Notes to the Financial Statements

Note 1 Statement of Compliance

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs, which also include Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Note 2 Principal Accounting Policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain financial assets and liabilities, which are stated at fair value.

The Group has adopted the following amendments to HKFRSs that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006:

HKAS 1, HKAS 27 & HKFRS 3 (Amendments)	Presentation of Financial Statements, Consolidated and Separate Financial Statements & Business Combinations — Amendments as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement & Insurance Contracts — Financial Guarantee Contracts

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and was first applicable to the Group's financial statements for the accounting period beginning on 1 January 2006.

The impact of adopting the revised HKFRSs and the application of the Hong Kong Companies (Amendment) Ordinance 2005 is described in note 3(a) to the financial statements.

b) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiaries made up to 31 December each year. Results of subsidiaries are consolidated from the acquisition date, being the date on which the Group obtains control, until the date such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Note 2 Principal Accounting Policies (Continued)

c) Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly controlled entities is initially measured at cost, being the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill arising on the acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset, and in the case of associates and jointly controlled entities, goodwill is included in the carrying amount thereof rather than as a separately identified asset on the consolidated balance sheet.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

On acquisition of subsidiaries, associates and jointly controlled entities, if the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity being acquired recognised as at the date of acquisition exceeds the cost of acquisition, the Group shall reassess the identification and measurement of the identifiable assets, liabilities and contingent liabilities of that entity and the measurement of the cost of acquisition, and recognise immediately in the consolidated profit and loss account any excess remaining after that reassessment.

On disposal of cash-generating units, associates and jointly controlled entities, any attributable amount of purchased goodwill is included in the calculation of the profit and loss on disposal.

d) Subsidiaries

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, interests in subsidiaries are stated at cost less any accumulated impairment losses.

e) Associates

Associates are accounted for using the equity method in the consolidated financial statements. They are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of associates, less any accumulated impairment losses. The Group's share of post-acquisition results and reserves of associates are recognised in the consolidated profit and loss account and consolidated reserves respectively.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interests in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, interests in associates are stated at cost less any accumulated impairment losses.

Note 2 Principal Accounting Policies (Continued)

f) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

(i) Jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which the Group and other venturers have an interest and exercise joint control in accordance with contractual arrangements.

Jointly controlled entities are accounted for using the equity method in the consolidated financial statements. They are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of jointly controlled entities, less any accumulated impairment losses. The Group's share of post-acquisition results and reserves of jointly controlled entities are recognised in the consolidated profit and loss account and consolidated reserves respectively.

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

The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, interests in jointly controlled entities are stated at cost less any accumulated impairment losses.

(ii) Jointly controlled assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers is recognised in the balance sheet and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred by the joint ventures, are recognised in the profit and loss account when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

g) Revenue recognition

Major categories of revenues are recognised in the financial statements on the following bases:

Revenue from sale of completed properties is recognised upon completion of sale agreements. Revenue from passenger transportation services is recognised upon the departure of each trip of vessel. Revenue from sale of fuel is recognised upon delivery to customers. Revenues from travel agency services, repairing services and management services are recognised upon provision of services. Rental income is recognised on a straight-line basis over the lease terms. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis on the principal outstanding and at the effective interest rate applicable. Revenue from sale of investments is recognised on trade dates.

Note 2 Principal Accounting Policies (Continued)

h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The profit or loss arising from the derecognition of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account.

Depreciation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following annual rates:

Leasehold buildings	1.7% – 2% or over the remaining lease terms, if shorter
Vessels and pontoons	5% – 6.7%
Other assets	5% – 33.3%

The useful lives and residual values of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

i) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initially at cost including transaction costs and thereafter stated at fair value, determined on the basis of professional valuation reflecting market conditions at each balance sheet date. Any changes in fair value are recognised in the profit and loss account. A property interest under an operating lease which is held for the above purposes is classified and accounted for as an investment property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The profit or loss arising from the derecognition of an investment property is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account.

j) Leasehold land

Leasehold land comprises upfront payments to acquire long-term interest in lessee-occupied properties. Leasehold land is stated at cost and amortised over the period of the leases on a straight-line basis to the profit and loss account.

k) Properties under development for sale

Properties under development for sale are shown under current assets and are stated at cost less any accumulated impairment losses. Cost includes cost of land and development, construction expenditure incurred and attributable finance costs capitalised during the development period.

Note 2 Principal Accounting Policies (Continued)

l) Franchises and royalties

Franchises and royalties are classified as intangible assets and stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided either over the estimated finite useful lives of 8 to 13 years using the straight-line method or over the contractual royalty rate based on actual product sales.

m) Inventories

Inventories are stated at the lower of cost and net realisable value. In respect of unsold properties, cost is determined by apportionment of the total development costs, including land and development cost, construction expenditure incurred and finance costs capitalised, attributable to unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates based on prevailing market conditions. In respect of other inventories, cost, comprising purchase cost from suppliers, is determined on first-in-first-out basis or the weighted average basis for different inventories. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

n) Investments

Investments in liquid funds and securities, other than investments in subsidiaries, associates and jointly controlled entities, are classified either as investments at fair value through profit or loss if they are held for trading or as available-for-sale investments.

Purchases and sales of investments are recognised and derecognised using trade date accounting. Investments are derecognised when the contractual rights to the cash flows from the investments have expired or have been transferred and the Group has transferred substantially the risks and rewards of ownership.

Investments at fair value through profit or loss are initially recognised at fair value with transaction costs recognised as expenses and subsequently stated at fair value. Unrealised gains and losses from changes in fair value, including exchange differences, are recognised in the profit and loss account. Upon disposal of an investment, the difference between its carrying amount and the net sale proceeds is included in the calculation of the profit or loss on disposal.

Available-for-sale investments are initially recognised at fair value plus transaction costs and subsequently stated at fair value, or in the case of investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are subsequently stated at cost less any accumulated impairment losses. Unrealised gains and losses from changes in fair value are recognised in investment revaluation reserve, except for impairment losses and in the case of monetary investments, exchange differences which are recognised in the profit and loss account. Upon disposal of an investment, the difference between its carrying amount and the net sale proceeds and any cumulative fair value changes in investment revaluation reserve are included in the calculation of the profit or loss on disposal.

Available-for-sale investments 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 available-for-sale investments carried at cost, the impairment loss is measured as the difference between the carrying amount of the investment and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses in respect of available-for-sale investments carried at cost are not reversed.

For available-for-sale investments carried at fair value, the cumulative losses that had been recognised directly in equity is removed from equity and is recognised in the profit and loss account. The amount of the cumulative losses that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in the profit and loss account.

Note 2 Principal Accounting Policies (Continued)

n) Investments (Continued)

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

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

o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any accumulated impairment losses unless the effect of discounting would be immaterial, in which case they are stated at cost less any accumulated impairment losses. A provision for impairment (note 2(aa)) of trade and other receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

p) Derivative financial instruments

Derivatives are initially recognised at fair value on the date derivative contracts are entered into and are subsequently measured at their fair value. Changes in fair value of derivatives that did not qualify for hedge accounting are recognised immediately in the profit and loss account.

A cash flow hedge is where a derivative is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction. The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

The cumulative gain or loss in equity is recycled in the profit and loss account in the period when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, such gain or loss is transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, such cumulative gain or loss is immediately transferred to the profit and loss account.

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held for trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts and when the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as financial assets at fair value through profit or loss.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash 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.

Note 2 Principal Accounting Policies (Continued)

r) Bank borrowings

Bank borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowings. After initial recognition, bank borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

s) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

t) 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 net profit as reported in the profit and loss account 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 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 differences arise from goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets 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 profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Note 2 Principal Accounting Policies (Continued)

u) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental income and expenses under operating leases are credited and charged respectively to the profit and loss account on a straight-line basis over the terms of the leases.

v) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

w) Capitalisation of borrowing costs

Borrowing costs are expensed as incurred, except to the extent that they are capitalised as being directly attributable to the construction or production of assets which necessarily take a substantial period of time to get ready for their intended use or sale. Capitalisation of such borrowing costs begins when construction or production activities commence and ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate for the year is based on the cost of the related borrowings less related interest income.

x) Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Exchange differences resulting from the settlement of such transactions and from the retranslation at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated using the exchange rates prevailing at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the exchange rates prevailing at the dates the fair value was determined. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the profit and loss account, any exchange component of that gain or loss is recognised in the profit and loss account.

On consolidation, the assets and liabilities of those foreign subsidiaries, associates and jointly controlled entities that have a functional currency different from the presentation currency of the Group are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date, and their profit and loss accounts are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in exchange reserve. On disposal of a foreign entity, the cumulative exchange difference which relates to that entity is included in the calculation of the profit or loss on disposal.

Note 2 Principal Accounting Policies (Continued)

y) Employee benefits

Cost of accumulating compensated absences is recognised as an expense in the profit and loss account and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Obligations for contributions to defined contribution retirement plans, including contributions payable under the Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.

z) Related parties

A party is considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party, exercise significant influence over the party or has joint control over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties include individuals being members of key management personnel and significant shareholders, as well as close family members of, and entities which are controlled, jointly-controlled or significantly influenced by such individuals. Related parties also include post-employment benefit plans for the benefit of employees of the Group or its related parties.

aa) Impairment of assets

At each balance sheet date, assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When an indication of impairment exists, or when annual impairment testing is required in the case of goodwill acquired in a business combination, the Group estimates the asset's recoverable amount, being the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in the profit and loss account, except where the asset is stated at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation deficit. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows.

