



Far East Consortium International Limited

Stock Code: 035



2007
ANNUAL REPORT



We are well-positioned to capture every opportunity for our rapid hotel expansion plan in China. We firmly believe that the keys to success are effectively implementing our strategies, injecting the right resources and bringing in the right people.

Corporate Information

PLACE OF INCORPORATION

Cayman Islands

EXECUTIVE DIRECTORS

Deacon Te Ken CHIU, J.P. (Chairman)

David CHIU, Tan Sri Dato', B.Sc.

(Deputy Chairman and
Chief Executive Officer)

Dennis CHIU, B.A.

Craig Grenfell WILLIAMS, B. ENG. (CIVIL)

NON-EXECUTIVE DIRECTORS

Ching Lan JU CHIU, J.P.

Daniel Tat Jung CHIU

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jian Yin JIANG

Kwok Wai CHAN

Peter Man Kong WONG, J.P.

CHIEF OPERATING OFFICER

Denny Chi Hing CHAN

QUALIFIED ACCOUNTANT, CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Bill Kwai Pui MOK, B.A., M.B.A., A.I.C.P.A., C.P.A.

AUTHORIZED REPRESENTATIVES

Deacon Te Ken CHIU

David CHIU

SOLICITORS

Hong Kong

Woo, Kwan, Lee & Lo

Malaysia

Syed Alwi, Ng & Co

Australia

Freehills

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

PRINCIPAL BANKERS

Hong Kong

Citic Ka Wah Bank Limited

Hang Seng Bank Limited

Chong Hing Bank Limited

Nanyang Commercial Bank Limited

The Hongkong and Shanghai

Banking Corporation Limited

Wing Hang Bank Limited

Malaysia

Alliance Bank Malaysia Berhad

Southern Bank Berhad

Singapore

The Hongkong and Shanghai

Banking Corporation Limited

Australia

Australia and New Zealand Banking

Group Limited

Commonwealth Bank of Australia

China

Construction Bank of China

The Industrial and Commercial Bank of China Limited

REGISTERED OFFICE

P.O. Box 1043, Ground Floor,

Caledonian House, Mary Street,

George Town,

Grand Cayman, Cayman Islands,

British West Indies

PRINCIPAL OFFICE

16th Floor, Far East Consortium Building,

121 Des Voeux Road Central,

Hong Kong

SHARE REGISTRAR

Standard Registrars Limited

26th Floor, Tesbury Centre,

28 Queen's Road East,

Wanchai,

Hong Kong

LISTING INFORMATION

Ordinary Shares (Code: 035)

Zero Coupon Convertible Bonds 2009

(Code: 2576 & 2508)

The Stock Exchange of Hong Kong Limited

WEBSITE

<http://www.fecil.com.hk>

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The English text of this Annual Report shall prevail over the Chinese text.

Chairman's Statement

“During last year, Hong Kong enjoyed a buoyant sentiment and its general economy experienced a sustained growth. I do hope the public may all benefit from it.”



Deacon Te Ken Chiu,
Chairman

In view of the booming financial markets, property markets and tourism, Hong Kong's economy had reported modest growth.

The local gross domestic product has steadily increased, unemployment recorded its third consecutive year drop and the consumer price index stayed at relatively low level. Under such economic environment, I wish the majority of Hong Kong's citizen would benefit from such economic results.

Under the rapid economic growth around the world, our Company recorded a decent profit growth of 61%. Each major business division also showed notable performance.

Chairman's Statement

Apart from maximizing the investment return for our shareholders, our Company would also like to take up some social responsibilities by making contributions to the society. Over the last three years, we had participated in the growth of the local tourism by building new hotels. We will continue to put in more resources into the hotel business in the hope of adding diversity to new hotels to be built with different classes and to provide various on-job trainings and more job opportunities etc. Our goal is to further enhance the future growth of the local tourism.

For the development in the Mainland, our corporate strategy is to develop the middle-class housing. It is our commitment to develop affordable quality houses to the middle-class people. In addition to residential developments, we would also like to apply our successful experience in hotel development and management in Hong Kong to the Mainland. The future residential and hotel developments of our Company will not be limited to the present boundaries but to cover all major cities in the Mainland.

Last but not the least, I would take this opportunity to express my sincere gratitude to all directors, senior management and all members of staff for their contributions and hard work during the year and each of our shareholders and business partners for their continued support to the Group. We will continue to strive for achieving splendid results for the Group.

