	588
	(803)	(1,144)

(b) Movements in net assets recognised in the balance sheets are as follows:

	2006	2005
	$000's	$000's
Balance brought forward	(1,144)	(1,640)
Expenses for the year recognised in the profit and loss account	341	496
	(803)	(1,144)

(c) Expenses for the year recognised in the consolidated profit and loss account are as follows:

	2006	2005
	$000's	$000's
Current service cost	261	320
Interest cost	356	363
Expected return on scheme assets	(280)	(187)
Actuarial gain recognised	4	–
	341	496

The income/(expenses) for the year are recognised in the line of staff costs in the consolidated profit and loss account.

	2006	2005
	$000's	$000's
Actual return on scheme assets	250	(129)

(d) The principal actuarial assumptions used as at 30th June are as follows:

	2006	2005
Discount rate	4.75% p.a.	3.75% p.a.
Expected rate of return on scheme assets	2.50% p.a.	2.50% p.a.
Future salary increases	2.50% p.a.	2.50% p.a.

18. PROPERTY UNDER DEVELOPMENT FOR SALE

Property under development for sale is located in Hong Kong on land held under a government lease for a term of 75 years commencing from May 1954, and is renewable for a further term of 75 years. Property under development for sale is expected to be recovered after more than one year.

19. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors with the following ageing analysis:

	2006	2005
	$000's	$000's
Current	393	247
1 - 3 months	–	91
Total trade debtors	393	338

A defined credit policy is maintained within the Group.

The following amounts are expected to be recovered after more than one year:

	The group		The company	
	2006	2005	2006	2005
	$000's	$000's	$000's	$000's
Debtors, deposits and prepayments	1,126	1,121	165	165

20. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group	
	2006	2005
	$000's	$000's
United States dollars	USD 129,935	USD 124,798
Sterling Pounds	GBP 6,764	GBP 4,726

21. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors with the following ageing analysis:

	2006	2005
	$000's	$000's
Due within 1 month	29	–
Due from 1 to 3 months	56	–
Due after 3 months	201	201
	286	201

The following amounts are expected to be settled after more than one year:

	The group		The company	
	2006	2005	2006	2005
	$000's	$000's	$000's	$000's
Creditors and accruals	18,948	2,959	3,480	208

22. AMOUNTS DUE FROM/DUE TO SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

The amount due to a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

23. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheets represents:

	The group		The company	
	2006	2005	2006	2005
	$000's	$000's	$000's	$000's
Provision for Hong Kong Profits Tax for the year	93	104	–	–
Provisional Profits Tax paid	–	(57)	–	–
	93	47	–	–
Balance of profits tax payable relating to prior years	46	1,349	–	1,349
	139	1,396	–	1,349
Overseas taxation	3,805	3,507	–	–
	3,944	4,903	–	1,349

(b) Deferred tax (assets)/liabilities recognised in the consolidated balance sheet:

	The group		The company	
	2006	2005	2006	2005
	$000's	$000's	$000's	$000's
Deferred tax assets	–	–	–	–
Deferred tax liabilities	128,756	88,390	51,589	51,595
	128,756	88,390	51,589	51,595

(i) The group

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

	Depreciation allowances in excess of the related depreciation	Revaluation of investment properties	Contingency reserves and other provisions	Future benefit of tax losses	Total
	$000's	$000's	$000's	$000's	$000's (restated)
Balance at 1st July, 2004					
– as previously reported	7,967	–	(994)	(614)	6,359
– prior period adjustment	–	59,988	–	–	59,988
	7,967	59,988	(994)	(614)	66,347
Charged to the consolidated profit and loss account	954	20,503	364	222	22,043
Balance at 30th June, 2005	8,921	80,491	(630)	(392)	88,390
Balance at 1st July, 2005					
– as previously reported	8,921	–	(630)	(392)	7,899
– prior period adjustment	–	80,491	–	–	80,491
	8,921	80,491	(630)	(392)	88,390
(Credited)/charged to the consolidated profit and loss account	10,888	29,840	58	(420)	40,366
Balance at 30th June, 2006	19,809	110,331	(572)	(812)	128,756

23. INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax (assets)/liabilities recognised in the consolidated balance sheet: (continued)

(ii) The company

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

	Depreciation allowances in excess of the related depreciation	Revaluation of investment properties	Contingency reserves and other provisions	Total
	$000's	$000's	$000's	$000's (restated)
Balance at 1st July, 2004				
– as previously reported	2,781	–	(980)	1,801
– prior period adjustment	–	46,013	–	46,013
	2,781	46,013	(980)	47,814
(Credited)/charged to the profit and loss account	(69)	3,500	350	3,781
Balance at 30th June, 2005	2,712	49,513	(630)	51,595
Balance at 1st July, 2005				
– as previously reported	2,712	–	(630)	2,082
– prior period adjustment	–	49,513	–	49,513
	2,712	49,513	(630)	51,595
(Credited)/charged to the profit and loss account	(64)	–	58	(6)
Balance at 30th June, 2006	2,648	49,513	(572)	51,589

(c) Deferred tax assets not recognised

The group has not recognised deferred tax assets in respect of tax losses of $29,713,000 (2005: $19,188,000). The tax losses do not expire under current tax legislation.