An impairment loss recognised in prior years for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment losses are credited to the profit and loss account except where the asset is carried at valuation, in which case the reversal of impairment losses is treated as a revaluation movement. An impairment loss made against goodwill is not reversed.

bb) Share-based payments

The Group issued equity-settled share-based payments, including the granting of share options to Directors and other employees. Equity-settled share-based payments are measured at fair value at the measurement date excluding the effect of non-market-based vesting conditions, and recognised as an expense in the profit and loss account. A corresponding increase is recognised in capital reserve within equity. Where the employees are required to meet vesting conditions before they become entitled to the payments, such fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the equity instruments that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Share options granted on or before 31 December 2004 are not expensed in accordance with the transitional provisions of HKFRS 2.

Note 2 Principal Accounting Policies (Continued)

cc) Segment reporting

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

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's principal activities and the Group's management structure and internal financial reporting system.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment revenues, expenses, results, assets and liabilities are determined before intra-group balances and transactions that are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are within a single segment. Inter-segment pricing is determined on an arm's length basis.

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

Unallocated items mainly comprise financial and corporate revenues, expenses and assets, interest-bearing loans, borrowings and taxation.

dd) Critical accounting estimates and judgements

The Group makes estimates and assumptions as appropriate in the preparation of the financial statements. These estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities include the productive life of property, plant and equipment and the determination of tax.

ee) Comparatives

Where necessary, comparative figures are restated to conform with changes in presentation in the current financial year.

Note 3 Impact of Revised Hong Kong Financial Reporting Standards

a) The adoption of HKAS 1, HKAS 27 & HKFRS 3 (Amendments), HKAS 21 (Amendment), HKAS 39 (Amendment) and HKAS 39 & HKFRS 4 (Amendments) has no material impact on the Group's accounting policies.

b) The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	1 November 2006
HKAS 1 (Amendment)	Presentation of Financial Statements — Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007
HKFRS 8	Operating Segments	1 January 2009

Note 4 Turnover and Revenue

The Group is principally engaged in the businesses of property development, investment and management, transportation, hospitality and investment holding.

	Group	
	2006 (HK$'000)	2005 (HK$'000)
Turnover		
Revenue from sale of properties	32,866	280,719
Revenue from passenger transportation services	1,876,765	1,653,138
Revenue from sale of fuel	21,850	22,416
Revenue from travel agency services	101,697	134,947
Rental income	155,355	143,660
Dividends from investments	113,107	96,067
Interest income from mortgage loans receivable	13,109	16,471
Management fees and others	194,055	141,600
	2,508,804	2,489,018
Other revenues		
Interest income	153,701	100,533
Claims received	789	13,868
Others	108,702	37,810
	263,192	152,211
	2,771,996	2,641,229

Note 5 Other Income

Other income in 2006 includes HK$27,243,000 being profit on disposal of property, plant and equipment.

Note 6 Operating Profit

	Group 2006 (HK$'000)	Group 2005 (HK$'000)
After crediting:		
Interest income		
– listed investments	18	520
– unlisted investments	921	2,081
– bank deposits and others	165,871	114,403
	166,810	117,004
Rental income from investment properties	138,551	126,418
Less: Direct operating expenses arising from investment properties	(17,087)	(15,010)
	121,464	111,408
Dividend income from listed investments	3,689	1,755
Dividend income from unlisted investments		
– Sociedade de Turismo e Diversões de Macau, S.A. (STDM)	108,541	93,341
– others	877	971
Exchange gain	6,668	2,431
Profit on disposal of property, plant and equipment	27,243	—
Profit on sale of listed investments	12,296	1,692
After charging:		
Cost of inventories		
– properties	29,019	223,974
– others	641,264	516,298
	670,283	740,272
Depreciation of property, plant and equipment		
– held for rental income under operating leases	2,458	2,458
– others	120,639	116,611
Amortisation		
– leasehold land	13,572	13,565
– intangible assets	89	—
Audit fee	4,092	3,546
Loss on disposal of property, plant and equipment	—	1,472
Minimum lease payments of properties under operating leases	6,669	3,396
Impairment losses on		
– goodwill	2,275	—
– receivables	2,293	3,618
Provident fund contribution	18,008	22,008

Note 7 Directors' Emoluments and Five Highest Paid Individuals

The emoluments of the Company's Directors are as follows:

Group
2006

	Fees (HK$'000)	Salaries, allowances and benefits (HK$'000)	Performance bonus (HK$'000)	Provident fund contributions (HK$'000)	Total (HK$'000)
Executive Directors					
Stanley Ho	65	—	—	—	65
Pansy Ho	65	7,802	2,737	360	10,964
Daisy Ho	65	4,734	708	218	5,725
Ambrose So	5	1,285	98	60	1,448
Patrick Huen	65	1,644	126	75	1,910
Andrew Tse *	3	1,280	—	44	1,327
Anthony Chan	5	1,632	126	75	1,838
Maisy Ho	5	3,381	477	156	4,019
David Shum	5	1,623	209	75	1,912
Non-Executive Directors					
Cheng Yu Tung	5	—	—	—	5
Louise Mok	5	100	—	—	105
Independent Non-Executive Directors					
Roger Lobo	200	100	—	—	300
Robert Kwan	200	100	—	—	300
Norman Ho	200	100	—	—	300
Charles Ho	29	—	—	—	29
	922	23,781	4,481	1,063	30,247

* *Mr. Andrew Tse resigned as Director of the Company on 21 August 2006.*

Note 7 Directors' Emoluments and Five Highest Paid Individuals (Continued)

Group

2005

	Fees (HK$'000)	Salaries, allowances and benefits (HK$'000)	Performance bonus (HK$'000)	Provident fund contributions (HK$'000)	Total (HK$'000)
Executive Directors					
Stanley Ho	65	—	—	—	65
Pansy Ho	65	7,628	1,905	352	9,950
Daisy Ho	65	4,634	446	214	5,359
Ambrose So	5	1,256	97	58	1,416
Patrick Huen	65	1,610	123	74	1,872
Andrew Tse *	5	1,597	123	74	1,799
Anthony Chan	5	1,597	123	74	1,799
Maisy Ho	5	3,310	255	153	3,723
David Shum	5	1,589	123	73	1,790
Non-Executive Directors					
Cheng Yu Tung	5	—	—	—	5
Louise Mok	5	100	—	—	105
Independent Non-Executive Directors					
Roger Lobo	200	100	—	—	300
Robert Kwan	200	100	—	—	300
Norman Ho	200	100	—	—	300
	895	23,621	3,195	1,072	28,783

* *Mr. Andrew Tse resigned as Director of the Company on 21 August 2006.*

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

Among the five highest paid individuals in the Group, three (2005: three) are Directors of the Company and the details of their emoluments have been disclosed above. The emoluments of the remaining two (2005: two) individuals during the year not included above were salaries, allowances and benefits of HK$6,789,000 (2005: HK$5,797,000), performance bonus of HK$529,000 (2005: HK$489,000) and provident fund contributions of HK$275,000 (2005: HK$268,000).

The emoluments paid to the abovementioned two (2005: two) individuals are within the following bands:

	Number of persons 2006	2005
HK$2,500,001 – HK$3,000,000	0	1
HK$3,500,001 – HK$4,000,000	1	1
HK$4,000,001 – HK$4,500,000	1	0

Details of the basis of determining Directors' emoluments are disclosed in the Report on Corporate Governance Practices on page 58. The emoluments disclosed above represent the amounts paid or payable to the Directors and employees of the Company for the year and exclude the benefits derived or to be derived from the share options granted to them under the Company's share option schemes. Details of these benefits in kind are disclosed in section (d) under Disclosure of Interests in the Report of the Directors on pages 50 to 52.

Note 8 Finance Costs

	Group 2006 (HK$'000)	2005 (HK$'000)
Interest on bank loans and overdraft wholly repayable within 5 years	53,412	33,725
Interest on bank loans not wholly repayable within 5 years	132	—
Interest on loans from minority shareholders	1,266	260
Less: Amount capitalised in properties under development	(6,944)	(260)
	47,866	33,725

Note 9 Taxation

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

	Group 2006 (HK$'000)	2005 (HK$'000)
Current tax – Hong Kong		
Tax for the year	33,306	38,752
Benefit of previously unrecognised tax losses and deductible temporary differences	(235)	(452)
Over-provision in respect of prior years	(232)	(2,500)
	32,839	35,800
Current tax – Overseas		
Tax for the year	6,448	6,802
Benefit of previously unrecognised tax losses and deductible temporary differences	—	(221)
Over-provision in respect of prior years	(4,529)	(3,976)
	1,919	2,605
Deferred tax		
Origination and reversal of temporary differences	20,126	26,042
Benefit of previously unrecognised tax losses and deductible temporary differences	—	(3,165)
	20,126	22,877
Other taxes – Overseas		
Taxation charged to revenues	1,947	1,984
Taxation attributable to the Company and its subsidiaries	56,831	63,266

Hong Kong profits tax is provided for at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year. Overseas taxation is calculated at the rates applicable in their respective jurisdictions.