Deacon Te Ken Chiu

Chairman

19th July, 2007

Deputy Chairman & Chief Executive Officer's Report

“We are well-positioned to capture every opportunity for our rapid hotel expansion plan in China. We firmly believe that the keys to success are effectively implementing our strategies, injecting the right resources and bringing in the right people.”



Tan Sri Dato' David Chiu,
Deputy Chairman & Chief Executive Officer

I am proud to report that the Group has achieved another record year with increasing property sales and excellent performance of our hotel operations.

During the past year, the Group has developed a strong hotel portfolio and has successfully positioned itself as the leading 3-4 star hotel developer and operator in Hong Kong. We are aggressively expanding our hotel portfolio, as well as focusing efforts on streamlining our operations. We are also dedicated to building up our unique hotel brands. One of our signature hotels, the Lan Kwai Fong Hotel, has recently been voted “The Best Boutique Hotel in Asia”, the first hotel to receive such prestigious award in Hong Kong. This has further reinforced the Group’s leading position as a hotel operator in Hong Kong. We have made good progress in the development of three new hotels in Tai Kok Tsui, Kennedy Town and Kwun Tong; these projects are expected to be completed on schedule. Given the exceptional outlook of the tourism industry and the increasing demand for hotel rooms, we will continue to bring in additional resources to cater for potential business growth.

Deputy Chairman & Chief Executive Officer's Report

Our team has conducted extensive research on the Mainland hotel industry and we have identified great opportunities in the 4-star hotel segment. The management team believes that there is a lack of 4-star hotel operator and is determined to develop its 4-star hotel chain in China. Land and labour costs are still relatively low in the region, therefore we will be able to control our development cost and enjoy a high profit margin in the long run. We expect to see the demand for 4-star hotel rooms to increase substantially to meet the exponential growth of the middle-class domestic leisure and business travelers. We predict high profit margins from the food and beverage division, as a result of the growing popularity of hosting wedding banquets, meetings and conferences in hotels.

Over the past financial year, we have built up our development team, market knowledge base and project sourcing capability in China. As a result, we have been able to make promising acquisitions of two properties in two major cities, Chengdu (approximately 600 rooms) and Wuhan (approximately 400 rooms) for future hotel developments. We are well-positioned to capture every opportunity for our rapid hotel expansion plan in China. We firmly believe that the keys to success are effectively implementing our strategies, injecting the right resources and bringing in the right people.

Property sales at California Garden, Shanghai, which targets at the middle- and upper middle-class markets was strong despite monetary-based tightening measures and newly introduced macro economic control policies in the Mainland. This confirms our strategy to focus on middle- and upper middle-class housing development. With over 6,000 more residential units in the pipeline, we believe that California Garden will continue to be our major profit contributor for the next four to five years. Furthermore, our three residential and commercial projects in Guangzhou are under development and will be completed as planned.

Malaysia has enjoyed a continuing growth in visitor arrivals, which grew from 16.43 million in 2005 to 17.55 million in 2006, thus we have decided to actively expand our hotel portfolio through acquisitions in the country. We believe our timing of acquisitions is excellent as the market has just started to pick up in value. We are positive that this will enhance the return on investment for the Group's overall hotel portfolio outside Hong Kong.

The Group will continue to improve and maintain high standards of corporate governance in every aspect of its business through management supervision and strict compliance. We will also ascertain consistency of dividend policy to the interest of shareholders in the years to come.

Looking further ahead, we are determined to implement our rapid hotel expansion plan to extend our Hong Kong's success in the region so as to boost the steady recurring income to the Group. Also, we will proactively seek for investment opportunities for the middle- and upper middle-class residential developments in China with our proven strategy. Our goal is to explore potential business opportunities which will maximize returns for our shareholders.

David Chiu

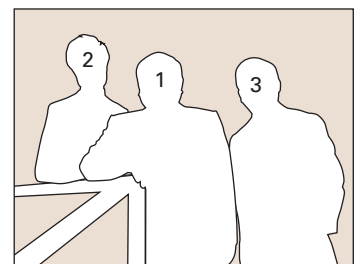
Deputy Chairman & Chief Executive Officer

19th July, 2007

Profile of Directors and Senior Management



- 1 Tan Sri Dato' David Chiu** *Deputy Chairman & Chief Executive Officer*
- 2 Mr. Denny Chan** *Chief Operating Officer*
- 3 Mr. Bill Mok** *Chief Financial Officer and Company Secretary*