24. SHARE CAPITAL

	2006		2005	
	No. of shares	Amount	No. of shares	Amount
		$000's		$000's
Authorised:				
Ordinary shares of $2 each	50,000,000	100,000	50,000,000	100,000
Issued and fully paid:				
At 1st July and 30th June	45,594,656	91,189	45,594,656	91,189

25. RESERVES

	Capital redemption reserve	Investment properties revaluation reserve	Other properties revaluation reserve	General reserve	Retained profits	Total
	$000's	$000's	$000's	$000's	$000's	$000's
The group						
At 1st July, 2004						
– as previously reported	1,348	–	5,998	270,000	2,996,741	3,274,087
– prior period adjustments in respect of deferred taxation	–	–	–	–	(68,076)	(68,076)
– as restated	1,348	–	5,998	270,000	2,928,665	3,206,011
Dividends declared/approved in respect of the previous year (note 9(b))	–	–	–	–	(100,308)	(100,308)
Realisation of other properties revaluation reserve	–	–	(27)	–	27	–
Profit for the year (as restated)	–	–	–	–	438,365	438,365
Unclaimed dividends forfeited in accordance with article 166	–	–	–	–	454	454
Transfer to general reserve	–	–	–	10,000	(10,000)	–
Exchange differences arising on consolidation	–	–	–	–	(9,599)	(9,599)
Dividends declared and paid in respect of the current year (note 9(a))	–	–	–	–	(27,357)	(27,357)
At 30th June, 2005	1,348	–	5,971	280,000	3,220,247	3,507,566
At 1st July, 2005						
– as previously reported	1,348	266,522	5,971	280,000	3,046,385	3,600,226
– prior period adjustments in respect of						
– investment properties	–	(266,522)	–	–	266,522	–
– related deferred taxation	–	–	–	–	(92,660)	(92,660)
– as restated	1,348	–	5,971	280,000	3,220,247	3,507,566
Dividends declared/approved in respect of the previous year (note 9(b))	–	–	–	–	(63,832)	(63,832)
Realisation of other properties revaluation reserve	–	–	(138)	–	138	–
Profit for the year	–	–	–	–	395,213	395,213
Transfer to general reserve	–	–	–	10,000	(10,000)	–
Exchange differences arising on consolidation	–	–	–	–	17,329	17,329
Dividends declared and paid in respect of the current year (note 9(a))	–	–	–	–	(27,357)	(27,357)
At 30th June, 2006	1,348	–	5,833	290,000	3,531,738	3,828,919

25. RESERVES (Continued)

	Capital redemption reserve	Investment properties revaluation reserve	Other properties revaluation reserve	General reserve	Retained profits	Total
	$000's	$000's	$000's	$000's	$000's	$000's (restated)
The company						
At 1st July, 2004						
– as previously reported	1,348	262,933	5,998	270,000	759,087	1,299,366
– prior period adjustments in respect of						
– investment properties	–	(262,933)	–	–	262,933	–
– related deferred taxation	–	–	–	–	(46,013)	(46,013)
– as restated	1,348	–	5,998	270,000	976,007	1,253,353
Dividends declared/approved in respect of the previous year (note 9(b))	–	–	–	–	(100,308)	(100,308)
Realisation of other properties revaluation reserve	–	–	(27)	–	27	–
Profit for the year (as restated)	–	–	–	–	6,834	6,834
Unclaimed dividends forfeited in accordance with article 166	–	–	–	–	454	454
Transfer to general reserve	–	–	–	10,000	(10,000)	–
Dividends declared and paid in respect of the current year (note 9(a))	–	–	–	–	(27,357)	(27,357)
At 30th June, 2005 (as restated)	1,348	–	5,971	280,000	845,657	1,132,976
At 1st July, 2005						
– as previously reported	1,348	282,933	5,971	280,000	612,237	1,182,489
– prior period adjustments in respect of						
– investment properties	–	(282,933)	–	–	282,933	–
– related deferred taxation	–	–	–	–	(49,513)	(49,513)
– as restated	1,348	–	5,971	280,000	845,657	1,132,976
Dividends declared/approved in respect of the previous year (note 9(b))	–	–	–	–	(63,832)	(63,832)
Realisation of other properties revaluation reserve	–	–	(138)	–	138	–
Profit for the year	–	–	–	–	260,091	260,091
Transfer to general reserve	–	–	–	10,000	(10,000)	–
Dividends declared and paid in respect of the current year (note 9(a))	–	–	–	–	(27,357)	(27,357)
At 30th June, 2006	1,348	–	5,833	290,000	1,004,697	1,301,878

25. RESERVES (Continued)

The directors consider that all of the general reserve and $727,492,000 (2005 (restated): $568,452,000) of the retained profits of the company, totalling $1,017,492,000 (2005 (restated): $848,452,000), are distributable.