Note 9 Taxation (Continued)

b) The reconciliation between taxation attributable to the Company and its subsidiaries and accounting profit in the financial statements is as follows:

	Group 2006 (HK$'000)	Group 2005 (HK$'000)
Profit before taxation	938,808	644,259
Tax at the applicable tax rate of 17.5% (2005: 17.5%)	164,291	112,745
Tax effect of net income that is not taxable in determining taxable profit	(43,025)	(40,513)
Tax effect of utilisation of previously unrecognised tax losses and deductible temporary differences	(235)	(3,597)
Tax effect of unrecognised tax losses and deductible temporary differences in the year	15,367	19,297
Tax effect of shares of results of associates and jointly controlled entities	(67,010)	(12,279)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(9,743)	(7,895)
Over-provision in respect of prior years	(4,761)	(6,476)
Income tax expense for the year	54,884	61,282
Other taxes	1,947	1,984
Total tax expenses	56,831	63,266

Note 9 Taxation (Continued)

c) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the balance sheets and the movement during the year are as follows:

Deferred tax assets

	Depreciation in excess of related depreciation allowances (HK$'000)	Unrealised intra–group profit (HK$'000)	Tax losses (HK$'000)	Cash flow hedges (HK$'000)	Others (HK$'000)	Total (HK$'000)
Group						
At 1 January 2005	(356)	(22,424)	(15,251)	(801)	(55)	(38,887)
Exchange adjustment	—	—	(92)	—	—	(92)
Credit to profit and loss account for the year	(74)	(3,636)	(2,482)	—	(635)	(6,827)
Charge to equity for the year	—	—	—	801	—	801
At 31 December 2005	(430)	(26,060)	(17,825)	—	(690)	(45,005)
Exchange adjustment	—	—	(155)	—	—	(155)
(Credit)/charge to profit and loss account for the year	(65)	(3,422)	4,947	—	(449)	1,011
Credit to equity for the year	—	—	—	(3,195)	—	(3,195)
At 31 December 2006	**(495)**	**(29,482)**	**(13,033)**	**(3,195)**	**(1,139)**	**(47,344)**
Company						
At 1 January 2005	(144)					
Credit to profit and loss account for the year	(17)					
At 31 December 2005	(161)					
Credit to profit and loss account for the year	(34)					
At 31 December 2006	**(195)**					

c) Deferred tax assets and liabilities recognised (Continued)

Deferred tax liabilities

	Depreciation allowances in excess of related depreciation (HK$'000)	Revaluation of properties (HK$'000)	Clawback of capital allowances of properties (HK$'000)	Cash flow hedges (HK$'000)	Total (HK$'000)
Group					
At 1 January 2005	73,238	50,363	37,256	—	160,857
Exchange adjustment	307	326	—	—	633
Charge to profit and loss account for the year	4,016	20,574	5,114	—	29,704
Charge to equity for the year	—	—	—	938	938
At 31 December 2005	77,561	71,263	42,370	938	192,132
Exchange adjustment	689	599	—	—	1,288
Charge to profit and loss account for the year	817	12,570	5,728	—	19,115
Credit to equity for the year	—	—	—	(938)	(938)
At 31 December 2006	**79,067**	**84,432**	**48,098**	**—**	**211,597**
Company					
At 1 January 2005	144				
Charge to profit and loss account for the year	17				
At 31 December 2005	161				
Charge to profit and loss account for the year	34				
At 31 December 2006	**195**				

Note 9 Taxation (Continued)

c) Deferred tax assets and liabilities recognised (Continued)

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

	Group		Company	
	2006 (HK$'000)	2005 (HK$'000)	**2006 (HK$'000)**	2005 (HK$'000)
Deferred tax assets recognised	**(16,237)**	(11,285)	**—**	—
Deferred tax liabilities recognised	**180,490**	158,412	**—**	—
	164,253	147,127	**—**	—

d) Deferred tax assets unrecognised

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

	Group		Company	
	2006 (HK$'000)	2005 (HK$'000)	**2006 (HK$'000)**	2005 (HK$'000)
Tax losses	**401,186**	327,464	**183,589**	157,531
Deductible temporary differences	**53,106**	42,209	**—**	—
	454,292	369,673	**183,589**	157,531

Included in the unrecognised tax losses of the Group are losses of HK$11,464,000 (2005: HK$8,083,000) that will expire within three years from the balance sheet date. Other tax losses and deductible temporary differences of the Group and the tax losses of the Company may be carried forward indefinitely.

Note 10 Dividends

	Group and Company 2006 (HK$'000)	2005 (HK$'000)
2005 final dividend of 4.5 HK cents on 10,078,870 shares (2005: 2004 final dividend of 6.5 HK cents on 5,000,000 shares) issued upon exercise of share options	**454**	325
2005 final dividend of 4.5 HK cents on 94,110,954 shares (2005: nil) issued for acquisition of a subsidiary	**4,235**	—
Interim dividend of 4.5 HK cents on 2,191,208,064 shares (2005: 2.5 HK cents on 2,085,026,240 shares)	**98,604**	52,126
Proposed final dividend of 8.0 HK cents on 2,190,514,064 shares (2005: 4.5 HK cents on 2,082,018,240 shares)	**175,241**	93,691
	278,534	146,142

Note 11 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company of HK$663,916,000 (2005: HK$364,390,000) and the weighted average number of 2,144,226,359 shares (2005: 2,082,792,925 shares) in issue during the year. The calculation of diluted earnings per share is based on profit attributable to equity holders of the Company of HK$663,916,000 (2005: HK$364,390,000) and the weighted average number of 2,232,941,133 shares (2005: 2,164,035,541 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

A reconciliation of the data used in calculating basic and diluted earnings per share is as follows:

	Profit attributable to equity holders of the Company		Weighted average number of shares	
	2006 (HK$'000)	2005 (HK$'000)	**2006**	2005
Profit/number of shares for the purpose of basic earnings per share	**663,916**	364,390	**2,144,226,359**	2,082,792,925
Effect of dilutive potential ordinary shares – share options	—	—	**88,714,774**	81,242,616
Profit/number of shares for the purpose of diluted earnings per share	**663,916**	364,390	**2,232,941,133**	2,164,035,541

Note 12 Property, Plant and Equipment

Group

	Properties under development (HK$'000)	Leasehold buildings (HK$'000)	Vessels and pontoons (HK$'000)	Other assets (HK$'000)	Total (HK$'000)
Cost					
At 1 January 2005	—	227,647	1,907,979	728,510	2,864,136
Exchange adjustment	—	—	—	112	112
Additions through acquisition of a subsidiary	—	—	—	138	138
Additions	—	1,378	82,419	49,213	133,010
Disposals/transfers	—	—	—	(93,275)	(93,275)
At 31 December 2005	—	229,025	1,990,398	684,698	2,904,121
Exchange adjustment	—	—	—	249	249
Additions/transfers	71,700	—	18,666	72,860	163,226
Disposals	—	—	(43,724)	(21,462)	(65,186)
At 31 December 2006	71,700	229,025	1,965,340	736,345	3,002,410
Depreciation					
At 1 January 2005	—	113,806	1,201,608	624,355	1,939,769
Exchange adjustment	—	—	—	49	49
Charge for the year	—	3,010	83,797	32,262	119,069
Write-back on disposal	—	—	—	(91,621)	(91,621)
At 31 December 2005	—	116,816	1,285,405	565,045	1,967,266
Exchange adjustment	—	—	—	113	113
Charge for the year	—	3,023	87,448	32,626	123,097
Write-back on disposal	—	—	(41,650)	(19,259)	(60,909)
At 31 December 2006	—	119,839	1,331,203	578,525	2,029,567
Net book value					
At 31 December 2006	**71,700**	**109,186**	**634,137**	**157,820**	**972,843**
At 31 December 2005	—	112,209	704,993	119,653	936,855

Note 12 Property, Plant and Equipment (Continued)

Company

	Other assets (HK$'000)
Cost	
At 1 January 2005	3,776
Additions	677
Disposals	(1,478)
At 31 December 2005	2,975
Additions	612
Disposals	(131)
At 31 December 2006	3,456
Depreciation	
At 1 January 2005	2,832
Charge for the year	335
Write-back on disposal	(1,239)
At 31 December 2005	1,928
Charge for the year	421
Write-back on disposal	(121)
At 31 December 2006	2,228
Net book value	
At 31 December 2006	**1,228**
At 31 December 2005	1,047

Other assets of the Group comprised mainly furniture, fixtures and repairable spare parts of vessels.

The gross carrying amounts of vessels held for rental income under operating leases were HK$98,994,000 (2005: HK$98,994,000) and the related accumulated depreciation charges were HK$86,296,000 (2005: HK$83,838,000).

Note 12 Property, Plant and Equipment (Continued)

An analysis of leasehold buildings and properties under development is as follows:

	Group 2006 (HK$'000)	Group 2005 (HK$'000)
Hong Kong		
Long lease		
Leasehold buildings	11,638	11,996
Medium-term lease		
Leasehold buildings	88,063	90,509
Properties under development	71,700	—
	171,401	102,505
Outside Hong Kong		
Medium-term lease		
Leasehold buildings	9,485	9,704
	180,886	112,209

Note 13 Investment Properties

	Group 2006 (HK$'000)	Group 2005 (HK$'000)
Valuation		
At 1 January	2,912,255	2,756,359
Exchange adjustment	13,944	8,165
Additions/transfers	—	13,888
Cost adjustments	—	(640)
Surplus on revaluation	62,065	134,483
At 31 December	2,988,264	2,912,255

An analysis of investment properties is as follows:

	Group 2006 (HK$'000)	Group 2005 (HK$'000)
Hong Kong		
Long lease	280,600	255,000
Medium-term lease	2,156,321	2,145,781
	2,436,921	2,400,781
Outside Hong Kong		
Medium-term lease	414,343	381,474
Freehold	137,000	130,000
	551,343	511,474
	2,988,264	2,912,255

All investment properties were held for rental income under operating leases.

A revaluation of all investment properties was performed at 31 December 2006 by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of net income. The revaluation was conducted by Knight Frank Petty Limited, independent professional valuer, which has among its staff members of the Hong Kong Institute of Surveyors. Surplus on revaluation and deferred tax thereon have been included in the profit and loss account.