Profile of Directors and Senior Management

Mr. Deacon Te Ken CHIU, J.P.
(Chairman)

Mr. Chiu, aged 82, is the founder of the Far East Group and has been the Chairman of the Company since 1972. He is also the Chairman of Far East Holdings International Limited and Far East Hotels and Entertainment Limited. Mr. Chiu has more than 50 years of business experience in property investment and development; operation of entertainment and tourism related business; hotel ownership and management; financing and banking. He was a member of the Chinese People's Political and Consultative Conference from the 6th to 9th; the founder of the Yan Chai Hospital and the Vice Patron of the Community Chest since 1968; the founder and permanent Honorary Chairman of The New Territories General Chamber of Commerce; the founder and Chairman of the Ju Ching Chu Secondary Schools since 1966. Mr. Chiu is the husband of Madam Ching Lan Ju Chiu J.P., the father of Tan Sri Dato' David Chiu, Messrs Dennis Chiu and Daniel Tat Jung Chiu.

Tan Sri Dato' David CHIU, B.Sc.
(Deputy Chairman & Chief Executive Officer)

Tan Sri Dato' David Chiu, aged 53, holds a double degree of Bachelor of Science in Business Administration and Economics at the University of Sophia, Japan. He has over 30 years' experience in the property development and related business. Since 1978, he had been the Managing Director of Far East Consortium Limited, the predecessor of the Company. He was appointed as Deputy Chairman and Chief Executive Officer of the Company on 8th December, 1994 and 8th October, 1997 respectively.

In 1987, Tan Sri Dato' David Chiu founded Malaysia Land Holdings Berhad (Mayland Group) in Malaysia. Over the years, Mayland Group has extensive development and become one of the largest real estate developers in Malaysia. Tan Sri Dato' David Chiu is also the Chairman and substantial shareholder of Tokai Kanko Ltd., which is listed on the Tokyo Stock Exchange. In regard to his devotion to the community services, Tan Sri Dato' David Chiu is a trustee member of The Better Hong Kong Foundation and a Vice Chairman of the Mid-Autumn Festival Celebration – People and Forces. In Malaysia, he was first conferred an honorary award which carried the title "Dato" by His Majesty, the King of Malaysia, in July 1997. At the end of 2005, he was awarded a more senior honorary title of "Tan Sri" by His Majesty of Malaysia. He is the second son of Mr. Deacon Te Ken Chiu J.P. and Madam Ching Lan Ju Chiu J.P., the brother of Messrs. Dennis Chiu and Daniel Tat Jung Chiu.

Mr. Dennis CHIU, B.A.
(Executive Director)

Mr. Chiu, aged 48, was appointed as an Executive Director of the Far East Consortium Limited, the predecessor of the Company, in 1978. Mr. Chiu has been actively involved in the business development in the People's Republic of China ("P.R.C."), Singapore and Malaysia. He is an Executive Director of Far East Holdings International Limited and a Non-executive Director of Far East Hotels and Entertainment Limited. He is also a Non-executive Director of London-listing Fortune Oil PLC. He is the son of Mr. Deacon Te Ken Chiu J.P. and Madam Ching Lan Ju Chiu J.P., the brother of Tan Sri Dato' David Chiu and Mr. Daniel Tat Jung Chiu.

Mr. Craig Grenfell WILLIAMS, B.ENG. (CIVIL)
(Executive Director)

Mr. Williams, aged 55, was appointed as a Director of the Company in 2000. He is responsible for all property development in Australia. He resides in Melbourne, Australia. He holds a degree of Bachelor of Civil Engineering from Melbourne University and before joining the Australian operations, was a director of

Profile of Directors and Senior Management

all development companies of the Lend Lease Group, Australia's largest property developer. Mr. Williams has extensive experience in all facets of property development and is the President of the St. Kilda Road Campaign Inc.

Madam Ching Lan JU CHIU, J.P. (Non-executive Director)

Madam Chiu, aged 67, was appointed as a Director of Far East Consortium Limited, the predecessor of the Company, in 1972. She is now a Non-executive Director of the Company and Far East Hotels and Entertainment Limited. Since 1975, she is the Honorary Vice-President of Hong Kong Girl Guides Association. She has been active in social circles and was Lady Chairman of Yan Chai Hospital for 1977/78. Madam Chiu is the founder and Honorary Chairman of New Territories Women's and Juveniles Welfare Association. She is a committee member and Supervisor of Ju Ching Chu Secondary School and the Chairman of Kowloon Women's Welfare Club. She is the member of Shanghai Standing Committee Chinese People's Political Consultative Conference since 1982. Since 1997, she is also the Honorary Vice-President of Hong Kong Federation of Women. She is the wife of Mr. Deacon Te Ken Chiu J.P., the mother of Tan Sri Dato' David Chiu, Messrs. Dennis Chiu and Daniel Tat Jung Chiu.