The application of the capital redemption reserve is governed by section 49 of the Hong Kong Companies Ordinance. The other properties revaluation reserve is not available for distribution to shareholders because it does not constitute realised profits within the meaning of section 79B(2) of the Hong Kong Companies Ordinance.

26. DEFERRED PROFITS

	The group		The company	
	2006	2005	2006	2005
	$000's	$000's	$000's	$000's
At 1st July	451,198	451,198	237,225	237,225
Realised during the year	(10,001)	–	(7,093)	–
At 30th June	441,197	451,198	230,132	237,225

27. CONTINGENCY RESERVES

	Group and company	
	2006	2005
	$000's	$000's
Third party claims		
At 1st July	3,600	5,600
Payments during the year	(329)	(97)
Provision written back for the year	–	(1,903)
Reclassified to creditors and accruals	(3,271)	–
At 30th June	–	3,600

28. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the group's business. These risks are managed by the group's financial management policies and practices as described below.

(a) Credit risk

The group's credit risk is primarily attributable to bank deposits, rental, other trade and accounts receivables. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies.
The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. There are no significant concentrations of credit risk within the group.

(b) Liquidity risk

The treasury function of the group is centralised. The group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

The group has no bank borrowings. In respect of income-earning financial assets, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

	2006		2005	
	Effective interest rate (%)	Within one year	Effective interest rate (%)	Within one year
		$000's		$000's
Cash and bank balances	3.61–5.17	1,248,948	3.01–4.5625	1,701,052

(d) Foreign currency risk

The group owns assets and conducts its business primarily in Hong Kong and the United Kingdom with its cash flows substantially denominated in Hong Kong dollars and Pounds Sterling.
The group's primary foreign currency assets are United States dollars denominated bank deposits and direct property investment, rental income and bank deposits in Pounds Sterling in the United Kingdom which are regularly monitored by management.

(e) Fair value

Financial instruments are carried at amounts not materially different from their fair values as at 30th June, 2006 and 2005.

29. CAPITAL COMMITMENTS

Contracted for capital commitments outstanding at 30th June, 2006 amounted to $12,591,000 (2005: $Nil).

30. OPERATING LEASES

(a) Significant leasing arrangements

The group leases out investment properties in Hong Kong and United Kingdom under operating leases. The leases for investment properties in Hong Kong typically run for an initial period of one to three years. The leases for investment properties in United Kingdom run for an initial period of fourteen to twenty five years. Lease payments are subject to upward only rent review for every 5 years for investment properties in United Kingdom. One of the leases in United Kingdom is subject to upward only rent review in September 2006 and 2011. One of the leases includes contingent rentals. Further details of the carrying value of the investment properties are contained in note 13.

$68,018,000 (2005: $67,378,000) was recognised as rental income in the consolidated profit and loss account in respect of operating leases.

(b) Future operating lease income

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2006	2005
	$000's	$000's
Within one year	68,897	65,908
After one but within five years	226,565	226,707
After five years	539,550	582,127
	835,012	874,742

31. MATERIAL RELATED PARTY TRANSACTIONS

Loans to the jointly controlled entities at 30th June, 2006 are disclosed in note 15. The loans are unsecured, interest-free and have no fixed terms of repayment.

32. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 2.

33. ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of accounting estimates and estimation uncertainty include the following:

(a) Valuation of investment properties

Investment properties are included in the balance sheet at their open market value, which are assessed by external qualified valuers, after taking into consideration the net rental income allowing for reversionary income potential. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the investment properties.

(b) Properties under development for sale

Management determines the net realisable value of properties held under development for sale by assessing the prevailing market data such as most recent sale transactions and market survey reports and the related costs to be incurred in selling the properties.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 30TH 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 period ended 30th June, 2006 and which have not been adopted in these financial statements:

		Effective for accounting periods beginning on or after
HK(IFRIC) 4	Determining whether an arrangement contains a lease	1st January, 2006
Amendments to HKAS 19	Employee benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1st January, 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:		
- HKAS 1	Presentation of financial statements	1st January, 2006
- HKAS 27	Consolidated and separate financial statements	1st January, 2006
- HKFRS 3	Business combinations	1st January, 2006
HKFRS 7	Financial instruments: disclosures	1st January, 2007
Amendments to HKAS 1	Presentation of financial statements: capital disclosures	1st January, 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1st December, 2005 and would be first applicable to the group's financial statements for the period beginning 1st July, 2006.

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. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the group's results of operations and financial position.