Note 14 Leasehold Land

	Group 2006 (HK$'000)	Group 2005 (HK$'000)
Cost		
At 1 January	767,466	767,466
Additions	10,100	—
At 31 December	777,566	767,466
Amortisation		
At 1 January	165,684	152,119
Amortisation for the year	13,572	13,565
Transfer	122	—
At 31 December	179,378	165,684
Net book value at 31 December	598,188	601,782

An analysis of leasehold land is as follows:

	Group 2006 (HK$'000)	Group 2005 (HK$'000)
Hong Kong		
Long lease	3,215	3,241
Medium-term lease	138,815	131,867
	142,030	135,108
Outside Hong Kong		
Medium-term lease	456,158	466,674
	598,188	601,782

Note 15 Subsidiaries

	Company 2006 (HK$'000)	Company 2005 (HK$'000)
Unlisted shares, at cost	20,700	20,100

Particulars regarding the principal subsidiaries are set out on pages 122 to 123.

Note 16 Associates

	Group 2006 (HK$'000)	Group 2005 (HK$'000)	Company 2006 (HK$'000)	Company 2005 (HK$'000)
Unlisted shares, at cost	—	—	250	250
Share of net assets	210,633	196,818	—	—
Goodwill	137	137	—	—
	210,770	196,955	250	250

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

	2006 (HK$'000)	2005 (HK$'000)
Total assets	3,131,643	3,262,056
Total liabilities	(2,626,441)	(2,797,568)
Revenue	2,917,969	658,410
Profit for the year	1,513,958	185,485

Particulars regarding the principal associates are set out on pages 122 to 123.

Note 17 Jointly Controlled Entities

	Group 2006 (HK$'000)	Group 2005 (HK$'000)	Company 2006 (HK$'000)	Company 2005 (HK$'000)
Capital contribution, at cost	—	—	7,803	7,803
Share of net assets	962,186	14,553	—	—
	962,186	14,553	7,803	7,803

Note 17 Jointly Controlled Entities (Continued)

Summarised financial information in respect of the Group's jointly controlled entities is set out below:

	2006 (HK$'000)	2005 (HK$'000)
Share of assets and liabilities attributable to the Group		
Non-current assets	**587,974**	18,270
Current assets	**1,195,348**	75,331
Current liabilities	**(408,234)**	(48,444)
Non-current liabilities	**(412,902)**	(30,604)
Net assets	**962,186**	14,553
Share of income and expenses attributable to the Group		
Income	**31,397**	32,542
Expenses	**(48,995)**	(33,980)
Loss for the year	**(17,598)**	(1,438)

Particulars regarding the principal jointly controlled entities are set out on pages 122 to 123.

Note 18 Intangible Assets

Group

	Goodwill (HK$'000)	Franchises and royalties (HK$'000)	Total (HK$'000)
Cost			
At 1 January 2005	—	—	—
Acquisition of a subsidiary	2,275	—	2,275
At 31 December 2005	2,275	—	2,275
Additions	—	4,417	4,417
At 31 December 2006	2,275	4,417	6,692
Amortisation and impairment loss			
At 1 January 2005 and 31 December 2005	—	—	—
Amortisation for the year	—	89	89
Impairment loss recognised in the year	2,275	—	2,275
At 31 December 2006	2,275	89	2,364
Net book value			
At 31 December 2006	**—**	**4,328**	**4,328**
At 31 December 2005	2,275	—	2,275

Note 19 Available-for-sale Investments

	Group 2006 (HK$'000)	Group 2005 (HK$'000)	Company 2006 (HK$'000)	Company 2005 (HK$'000)
Equity securities				
Unlisted				
Cost	898,146	901,837	234,723	234,723
Impairment losses	(77,845)	(81,274)	—	—
	820,301	820,563	234,723	234,723
Listed in Hong Kong, at market value	411,651	198,296	—	—
Listed outside Hong Kong, at market value	21,082	8,662	—	—
	1,253,034	1,027,521	234,723	234,723
Debt securities				
Listed outside Hong Kong, at market value	—	7,755	—	—
Unlisted, at fair value	26,736	37,614	—	—
	26,736	45,369	—	—
Unit trust				
Listed outside Hong Kong, at market value	—	251	—	—
Investment funds				
Listed outside Hong Kong, at market value	16,674	5,423	—	—
Unlisted, at fair value	8,586	8,158	—	—
	25,260	13,581	—	—
	1,305,030	1,086,722	234,723	234,723

The fair values of listed securities and unit trust are determined on the basis of their quoted market prices at the balance sheet date. For unlisted debt securities, the Group uses the market values determined by independent financial institutions to estimate their fair values. Investment funds are valued based on the net asset value per share as reported by the managers of such funds.

Certain available-for-sale investments of the Group, including an unlisted equity investment in STDM, do not have quoted market prices in an active market and other methods of reasonably estimating fair value are clearly unworkable as the variability in the range of various reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. These available-for-sale investments are therefore stated at cost and are subject to review for impairment loss.

Note 19 Available-for-sale Investments (Continued)

An analysis of available-for-sale investments is as follows:

	Equity securities		Debt securities		Unit trust		Investment funds		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	(HK$'000)	(HK$'000)	**(HK$'000)**	(HK$'000)	**(HK$'000)**	(HK$'000)	**(HK$'000)**	(HK$'000)	**(HK$'000)**	(HK$'000)
Group										
Non-current assets	**1,253,034**	1,027,521	**26,736**	29,912	**—**	251	**—**	—	**1,279,770**	1,057,684
Current assets	**—**	—	**—**	15,457	**—**	—	**25,260**	13,581	**25,260**	29,038
	1,253,034	1,027,521	**26,736**	45,369	**—**	251	**25,260**	13,581	**1,305,030**	1,086,722
Company										
Non-current assets	**234,723**	234,723	**—**	—	**—**	—	**—**	—	**234,723**	234,723

Note 20 Mortgage Loans Receivable

	Group	
	2006	2005
	(HK$'000)	(HK$'000)
Mortgage loans receivable	**85,830**	304,100
Less: Current portion	**(3,672)**	(21,001)
Non-current portion	**82,158**	283,099

Mortgage loans receivable are secured by second mortgage of properties and interest bearing at prime rate plus 1.75% to prime rate plus 3.75% (2005: prime rate plus 1.75% to prime rate plus 3.75%) per annum.

The carrying amount of mortgage loans receivable approximates the fair value based on cash flows discounted using effective interest rates of prime rate plus 1.75% to prime rate plus 3.75% (2005: prime rate plus 1.75% to prime rate plus 3.75%) per annum.

Note 21 Other Non-current Assets

	Group		Company	
	2006	2005	**2006**	2005
	(HK$'000)	(HK$'000)	**(HK$'000)**	(HK$'000)
Amounts due by subsidiaries less provision	**—**	—	**5,600,016**	3,562,595
Amounts due by associates less provision	**269,596**	302,611	**—**	—
Amounts due by jointly controlled entities	**408,631**	25,080	**—**	—
Amounts due by investee companies	**28,190**	28,190	**125**	125
Bank deposit with embedded derivative and a maturity over a year	**77,790**	—	**77,790**	—
Index-linked notes and certificates, at fair value	**19,302**	14,930	**—**	—
Club debentures	**140**	140	**—**	—
	803,649	370,951	**5,677,931**	3,562,720

Note 21 Other Non-current Assets (Continued)

Amounts due by subsidiaries are unsecured and with no fixed term of repayment. Amount of HK$358,893,000 (2005: nil) is interest bearing at prime rate (2005: nil) per annum while the remaining balances are non-interest bearing.

Amounts due by associates are unsecured and with no fixed term of repayment. Amount of HK$258,461,000 (2005: HK$291,475,000) is interest bearing at 6% (2005: 6%) per annum while the remaining balances are non-interest bearing.

Amounts due by jointly controlled entities are unsecured. Amount of HK$333,540,000 (2005: nil) is repayable by 5 December 2010 and amount of HK$30,440,000 (2005: nil) is repayable upon notice of either party while the remaining balances have no fixed term of repayment. Amount of HK$333,540,000 (2005: nil) is interest bearing at HIBOR plus 3% (2005: nil) per annum while the remaining balances are non-interest bearing.

Amounts due by investee companies are unsecured, non-interest bearing and with no fixed term of repayment.

For the interest bearing portion of amounts due by subsidiaries, associates and jointly controlled entities, the carrying amount is not materially different from the fair value. For the non-interest bearing portion of amounts due by subsidiaries, associates, jointly controlled entities and investee companies, it is not meaningful to disclose fair value.

Bank deposit with embedded derivative is denominated in United States dollars with interest rate linked to Constant Maturity Swap rate and LIBOR. The carrying amount is not materially different from the fair value.

For index-linked notes and certificates, the redemption amounts and/or interest rates are linked to price indexes of oil, equity securities or overseas properties. The Group uses the market values determined by independent financial institutions to estimate their fair values.

Note 22 Properties Under Development

	Group	
	2006 (HK$'000)	2005 (HK$'000)
Properties under development, at cost	**1,071,824**	1,026,554

An analysis of leasehold land included in properties under development is as follows:

	Group	
	2006 (HK$'000)	2005 (HK$'000)
Hong Kong		
Long lease	**74,600**	74,600
Medium-term lease	**743,450**	743,348
	818,050	817,948

Note 23 Inventories

	Group 2006 (HK$'000)	Group 2005 (HK$'000)
Properties	95,759	122,127
Spare parts	119,572	108,401
Others	9,015	5,146
	224,346	235,674

Leasehold land included in inventories of properties is held under medium leases in Hong Kong.