Mr. Daniel Tat Jung CHIU (Non-executive Director)

Mr. Chiu, aged 46, was appointed as a Director of Far East Consortium Limited, the predecessor of the Company, in 1984. He is also a Non-executive Director of Far East Holdings International Limited. He is the major shareholder and Vice Chairman of London-listing Fortune Oil PLC. He is the Chairman of Harrow International School. Mr. Chiu has extensive experience in China trade, petroleum trading and infrastructure investments. He also takes an active part in several kinds of projects in Hong Kong and the P.R.C.. He is the son of Mr. Deacon Te Ken Chiu and Madam Ching Lan Ju Chiu, the brother of Tan Sri Dato' David Chiu and Mr. Dennis Chiu.

Mr. Jian Yin JIANG (Independent Non-executive Director)

Mr. Jiang, aged 77, was appointed as an Independent Non-executive Director of the Company in July 2004. Mr. Jiang graduated from the Law Faculty of Shanghai Zhengdan University (上海震旦大學法學院). He is a professor and has experience in supervisory management. He was the secretary and principal of various colleges and universities. He is currently a committee member and vice president of Shanghai Fuktao Natural Disaster Prevention Foundation (上海福島自然災害減災基金會).

Mr. Kwok Wai CHAN (Independent Non-executive Director)

Mr. Chan, aged 48, is a member of The Hong Kong Securities Institute and an associate member of CPA Australia. Mr. Chan is currently a director of High Progress Consultants Limited and also an independent non-executive director of Chinese Estates Holdings Limited, Junefield Department Store Group Limited, China Investments Holdings Limited, Tern Properties Company Limited and National Electronics Holdings Limited, the shares of all which are listed on the Main Board of the Stock Exchange.

Profile of Directors and Senior Management

Mr. Peter Man Kong WONG, J.P.
(Independent Non-executive Director)

Mr. Wong, aged 58, was appointed as an Independent Non-executive Director of the Company in May 2007. Mr. Wong graduated from the University of California at Berkeley in the United States with a Bachelor of Science Degree in Mechanical Engineering (Naval Architecture) and was an awardee of the "Young Industrialist Award of Hong Kong" in 1988. Mr. Wong has over 25 years of experience in industrial, commercial and public service. Mr. Wong is the Chairman of M.K. Corporation Limited and North West Development Limited. He is also a director of China Travel International Investment Hong Kong Limited, Chinney Investments, Limited, Glorious Sun Enterprises Limited, Hong Kong Ferry (Holdings) Company Limited, Sino Hotels (Holdings) Limited and Sun Hung Kai & Company Limited, all being companies listed on the Stock Exchange. Mr. Wong is a Deputy of the 10th National People's Congress of the Peoples' Republic of China.

Mr. Denny Chi Hing CHAN
(Chief Operating Officer)

Mr. Chan, aged 44, was promoted as the Group Chief Operating Officer, Hong Kong in March 2004. He is responsible for the Hong Kong, Macau and the Mainland based activities with emphasis on the commercial management, hotel and property development and investment, and project development. He is also responsible for the industrial and infrastructure businesses in the Mainland. He joined the Company in 1990 as the Group Chief Accountant and promoted as the Group Financial Controller in 2002. From 1990 to 2003, he was responsible for the Group's financial, treasury and accounting functions. He has extensive experience in accounting and auditing of Hong Kong listed companies. He is a director of various subsidiaries of the Group. He was also appointed as an alternative Director of Far East Hotels and Entertainment Limited to Mr. Deacon Te Ken Chiu J.P., the founder of the Far East Group, on 17th May, 2003.

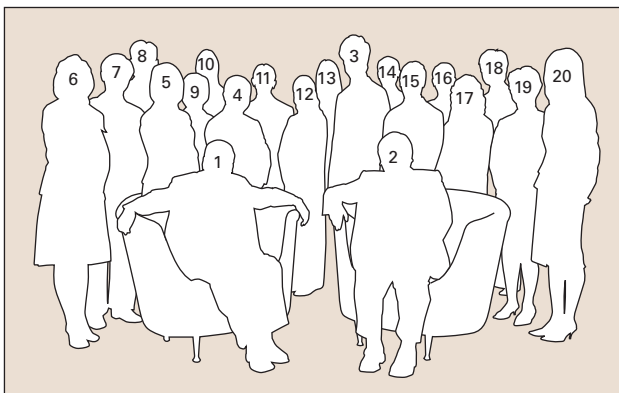
Before joining the Group, he was an audit manager of a big four international accounting firm with over ten years of audit experience.

Mr. Bill Kwai Pui MOK, B.A., M.B.A., A.I.C.P.A., C.P.A.
(Chief Financial Officer and Company Secretary)

Mr. Mok, aged 46, joined the Group in April 2004 as the Chief Financial Officer. He is responsible for the overall finance and accounting functions of the Group. He began his career in public accounting in the United States. After returning to Hong Kong in 1988, he continued his professional career with a big four international accounting firm, where he worked for five years before moving to commercial field. Prior to joining the Group, Mr. Mok spent over six years in the investment industry where he held senior positions at major investment banks from the United States and Europe. Mr. Mok has extensive experience in investment and finance activities in Hong Kong and China.

Mr. Mok holds a Bachelor of Arts Degree in Business Administration and a Master's Degree in Business Administration. He is a member of American Institute of Certified Public Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Profile of Directors and Senior Management



- | | | | |
|----|--|----|--|
| 1 | Mr. Deacon Chiu, J.P.
<i>Chairman</i> | 12 | Ms. Rebecca Kwan
<i>General Manager – Central Park Hotel & Lan Kwai Fong Hotel</i> |
| 2 | Tan Sri Dato' David Chiu
<i>Deputy Chairman & Chief Executive Officer</i> | 13 | Ms. Miranda Tse
<i>Legal Counsel</i> |
| 3 | Mr. Denny Chan
<i>Chief Operating Officer</i> | 14 | Mr. Simon Yeung
<i>Project Manager</i> |
| 4 | Mr. Bill Mok
<i>Chief Financial Officer & Company Secretary</i> | 15 | Mr. Frankie Lai
<i>Director of Hotel Operations</i> |
| 5 | Ms. Ng Pui Ki
<i>General Manager – Shanghai</i> | 16 | Mr. Eric Fong
<i>Project Manager</i> |
| 6 | Ms. Wendy Yung
<i>Personal Assistant of Chairman</i> | 17 | Ms. Magdalene Ho
<i>Human Resources & Administration Manager</i> |
| 7 | Mr. Richard Kwong
<i>General Manager – Dorsett Seaview Hotel, Dorsett Olympic Hotel & Dorsett Far East Hotel</i> | 18 | Mr. Julian Leung
<i>Investment Manager</i> |
| 8 | Mr. Roland Lau
<i>Project Manager</i> | 19 | Ms. Maria Cheung
<i>Marketing Director</i> |
| 9 | Ms. Ellen Wu
<i>Group Chief Accountant</i> | 20 | Ms. Anita Chan
<i>General Manager – Cosmopolitan Hotel & Cosmo Hotel</i> |
| 10 | Ms. Kitty Lau
<i>Legal Counsel</i> | | |
| 11 | Mr. William Yu
<i>General Manager – Business Development</i> | | |

Five-Year Financial Summary

	For the year ended 31st March,				2007 HK\$'000
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	
RESULTS					
Revenue	796,057	819,859	559,710	703,248	988,209
(Loss) profit before taxation	(116,547)	213,733	446,485	418,078	693,823
Taxation	(17,809)	(61,326)	(36,814)	(85,867)	(157,394)
(Loss) profit for the year	(134,356)	152,407	409,671	332,211	536,429
Attributable to:					
– Equity holders of the Company	(124,202)	149,424	404,562	335,124	538,955
– Minority interests	(10,154)	2,983	5,109	(2,913)	(2,526)
	(134,356)	152,407	409,671	332,211	536,429
(Loss) earnings per share	(13 cents)	14 cents	32 cents	24 cents	37 cents

	At 31st March,				2007 HK\$'000
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	
ASSETS AND LIABILITIES					
Total assets	4,753,071	4,924,709	6,234,848	7,140,308	8,712,356
Total liabilities	(2,394,821)	(2,239,690)	(3,014,603)	(3,568,525)	(4,664,260)
Minority interests	2,358,250 (78,052)	2,685,019 (26,593)	3,220,245 (31,789)	3,571,783 (27,250)	4,048,096 (26,148)
Shareholders' funds	2,280,198	2,658,426	3,188,456	3,544,533	4,021,948