Note 24 Trade Receivables, Other Receivables and Deposits Paid

	Group		Company	
	2006 (HK$'000)	2005 (HK$'000)	2006 (HK$'000)	2005 (HK$'000)
Amount due by a jointly controlled entity	9,200	9,200	—	—
Current portion of mortgage loans receivable	3,672	21,001	—	—
Equity-linked note, at fair value	3,975	—	—	—
Deposit for acquisition of interest in land development right	500,000	—	—	—
Trade and other debtors, deposits and prepayments	353,570	272,848	10,631	60,966
	870,417	303,049	10,631	60,966

Amount due by a jointly controlled entity was unsecured and repayable on demand. Amount to the extent of HK$7,200,000 (2005: HK$7,200,000) was interest bearing at the interest rate of 5% (2005: 5%) per annum and the remaining balance was non-interest bearing.

The carrying amount of trade and other receivables approximates their fair value because of their immediate or short term maturity.

Trade debtors are managed in accordance with defined credit policies, dependent on market requirements and businesses which they operate. Subject to negotiation, credit is only available for major customers with well-established trading records. The ageing analysis of trade debtors is as follows:

	Group 2006 (HK$'000)	Group 2005 (HK$'000)
0 – 30 days	124,773	91,422
31 – 60 days	33,950	32,133
61 – 90 days	8,352	4,312
over 90 days	15,636	16,639
	182,711	144,506

Note 25 Derivative Financial Instruments

	Group	
	2006	2005
	(HK$'000)	(HK$'000)
Current assets		
Fuel swap contracts	**—**	5,363
Current liabilities		
Equity forward sale contracts	**7,881**	—
Fuel swap contracts	**18,260**	—
	26,141	—

During the year, fuel swap contracts were designated as cash flow hedges to hedge fuel price risk in anticipated future fuel purchases. These contracts were remeasured at fair value based on the estimated future cash flows. The fair value gains or losses are transferred from hedging reserve to the profit and loss account when the forecast purchases occur, at various dates between 1 month to 12 months (2005: 1 month to 6 months) from the balance sheet date.

Note 26 Bank Deposits, Cash and Bank Balances

	Group		Company	
	2006	2005	**2006**	2005
	(HK$'000)	(HK$'000)	**(HK$'000)**	(HK$'000)
Bank deposits	**3,209,613**	3,616,566	**1,713,957**	2,554,564
Cash and bank balances	**217,901**	247,684	**24,913**	41,723
	3,427,514	3,864,250	**1,738,870**	2,596,287

Details of the maturity, interest rates and denomination are shown in notes 41(a) and 41(b) to the financial statements.

The carrying amount of bank deposits, cash and bank balances approximates their fair value because of their immediate or short term maturity.

Note 27 Bank Borrowings

	Group 2006 (HK$'000)	2005 (HK$'000)
Bank loans repayable within a period		
Not exceeding 1 year	91,742	166,995
More than 1 year but not exceeding 2 years	779,982	194,742
More than 2 years but not exceeding 5 years	4,015	654,982
More than 5 years	50,985	—
	926,724	1,016,719
Less: Current portion	(91,742)	(166,995)
Non-current portion	834,982	849,724

Bank loans to the extent of HK$224,724,000 (2005: HK$263,469,000) are secured by charges on certain vessels of the Group of HK$416,880,000 (2005: HK$465,089,000). Bank loans to the extent of HK$55,000,000 (2005: nil) are secured by charges on properties under development of HK$81,578,000 (2005: nil), bank deposits, cash and bank balances of HK$46,111,000 (2005: nil) and other assets of HK$112,000 (2005: nil) of the Group. The balance is secured by corporate guarantee of the Company.

Bank loans to the extent of HK$279,724,000 (2005: HK$419,719,000) are repayable by instalments.

Bank loans are interest bearing at HIBOR plus 0.5% to HIBOR plus 1.5% (2005: HIBOR plus 0.5% to HIBOR plus 0.8%) per annum.

The carrying amount of bank borrowings approximates their fair value based on cash flows discounted using effective interest rates of HIBOR plus 0.5% to HIBOR plus 1.5% (2005: HIBOR plus 0.5% to HIBOR plus 0.8%) per annum.

Note 28 Trade and Other Payables

	Group 2006 (HK$'000)	Group 2005 (HK$'000)	Company 2006 (HK$'000)	Company 2005 (HK$'000)
Amounts due to subsidiaries	—	—	1,047,762	1,031,610
Amount due to an associate	2,846	2,846	—	—
Loan	5,000	5,000	—	—
Trade and other creditors, deposits and accrued charges	626,159	511,397	24,890	24,356
	634,005	519,243	1,072,652	1,055,966

Amounts due to subsidiaries and an associate and loan are unsecured, non-interest bearing and with no fixed term of repayment. The carrying amount of trade and other payables either approximates their fair value because of their immediate or short term maturity, or is not materially different from their fair value.

The ageing analysis of trade creditors is as follows:

	Group 2006 (HK$'000)	Group 2005 (HK$'000)
0 – 30 days	191,385	150,071
31 – 60 days	2,057	3,649
61 – 90 days	942	452
over 90 days	10,115	8,731
	204,499	162,903

Note 29 Provision for Employee Benefits

Provision for employee benefits represents cost of cumulative compensated absences that the Group expects to pay.

	Group 2006 (HK$'000)	Group 2005 (HK$'000)	Company 2006 (HK$'000)	Company 2005 (HK$'000)
At 1 January	28,222	27,940	7,642	7,187
Net amount provided during the year	832	970	528	659
Amount paid during the year	(1,400)	(688)	(832)	(204)
At 31 December	27,654	28,222	7,338	7,642

Note 30 Loans from Minority Shareholders

Loans from minority shareholders are unsecured and with no fixed term of repayment. The Group has not provided any guarantee in favour of the minority shareholders in respect of the loans advanced. Amount to the extent of HK$26,950,000 (2005: HK$26,950,000) is interest bearing at HIBOR plus 0.58% (2005: HIBOR plus 0.58%) per annum while the balance is non-interest bearing. For the interest bearing portion, the carrying amount is not materially different from their fair value. For the non-interest bearing portion, it is not meaningful to disclose fair value.

Note 31 Share Capital

	2006		2005	
	Number of shares	(HK$'000)	Number of shares	(HK$'000)
Authorised				
Ordinary shares of HK$0.25 each				
At 1 January and 31 December	4,000,000,000	1,000,000	4,000,000,000	1,000,000
Issued and fully paid				
Ordinary shares of HK$0.25 each				
At 1 January	2,082,018,240	520,505	2,080,026,240	520,007
Issue of shares for acquisition of a subsidiary	94,110,954	23,528	—	—
Exercise of share options	15,078,870	3,769	5,000,000	1,250
Repurchase of shares	(694,000)	(174)	(3,008,000)	(752)
At 31 December	2,190,514,064	547,628	2,082,018,240	520,505

In October 2006 (2005: December 2005), the Company repurchased 694,000 (2005: 3,008,000) of its own ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$6,259,000 (2005: HK$19,654,000). The highest and lowest prices paid per share were HK$9.00 and HK$8.92 (2005: HK$6.60 and HK$6.40) respectively. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of HK$174,000 (2005: HK$752,000) was transferred from retained profits to capital redemption reserve. The premium and expenses paid on the repurchase of the shares of HK$6,085,000 (2005: HK$18,902,000) was charged to retained profits.

Note 32 Share Option Schemes

The Company had a share option scheme which was adopted on 18 May 1993 (the 1993 share option scheme) and terminated on 31 May 2002. A new share option scheme was adopted on 31 May 2002 (the 2002 share option scheme), whereby the Board of Directors of the Company may grant share options to eligible persons, including Directors and employees of the Company, to subscribe for ordinary shares in the Company. Details of the share option schemes are disclosed in section (d) under Disclosure of Interests in the Report of the Directors on pages 50 to 52.

Details of the share options are as follows:

2006

Date of grant	Exercise price	Number of options At 1 January 2006	Number of options Exercised during the year	Number of options At 31 December 2006	Note
a) The 1993 share option scheme					
3 January 2000	HK$1.15	20,869,566	(5,000,000)	15,869,566	(i)
b) The 2002 share option scheme					
25 May 2004	HK$3.15	107,454,870	(10,078,870)	97,376,000	(i)
8 July 2004	HK$3.95	918,800	—	918,800	(ii)
22 September 2004	HK$4.20	5,000,000	—	5,000,000	(i)
		113,373,670	(10,078,870)	103,294,800	
		134,243,236	(15,078,870)	119,164,366	

2005

Date of grant	Exercise price	Number of share options At 1 January 2005	Number of share options Exercised during the year	Number of share options At 31 December 2005	Note
a) The 1993 share option scheme					
3 January 2000	HK$1.15	20,869,566	—	20,869,566	(i)
b) The 2002 share option scheme					
25 May 2004	HK$3.15	112,454,870	(5,000,000)	107,454,870	(i)
8 July 2004	HK$3.95	918,800	—	918,800	(ii)
22 September 2004	HK$4.20	5,000,000	—	5,000,000	(i)
		118,373,670	(5,000,000)	113,373,670	
		139,243,236	(5,000,000)	134,243,236	

Notes:

(i) The share options outstanding at 31 December 2006 and 31 December 2005 are granted to Directors and exercisable during a period of 10 years commencing on the date of each grant.

(ii) The share options outstanding at 31 December 2006 and 31 December 2005 are granted to employees and exercisable during a period of 5 years commencing on the date of grant.

Note 33 Reserves

a) Group

	2006 (HK$'000)	2005 (HK$'000)
Share premium account	**5,066,027**	4,095,965
Capital redemption reserve account	**5,945**	5,771
Legal reserve account	**8,905**	7,548
Investment revaluation reserve account	**167,131**	14,552
Hedging reserve account	**(6,417)**	1,885
Exchange reserve account	**11,724**	5,389
Profit and loss account	**2,776,954**	2,399,188
	8,030,269	6,530,298

The movements of the Group's reserves for the years ended 31 December 2006 and 31 December 2005 are presented in the consolidated statement of changes in equity on pages 66 to 67 of the financial statements.

The application of share premium and capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

Legal reserve is a non-distributable reserve of certain subsidiaries and associates which is set aside from the profits of these companies in accordance with the Commercial Code of Macau Special Administrative Region.

Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the balance sheet date and is dealt with in accordance with the accounting policy of available-for-sale investments as set out in note 2(n) to the financial statements.

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy of cash flow hedges in note 2(p) to the financial statements.

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy of foreign currencies in note 2(x) to the financial statements.

Note 33 Reserves (Continued)

b) Company

	Share premium account (HK$'000)	Capital redemption reserve account (HK$'000)	Profit and loss account (HK$'000)	Total (HK$'000)
At 1 January 2005	4,081,491	5,019	720,690	4,807,200
Profit for the year	—	—	149,462	149,462
Exercise of share options	14,500	—	—	14,500
Expenses on issue of shares	(26)	—	—	(26)
Repurchase of shares	—	752	(19,578)	(18,826)
Expenses on repurchase of shares	—	—	(76)	(76)
Dividends	—	—	(146,142)	(146,142)
At 31 December 2005	4,095,965	5,771	704,356	4,806,092
Profit for the year	—	—	397,742	397,742
Issue of shares for acquisition of a subsidiary	936,404	—	—	936,404
Exercise of share options	33,729	—	—	33,729
Expenses on issue of shares	(71)	—	—	(71)
Repurchase of shares	—	174	(6,236)	(6,062)
Expenses on repurchase of shares	—	—	(23)	(23)
Dividends	—	—	(278,534)	(278,534)
At 31 December 2006	**5,066,027**	**5,945**	**817,305**	**5,889,277**

Distributable reserves of the Company as at 31 December 2006 amounted to HK$992,546,000 (2005: HK$798,047,000) of which HK$175,241,000 (2005: HK$93,691,000) has been proposed as final dividend.

The consolidated profit attributable to equity holders of the Company includes a profit of HK$397,258,000 (2005: HK$121,381,000) which has been dealt with in the financial statements of the Company.

Note 34 Consolidated Cash Flow Statement

a) Acquisition of interests in subsidiaries

	2006 (HK$'000)	2005 (HK$'000)
Net assets acquired		
Property, plant and equipment	—	138
Inventories	—	587
Jointly controlled entity	978,713	—
Amount due by a jointly controlled entity	201,788	—
Trade and other receivables	277,237	—
Cash and bank balances	584	—
Amount due to the Group	(197,881)	—
Trade and other payables	(277,820)	—
	982,621	725
Excess of interest in fair value of net assets acquired over cost of acquisition	(22,689)	—
Goodwill arising on acquisition	—	2,275
	959,932	3,000
Satisfied by		
Ordinary shares of the Company, at fair value	959,932	—
Cash consideration paid	—	2,200
Cash consideration payable	—	800
	959,932	3,000
Cash inflow/(outflow) on acquisition of interests in subsidiaries		
Cash consideration paid	—	(2,200)
Cash and cash equivalents acquired	584	—
	584	(2,200)

Details of the acquisitions in 2006 are disclosed in note 35 to the financial statements.

Note 34 Consolidated Cash Flow Statement (Continued)

b) Analysis of cash and cash equivalents

	2006 (HK$'000)	2005 (HK$'000)
Investment funds (note 19)	25,260	13,581
Bank deposits, cash and bank balances (note 26)	3,427,514	3,864,250
Cash and cash equivalents in the consolidated cash flow statement	3,452,774	3,877,831

Cash and cash equivalents at the balance sheet date include cash and bank balances of HK$22,697,000 (2005: HK$16,355,000) held by subsidiaries which are not freely remissible to the Group because of currency exchange restrictions.

c) Major non-cash transactions

(i) During the year, the Company issued 94,110,954 ordinary shares as the consideration for the acquisition of a subsidiary, the details of which are disclosed in note 35(a) to the financial statements.

(ii) During the year, part of the dividend income of HK$59,268,000 (2005: HK$60,543,000) from investments was settled through the current account with an investee company.

Note 35 Acquisition of Interests in Subsidiaries

a) Acquisition of Built City Investments Limited (Built City)

	Book value (HK$'000)	Fair value (HK$'000)
Net assets acquired		
Jointly controlled entity	(5,587)	978,713
Amount due by a jointly controlled entity	201,788	201,788
Trade and other receivables	277,237	277,237
Cash and bank balances	29	29
Amount due to the Group	(197,881)	(197,881)
Trade and other payables	(277,265)	(277,265)
	(1,679)	982,621
Excess of interest in fair value of net assets acquired over cost of acquisition		(22,689)
		959,932
Satisfied by		
Ordinary shares of the Company, at fair value		959,932

On 7 June 2006, Right City International Limited, a wholly-owned subsidiary of the Group, completed the acquisition of the entire issued share capital of Built City, whose principal asset is a 51% interest in a jointly controlled entity, Basecity Investments Limited (Basecity), which indirectly wholly-owns Properties Sub F, Limited, which had the right of a land concession in respect of the property site located at Lot B, District B2, Zone B, NAPE in Macau.

Note 35 Acquisition of Interests in Subsidiaries (Continued)

a) Acquisition of Built City Investments Limited (Built City) (Continued)

The Company issued 94,110,954 ordinary shares as consideration for the acquisition. The consideration was determined with reference to the market value of the property site in mid-2004 (as described in the Company's circular dated 21 October 2005), and did not take into account the subsequent increase in property prices in Macau. The fair value of ordinary shares issued as consideration was based on the quoted bid price at the date of completion of acquisition. The fair value adjustment to the attributable interest in the jointly controlled entity was mainly attributable to the fair value of the land concession right it held. Since the fair value of net assets acquired exceeds the fair value of the consideration paid, the Group recognised the excess in the consolidated profit and loss account.

Built City contributed an immaterial amount of revenue and a loss of HK$14,400,000 to the Group between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2006, the Group's total revenues and profit for the year would have been HK$2,771,996,000 and HK$1,183,899,000 respectively. The increase in profit for the year would have been mainly attributable to a higher excess of interest in fair value of net assets acquired over cost of acquisition, which would have been caused by a higher valuation of the land concession right and a lower valuation of ordinary shares issued. The proforma information is for illustrative purposes only and is not necessarily an indication of revenues and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

The initial accounting for the acquisition was determined only provisionally because the cost of acquisition will be affected by the Cash Adjustment, if any, as defined in the Company's circular dated 21 October 2005. The Cash Adjustment could not be measured exactly until completion of construction, at which time the Cash Adjustment will be treated as an adjustment to the cost of acquisition.

b) Aggregate effect of acquisitions of other subsidiaries

	2006 Fair value and book value (HK$'000)	2005 Fair value and book value (HK$'000)
Net assets acquired		
Property, plant and equipment	—	138
Inventories	—	587
Cash and bank balances	555	—
Trade and other payables	(555)	—
	—	725
Goodwill arising on acquisition	—	2,275
	—	3,000
Satisfied by		
Cash consideration paid	—	2,200
Cash consideration payable	—	800
	—	3,000

Other subsidiaries acquired by the Group during 2006 contributed no revenue and a loss of HK$32,000 to the Group between the dates of acquisition and the balance sheet date.

If the acquisitions had been completed on 1 January 2006, the Group's total revenues and profit for the year would have been HK$2,771,996,000 and HK$881,939,000 respectively.

Note 36 Segment Information

Business segments

Group
2006

	Transportation (HK$'000)	Property (HK$'000)	Hospitality (HK$'000)	Investment and others (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Turnover and revenue						
External turnover	1,798,201	298,640	291,234	120,729	—	2,508,804
Inter-segment turnover	141,119	2,096	32,803	—	(176,018)	—
Other revenues	67,029	933	696	40,833	—	109,491
	2,006,349	301,669	324,733	161,562	(176,018)	2,618,295
Segment results	236,721	84,024	26,834	102,119	—	449,698
Fair value changes on investment properties	—	62,065	—	—	—	62,065
Unallocated income						3,759
Unallocated expense						(88,153)
Interest income						153,701
Operating profit						581,070
Excess of interest in fair value of net assets acquired over cost of acquisition of a subsidiary	—	22,689	—	—	—	22,689
Finance costs						(47,866)
Share of results of associates	412	347,835	50,750	1,516	—	400,513
Share of results of jointly controlled entities	5,789	(23,713)	—	326	—	(17,598)
Profit before taxation						938,808
Taxation						(56,831)
Profit after taxation						881,977

Note 36 Segment Information (Continued)

Business segments (Continued)

Group

2006

	Transportation (HK$'000)	Property (HK$'000)	Hospitality (HK$'000)	Investment and others (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Assets						
Segment assets	2,541,762	5,850,554	692,532	1,435,121	(33,726)	10,486,243
Associates	3,566	546	205,311	1,347	—	210,770
Jointly controlled entities	24,540	958,179	(20,533)	—	—	962,186
Unallocated assets						1,881,334
Total assets						13,540,533
Liabilities						
Segment liabilities	359,223	446,868	59,617	18,476	(33,726)	850,458
Unallocated liabilities						1,953,302
Total liabilities						2,803,760
Other information						
Capital expenditure	50,985	25,051	82,729	6,767		
Depreciation	112,510	4,472	4,218	1,004		
Amortisation						
– leasehold land	2,976	179	10,417	—		
– intangible assets	—	—	—	89		
Impairment losses on						
– goodwill	—	2,275	—	—		
– receivables	—	52	1,991	—		