Business and Financial Review



Senior Management of Hotels

Front row, from left to right:

Ms. Rebecca Kwan

General Manager – Central Park Hotel & Lan Kwai Fong Hotel

Ms. Anita Chan

General Manager – Cosmopolitan Hotel & Cosmo Hotel

Second row, from left to right:

Mr. Richard Kwong

General Manager – Dorsett Seaview Hotel, Dorsett Olympic Hotel & Dorsett Far East Hotel

Mr. Frankie Lai

Director of Hotel Operations

CORPORATE OVERVIEW

After a series of austerity measures imposed by the central government over the last few years, the property market has become less speculative and more stable in China. Presently, we have seen the increasing interests from the end-users. The volume of property sales has picked up with reasonable increase in prices. We believe our strategy to focus on middle- and upper middle-class housing development is clearly the right decision for the Company. It does not only leverage on the economic growth and the increasing middle-class population but also synchronizes with the

overall government policies on housing in China. We strongly believe the overall growth of the property market will continue and we are prepared to explore new investment opportunities in China.

In Hong Kong, visitor arrivals continued to grow for the third consecutive year since the outbreak of SARS in 2003. According to the Hong Kong Tourism Board, the cumulative visitor arrivals in 2006 reached 25.3 million, representing an 8.1% increase from previous year. In addition to the 8.4% growth in the Mainland visitors, the visitors from Southeast Asia showed an even stronger growth of 10.2% and they represented the second largest group of tourists after the Mainland visitors. In view of this, we have begun to broaden our hotel guest base by devoting more resources into the Southeast Asia markets. Currently, we have three hotels under development and are planning to open one new hotel a year for the next three years.

Like Hong Kong, Malaysia has also posted a third consecutive yearly growth in visitor arrivals. The aggregate growth rate for visitors was 6.8% in 2006 versus 4.6% in previous year. We believe that this is just the beginning of the growing trend, and thus we have decided to aggressively expand our hotel portfolio in Malaysia. In order to accelerate implementation of our hotel expansion plan, we entered into a conditional agreement with Tan Sri Dato' David Chiu to acquire two hotel properties from him in Malaysia in December 2006. The acquisition was highly supported by our shareholders with almost unanimous votes recorded in our extraordinary general meeting. Furthermore, we also acquired Sheraton Subang Hotel in February 2007 and entered into a hotel management contract with a hotel in Penang in April 2007. With the positive outlook of the Malaysian tourism industry, we will continue to look for new hotel investment opportunities in Malaysia.

Business and Financial Review

Lastly, we have been planning to enter the hotel market in China over the last 12 months. We believe both leisure and business traveling are due to exponential growth in Mainland. In 2006, there were about 22 million foreign visitors traveling to China. Including visitors from Hong Kong, Macau and Taiwan, the total visitor arrivals would be about 125 million. More substantially, domestic visitors had already reached 1.2 billion in 2005. Hence, subsequent to the financial year-end, we made two major acquisitions for hotel development in China – one in Chengdu and one in Wuhan. This signals the beginning of our rapid hotel expansion plan in the Mainland.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Property Development Division

China

Despite of the weak sentiment in Shanghai's property market in general, the property sales of California Garden have been doing well. We had sold about half of the 1,000 residential units launched. These units are presently under construction and are scheduled to deliver to buyers in December 2007. According to the present accounting standards, the profits from this pre-sale launch will be recognized in FY2008 when the occupancy permits are received.

According to the present development plan, California Gardens still has a balance of over 6,000 residential units to be developed over the next four to five years. The whole project is expected to be completed by 2012.

Apart from California Garden, the Group has also three property development projects, namely New Time Plaza, Gantangyuan, and Huadijiayuen, in Guangzhou with a total attributable gross floor area of over 1.4 million square feet. All three projects consist of residential and commercial development and are scheduled to be completed by 2008 and 2009.