Note 36 Segment Information (Continued)

Business segments (Continued)

Group

2005 (Restated)

	Transportation (HK$'000)	Property (HK$'000)	Hospitality (HK$'000)	Investment and others (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Turnover and revenue						
External turnover	1,638,103	496,655	257,895	96,365	—	2,489,018
Inter-segment turnover	77,144	1,739	30,264	—	(109,147)	—
Other revenues	27,098	2,177	807	21,596	—	51,678
	1,742,345	500,571	288,966	117,961	(109,147)	2,540,696
Segment results	187,990	145,928	28,239	90,322	—	452,479
Fair value changes on investment properties	—	134,483	—	—	—	134,483
Unallocated income						3,623
Unallocated expense						(83,301)
Interest income						100,533
Operating profit						607,817
Finance costs						(33,725)
Share of results of associates	354	12,205	57,415	1,631	—	71,605
Share of results of jointly controlled entities	4,186	(475)	(5,149)	—	—	(1,438)
Profit before taxation						644,259
Taxation						(63,266)
Profit after taxation						580,993

Note 36 Segment Information (Continued)

Business segments (Continued)

Group

2005

	Transportation (HK$'000)	Property (HK$'000)	Hospitality (HK$'000)	Investment and others (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Assets						
Segment assets	2,222,997	5,023,592	559,078	1,163,562	(21,455)	8,947,774
Associates	3,154	(258)	192,228	1,831	—	196,955
Jointly controlled entities	18,796	16,290	(20,533)	—	—	14,553
Unallocated assets						2,696,509
Total assets						11,855,791
Liabilities						
Segment liabilities	291,760	550,587	28,732	796	(21,455)	850,420
Unallocated liabilities						2,042,245
Total liabilities						2,892,665
Other information						
Capital expenditure	113,856	19,873	11,726	640		
Depreciation	112,832	2,831	2,830	241		
Amortisation of leasehold land	2,976	172	10,417	—		
Impairment losses on receivables	—	12	3,606	—		

Geographical segments

Group

	Hong Kong (HK$'000)	Macau (HK$'000)	Others (HK$'000)	Consolidated (HK$'000)
2006				
Turnover and revenue	**1,312,638**	**1,118,150**	**187,507**	**2,618,295**
Segment assets	**8,891,719**	**4,049,286**	**599,528**	**13,540,533**
Capital expenditure	**155,958**	**15,566**	**1,680**	
2005				
Turnover and revenue	1,481,336	897,574	161,786	2,540,696
Segment assets	9,261,575	2,057,224	536,992	11,855,791
Capital expenditure	118,338	26,374	2,060	

Note 37 Significant Related Party Transactions

a) Details of significant related party transactions during the year were as follows:

	Note	2006 (HK$'000)	2005 (HK$'000)
STDM Group	(i)		
Dividend income from STDM		108,541	93,341
Ferry tickets sold to STDM Group	*	462,453	474,104
Discount granted to STDM Group on ferry tickets purchased by STDM Group	*	23,038	23,594
Commission paid to STDM Group on ferry tickets sold by STDM Group	*	17,540	15,388
Fees received from STDM for management of hotels and Macau Tower Convention & Entertainment Centre	*	34,390	37,134
Fuel purchased from STDM Group for Macau shipping operations	*	248,976	189,269
Amount collected by STDM Group for sale of ferry tickets and related services in Macau		404,336	310,129
Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau		136,605	145,590
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		30,183	29,725
Associates			
Insurance premium paid to an associate		34,948	33,992
Jointly controlled entities			
Ferry passengers handling fees received on behalf of a jointly controlled entity		40,844	32,190
Amount reimbursed by a jointly controlled entity for marketing and promotion expenses incurred		19,488	—
Key management personnel			
Fees received under Ferry Services Co-operation Agreement with a jointly controlled entity of New World Development Company Limited (NWD)	(ii) *	30,000	30,000
Directors' emoluments	(iii)		
Salaries and other short-term employee benefits		29,184	27,711
Post-employment benefits		1,063	1,072
Other related parties			
Commission paid to China Travel Service (Hong Kong) Limited (CTSHK) for sale of ferry tickets	(iv) *	32,803	28,675
Net income collected by CTSHK for sale of ferry tickets and related services	(iv)	184,523	127,079
Design and construction fee paid to Dragages Hong Kong Limited (DHK)	(v)	51,015	—

Note 37 Significant Related Party Transactions (Continued)

b) At the balance sheet date, the Group had the following balances with related parties:

	Note	**2006 (HK$'000)**	2005 (HK$'000)
STDM Group	(i)		
Net receivable from STDM Group	(vi)	**36,936**	7,956
Minority shareholder's loan from STDM to a subsidiary	(vii) *	**100,000**	100,000
Bank accounts maintained with Seng Heng Bank Limited, a subsidiary of STDM		**22,446**	14,804
Associates			
Amounts due by associates	(viii)	**269,596**	302,611
Jointly controlled entities			
Amounts due by jointly controlled entities	(ix)	**417,831**	34,280
Construction costs payable to a jointly controlled entity		**30,148**	40,362
Key management personnel			
Minority shareholder's loans from NWD to subsidiaries	(x)	**155,044**	176,172
Minority shareholder's loan from a company beneficially owned by Dr. Stanley Ho to a subsidiary	(xi) *	**112,747**	117,907
Refundable deposit paid by a subsidiary to Sai Wu Investimento Limitada (Sai Wu)	(xii) *	**500,000**	—
Other related parties			
Minority shareholder's loan from Dragages Investments Limited (DI) to a subsidiary	(v)	**17,454**	—
Minority shareholder's loans from Sun Hung Kai Properties Limited (SHK) to subsidiaries	(x)	**466,674**	533,701

c) During the year, the Group completed the acquisition of Built City, which was previously wholly-owned by Classic Time Developments Limited (Classic Time), and the Company issued 94,110,954 ordinary shares to Classic Time as consideration. Classic Time is wholly-owned by Ms. Pansy Ho, a Director and shareholder of the Company. More details of this connected transaction are disclosed in note 35(a) to the financial statements.

After the completion of the acquisition, Built City received on behalf of Classic Time the balance of the consideration, totalling HK$277 million, for the sale of 49% interest in Basecity to an indirectly wholly-owned subsidiary of Hongkong Land Holdings Limited.

Notes:

(i) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho and Mr. David Shum, Directors of the Company, have beneficial interests in STDM. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung (appointed representative of a corporate director), Mrs. Louise Mok, Ms. Pansy Ho and Mr. David Shum are directors of STDM. STDM is a substantial shareholder of the Company.

(ii) Dato' Dr. Cheng Yu Tung is chairman of NWD.

(iii) Further details of Directors' emoluments are disclosed in note 7 to the financial statements.

(iv) CTSHK is a subsidiary of China Travel International Investment Hong Kong Limited which is a minority shareholder of a subsidiary.

Note 37 Significant Related Party Transactions (Continued)

Notes: (Continued)

(v) The subsidiary, Union Sky Holdings Limited, holds the hotel development project at the Hong Kong International Airport and is owned as to 70% by the Group and 30% by DI. DI is a wholly-owned subsidiary of DHK. The minority shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.

(vi) Net receivable from STDM Group comprises unsecured non-interest bearing current account, trade and other receivable and payable.

(vii) The subsidiary, Shun Tak, Serviços Recreativos, S.A., holds site development rights in Macau and is owned as to 80% by the Group and 20% by STDM. The minority shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.

(viii) Amounts due by associates are unsecured and with no fixed term of repayment. Impairment loss of HK$10,000,000 (2005: HK$10,000,000) was provided in previous years.

Amount of HK$258,461,000 (2005: HK$291,475,000) is interest bearing at 6% (2005: 6%) per annum while the remaining balances are non-interest bearing. The related interest income for the year amounted to HK$17,316,000 (2005: HK$16,746,000). At the balance sheet date, interest receivable of HK$469,000 (2005: HK$14,138,000) remained unsettled.

(ix) Amounts due by jointly controlled entities are unsecured.

Amount of HK$9,200,000 (2005: HK$9,200,000) is repayable on demand, amount of HK$333,540,000 (2005: nil) is repayable by 5 December 2010 and amount of HK$30,440,000 (2005: nil) is repayable upon notice of either party while the remaining balances have no fixed term of repayment.

Amount of HK$7,200,000 (2005: HK$7,200,000) is interest bearing at 5% (2005: 5%) per annum and amount of HK$333,540,000 (2005: nil) is interest bearing at HIBOR plus 3% (2005: nil) per annum while the remaining balances are non-interest bearing. The related interest income for the year amounted to HK$13,476,000 (2005: HK$360,000). At the balance sheet date, interest receivable of HK$17,424,000 (2005: HK$360,000) remained unsettled.

(x) The subsidiaries, Ranex Investments Limited (Ranex) and Treasure Peninsula Limited (TPL), hold the development project of The Belcher's and provide second mortgage financing to the buyers of The Belcher's respectively. The subsidiaries are owned as to 51% by the Group, 29% by SHK, 10% by NWD and 10% by an unrelated third party. The minority shareholders' loans to Ranex from NWD and SHK are unsecured, interest bearing at HIBOR plus 0.58% (2005: HIBOR plus 0.58%) per annum and with no fixed term of repayment. The minority shareholders' loans to TPL from NWD and SHK are unsecured, non-interest bearing and with no fixed term of repayment.

Moreover, SHK also provides minority shareholder's loan to a subsidiary, Onluck Finance Limited, which provides second mortgage financing to the buyers of Liberté. This subsidiary is owned as to 64.56% by the Group and 35.44% by SHK. The loan is unsecured, non-interest bearing and with no fixed term of repayment.*

(xi) The subsidiary, Shun Tak Cultural Centre Limited, holds 100% interest in Shun Tak Business Centre in Guangzhou and is owned as to 60% by the Group and 40% by a company beneficially owned by Dr. Stanley Ho. The minority shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.

(xii) The subsidiary, Shun Tak Nam Van Investment Limited (Shun Tak Nam Van), entered into a conditional sale and purchase agreement with Sai Wu, a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by other independent third parties, to acquire the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau. During the year, Shun Tak Nam Van paid Sai Wu the refundable deposit in order to further extend the completion date of the acquisition to on or before 30 June 2007 without changing the consideration or other terms of the acquisition.

** These related party transactions also constitute connected transactions or continuing connected transactions disclosable in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.*

Note 38 Provident Fund Scheme

Pursuant to the Mandatory Provident Fund Schemes Ordinance, the Group has established a mandatory provident fund (MPF) scheme in December 2000. Since the Group has obtained exemption for its existing provident fund scheme, all staff were offered the choice of switching to the MPF scheme or staying in the existing scheme. Where staff elected to join the MPF scheme, both the Group and staff are required to contribute 5% of the employees' relevant income (capped at HK$20,000). Staff may elect to contribute more than the minimum as a voluntary contribution.

The Group's existing provident fund scheme, which is a defined contribution scheme, covers all qualified staff who elected not to switch to the MPF scheme. The Group and its employees are each required to make contributions to the scheme calculated at 5% of the employees' basic salaries on a monthly basis.

The assets held under the MPF scheme and the existing provident fund scheme are managed by independent trustees. The Group's contributions charged to the profit and loss account for the year ended 31 December 2006 were HK$18,008,000 (2005: HK$22,008,000). Under the existing provident fund scheme, no forfeitures of employer's contributions resulting from leaving scheme members were applied to reduce the Group's contributions for both years. At the balance sheet date, forfeited contributions of HK$22,906,000 (2005: HK$22,219,000) were available to the Group to reduce the contributions to the scheme in future.

Note 39 Commitments

a) Capital commitments

	Group	
	2006 (HK$'000)	2005 (HK$'000)
Contracted but not provided for	858,736	39,085
Authorised but not contracted for	22	—
	858,758	39,085

In addition to the above, the Group had the following commitments at the balance sheet date:

(i) the payment of HK$250 million (2005: HK$750 million) in cash and the issue of 148,883,374 (2005: 148,883,374) ordinary shares of the Company for the acquisition of the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau.

(ii) its share of capital and loan contributions of HK$2,308 million (2005: HK$6 million) to certain jointly controlled entities to finance various projects in Mainland China and Macau.

At the balance sheet date, the Company had commitment of capital contribution of HK$3,373,000 (2005: nil) to a subsidiary.

Note 39 Commitments (Continued)

b) Lease commitments

The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Group	
	2006 (HK$'000)	2005 (HK$'000)
Within one year	**5,948**	4,379
In the second to fifth year inclusive	**6,925**	3,333
Over five years	**—**	494
	12,873	8,206

The leasing arrangements of land held under operating leases are set out in notes 14, 22 and 23 to the financial statements. Apart from these leases, the Group's operating leases are for terms ranging from 1 to 7 years.

c) Future minimum lease payments receivable

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

	Group	
	2006 (HK$'000)	2005 (HK$'000)
Within one year	**97,659**	97,057
In the second to fifth year inclusive	**121,124**	115,892
Over five years	**41,107**	33,589
	259,890	246,538

The Group's operating leases are for terms ranging from 1 to 20 years.

d) Property development commitments

The Group had commitments of HK$461,052,000 (2005: HK$95,592,000) under various contracts to complete property development projects, out of which HK$397,387,000 (2005: nil) represents the Group's share of such commitments of a jointly controlled entity.

Note 40 Contingent Liabilities

	Group		Company	
	2006 (HK$'000)	2005 (HK$'000)	**2006 (HK$'000)**	2005 (HK$'000)
Guarantees issued by the Company for credit facilities granted to subsidiaries	**—**	—	**647,000**	753,200
Guarantees issued by the Company for bank guarantees issued for the Group	**59,247**	—	**59,247**	—
Letters of credit outstanding	**16,515**	3,880	**—**	—

In addition to the above, the Group had provided guarantee to a third party in respect of the sum owing by a jointly controlled entity to the said third party under a license agreement. At the balance sheet date, the Group's share of such contingent liabilities amounted to HK$2,232,000 (2005: HK$1,557,000).

Note 41 Financial Risk Management

The Group adopts a conservative policy in financial risk management and focuses on minimising potential adverse effects on the Group's performance. The Group's activities are exposed to the following risks:

a) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The following tables set out the carrying amounts, by maturity, of the Group's financial instruments at 31 December 2006 and 31 December 2005 that are exposed to interest rate risk:

	Not exceeding 1 year (HK$'000)	More than 1 year but not exceeding 2 years (HK$'000)	More than 2 years but not exceeding 5 years (HK$'000)	More than 5 years (HK$'000)	No fixed term of repayment (HK$'000)	Total (HK$'000)	Effective annual interest rate %
2006							
Floating rate							
Mortgage loans receivable	3,672	4,205	13,668	64,285	—	85,830	9.71
Available-for-sale investments	—	—	13,909	3,405	—	17,314	1.82
Amount due by a jointly controlled entity	—	—	333,540	—	—	333,540	6.88
Bank deposit with embedded derivative	—	77,790	—	—	—	77,790	0.63
Bank balances	108,489	—	—	—	—	108,489	2.74
Bank borrowings	91,742	779,982	4,015	50,985	—	926,724	4.52
Loans from minority shareholders	—	—	—	—	26,950	26,950	4.46
Fixed rate							
Amount due by an associate	—	—	—	—	258,461	258,461	6.00
Amounts due by a jointly controlled entity	7,200	—	—	—	—	7,200	5.00
Available-for-sale investments	—	3,770	5,652	—	—	9,422	3.82
Bank deposits	3,209,613	—	—	—	—	3,209,613	4.14
2005							
Floating rate							
Mortgage loans receivable	21,001	14,219	44,570	224,310	—	304,100	9.89
Available-for-sale investments	—	—	13,679	6,853	—	20,532	4.36
Bank balances	168,063	—	—	—	—	168,063	2.23
Bank borrowings	166,995	194,742	654,982	—	—	1,016,719	4.67
Loans from minority shareholders	—	—	—	—	26,950	26,950	4.63
Fixed rate							
Amount due by an associate	—	—	—	—	291,475	291,475	6.00
Amount due by a jointly controlled entity	7,200	—	—	—	—	7,200	5.00
Available-for-sale investments	15,457	—	9,380	—	—	24,837	4.42
Bank deposits	3,616,566	—	—	—	—	3,616,566	4.07

Note 41 Financial Risk Management (Continued)

b) Currency risk

The Group is exposed to currency risk on financial assets that are denominated in United States dollars (USD), Macau patacas (MOP), Renminbi (RMB), Singapore dollars (SGD). The following tables set out the carrying amounts of the Group's significant financial instruments at 31 December 2006 and 31 December 2005 that are exposed to currency risk:

	Denomination				
	USD (HK$'000)	MOP (HK$'000)	RMB (HK$'000)	SGD (HK$'000)	Total (HK$'000)
2006					
Available-for-sale investments	**78,140**	**—**	**—**	**—**	**78,140**
Other non-current assets	**97,092**	**—**	**—**	**—**	**97,092**
Bank deposits	**560,316**	**—**	**—**	**—**	**560,316**
Cash and bank balances	**13,158**	**12,874**	**22,697**	**—**	**48,729**
2005					
Available-for-sale investments	73,920	—	—	—	73,920
Other non-current assets	14,930	—	—	—	14,930
Bank deposits	599,090	—	—	—	599,090
Cash and bank balances	4,434	6,634	15,289	6,107	32,464

c) Price risk

The Group is exposed to equity price risk on the listed equity securities, equity-linked notes and equity forward sale contracts it holds. The Group is also exposed to commodity price risk on certain financial instruments it holds, as set out in note 21 to the financial statements.

d) Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. The Group has significant concentration of credit risk on amount due by an associate of HK$258,461,000 (2005: HK$291,475,000) and amount due by a jointly controlled entity of HK$350,564,000 (2005: nil). As the associate and jointly controlled entity have a strong financial position, the Directors consider that the credit risk is minimal. Exposure to credit risk of mortgage loans receivable is mitigated by the security of second mortgage of properties. Trade debtors are managed in accordance with the credit policies as set out in note 24 to the financial statements. Credit risk arising from the other financial instruments of the Group, which include mainly cash and cash equivalents, is limited because the counterparties are considered by the Directors to have high creditworthiness.

e) Liquidity risk

It is the Group's policy to secure adequate funding to match with the cash flows required for working capital and investing activities. In addition, banking facilities have been put in place for contingency purposes.

Note 41 Financial Risk Management (Continued)

f) Fuel hedging

The Group engages in fuel hedging activities to minimise its exposure to fluctuations in fuel prices. In meeting this objective, the Group's policy allows for the judicious use of approved derivatives such as swaps and options with approved counterparties and within approved hedge volume. Such derivatives are used for the purpose of risk management and do not expose the Group to market risk, since any change in their market value are offset by a compensating change in the fuel costs being hedged. Details of the Group's hedging derivatives are set out in note 25 to the financial statements.

Note 42 Comparatives

Both income and expenses related to seconded staff and related costs in the sum of HK$15,044,000 shown separately as income and expenses in 2005 have been netted off in order to conform with the current year's presentation.

Note 43 Approval of Financial Statements

The financial statements were approved by the Board of Directors on 16 April 2007.