California Garden, Shanghai – a residential development with a land area of approximately 14.5 million square feet with an approved built-up area of approximately 15 million square feet. Upon full completion of the development, this project will boost a total of over 10,000 units of a mixture of residential and commercial properties. Since its first phase of development in the late 90's, a total of 2,800 units of residential development have been built with 100% sold. For the financial year ended 31st March, 2007, the company has engaged in the development of 1,000 residential and 190 commercial units. The commercial units were delivered in September 2006 whilst the first batch of residential units will be ready for delivery by December 2007. The remaining balance of over

Business and Financial Review



Project Team

From left to right:

*Mr. Simon Yeung
Project Manager*

*Mr. Roland Lau
Project Manager*

*Mr. Eric Fong
Project Manager*

6,000 units is scheduled for completion over the next four to five years with an average of no less than 1,000 units a year. This project will be the major profit source of the Group till its completion in 2012.

New Time Plaza, Guangzhou – the Group owns 50% of the development. It comprises of an auxiliary building with about 86,000 square feet and a proposed 28-storey residential tower. Owing to the development of the transportation network by the local government, the total gross

floor area of the residential tower has been reduced to approximately 230,000 square feet. The building includes residential area of 125,000 square feet, commercial area of 67,000 square feet and car parking space of 38,000 square feet. The construction work for the residential tower is currently in progress and is expected to be completed by 2008.

Gantangyuan, Huadiwan, Guangzhou – the Group owns 100% of this development. It comprises 2 blocks of 32-storey residential tower with a total gross floor area of approximately 460,000 square feet, including residential area of 430,000 square feet, commercial area of 20,000 square feet and car parking space of 10,000 square feet. Currently the development is at the planning stage. The construction work is expected to commence in 2008 and is scheduled to be completed by 2009.

Huadijiayuen, Huadiwan, Guangzhou – the Group owns 100% of this development. Located next to the Huadi River, this site has an area of approximately 260,000 square feet and is planned to be developed into a residential estate with a total gross floor area of approximately 860,000 square feet. Demolition and site clearance works are in progress. The construction work is expected to commence in 2008 and is scheduled to be completed in 2009

Hong Kong

The Group has placed its primary focus of property development in China, therefore we do not maintain a significant land bank in Hong Kong. However, we will continue to seek for attractive property development projects when opportunities arise. Presently, we have six property projects under development.

Business and Financial Review

Bakerview, Hung Hom – a 32-storey commercial-residential development with a total gross floor area of approximately 55,000 square feet comprises 104 residential units, 26 car-parks and 2 floors of shopping units. The Group has withheld 35% of the unsold units for lease.

The Cove, Sai Kung – 10-detached house development with a total gross floor area of approximately 12,000 square feet built on a 30,000 square feet site. The construction work has been completed and the Group is currently selling the development as a whole lot.

No. 684 Clear Water Bay Road, Sai Kung – a 4-detached house development with a total gross floor area of approximately 12,000 square feet built on a site with 20,000 square feet. This project is presently at inception stage and we have targeted to obtain the certificate of completion from the Building Department in late 2007.

Art Del Sol, Sai Kung – a proposed development of 24 houses with a total gross floor area of approximately 53,000 square feet. The construction work on phase 1 has been completed and the certificate of compliance has been issued. As of the date of this report, approximately 85% of the units have been sold. The development for other phases will depend on obtaining approvals from the relevant government authorities.

Tan Kwai Tsuen, Yuen Long – a 5-storey apartment development with 96 units with a total gross floor area of approximately 52,000 square feet. The Group has made an application for land exchange and a building plan submission.

Hung Shui Kiu, Yuen Long – a 7-storey residential development project with 72 units with a total gross floor area of approximately 36,000 square feet. The Group has made an application for land exchange.

Chuen Lung, Tsuen Wan – a proposed golf club development with a land area of approximately 145,000 square feet with a total gross floor area of approximately 58,000 sq.ft. It is scheduled to complete the first phase by mid-2008. Further development will depend on obtaining approval from relevant government authorities.

Fung Lok Wai, Yuen Long – a joint venture project with Cheung Kong and Sun Hung Kai & Co. Limited for residential estate development with a total area of approximately 8,610,000 square feet. There is no definite plan for this development at present. The Group currently holds 25.33% beneficial interest in this project.

Business and Financial Review

Australia

The Group has two property development projects in Melbourne, namely Royal Domain Tower and Northbank Place.

Royal Domain Tower, Melbourne – this is a 42-level high rise complex comprises 133 luxury residential apartments with a gross floor area of approximately 65,000 square meters. Each of the luxurious apartments costs more than A\$1 million. The project is located along St. Kilda Road in the city overlooking the Melbourne Botanical Gardens. This is one of the tallest prestigious residential buildings in Melbourne and certainly the most prestigious. The construction work commenced in early 2003 and was completed in early 2006. Up to the end of the year, over 75% of the 133 units were sold. The Group has a 90% interest in this project.

Northbank Place, Melbourne – this project consists of an office building with a net lettable area of approximately 10,300 square meters which has been pre-sold to an investor plus two residential towers consisting of 385 apartments which are 97% sold. The construction work commenced in April 2007. The Group has a 45% share in this project.

2. Hotel Division



Senior Management of Cosmopolitan Hotel & Cosmo Hotel

From left to right:

Ms. Ivy Shek
Assistant Director of Sales

Mr. Eddie Liu
Assistant Financial Controller

Ms. Anita Chan
General Manager

Mr. Andrew Lee
Director of Rooms

During the year, the Group opened one new hotel, Dorsett Far East Hotel, in Hong Kong and acquired Sheraton Subang Hotel in Malaysia. Our hotel portfolio has now increased from seven hotels to nine hotels or from 1,629 rooms to 2,371 rooms.

On top of the organic growth from our existing hotel portfolio, we will further enhance the growth of our hotel division with new developments and acquisitions. Currently, we have three hotels under development in Hong Kong, two in Malaysia

and two in China. When all these hotels are completed over the next one to three years, the size of our hotel portfolio will be more than double in terms of the number of hotel rooms.

Apart from expanding our hotel portfolio, we are also dedicated to establishing our own hotel brands. Recently, our Lan Kwai Fong Hotel in Hong Kong was awarded as “The Best Boutique Hotel in Asia” by TravelWeekly Asia Industry Awards 2007.

Business and Financial Review

Hotels in Operation

Hong Kong

Cosmopolitan Hotel, Causeway Bay – the largest and flagship contemporary deluxe hotel of the Group in Hong Kong, with 454 rooms and suites. Like many legendary landmarks which typify historical value, this hotel was converted from the “old” Xin Hua News Agency Building and commenced operation in December 2004. With its unique location amidst the commercial district in Wanchai and the shopping attractions in Causeway Bay, this 4-star hotel is the perfect location for both business and leisure travellers.

Cosmo Hotel, Causeway Bay – our first business boutique hotel opened in October 2005. Situated only two buildings away from Cosmopolitan Hotel, this hotel is renowned for its vibrant use of colour, modern design and latest technology. As impressive as its 142 color-coded rooms and suites, the 4-star Cosmo is embraced by attractions nearby and close to the Star Street Precinct where bars and restaurants with a funky artistic atmosphere abound.

Central Park Hotel, Sheung Wan – a hip, boutique hotel with contemporary and comfy design. This 142-room hotel was converted from a commercial building and opened in April 2005. It is located in the heart of the financial and commercial district in Sheung Wan and Central with easy access to extensive dining, entertainment and sightseeing venues of Soho, Lan Kwai Fong, Man Mo Temple and the famous antique street, Hollywood Road.

Lan Kwai Fong Hotel, Central – a hip boutique hotel uniquely designed in decor, modern in style with Chinese accents, was opened in March 2006. Its 162 bedrooms and suites are furnished with a distinctive touch of oriental style. It was recently awarded as “The Best Boutique Hotel in Asia” by TravelWeekly Asia Industry Awards 2007 for its excellent services, outstanding efforts and innovation in products. The hotel is in a perfect location for trendy dining, nightlife and entertainment area of Soho and Lan Kwai Fong with only 5-minutes walking distance to Central district.



Senior Management of Dorsett Seaview Hotel, Dorsett Olympic Hotel & Dorsett Far East Hotel

From left to right:

Ms. Ava Tse
Director of Sales & Marketing

Mr. Richard Kwong
General Manager

Mr. Barry Lo
Resident Manager

Mr. Stevy Mok
Rooms Division Manager

Business and Financial Review



Senior Management of Central Park Hotel & Lan Kwai Fong Hotel

From left to right:

Ms. Agnes Cheng
Sales & Marketing Manager

Ms. Vanessa Chung
Director of Business Development

Ms. Rebecca Kwan
General Manager

Mr. Lawrence Tse
Front Office Manager

Dorsett Seaview Hotel, Yau Ma Tei – a traditional 3-star hotels with a total of 268 rooms. It has been operated and managed by our Group since 2001. The hotel is located in Yau Ma Tei, one of the bustling commercial, shopping, eating and entertainment centers in Hong Kong and is within walking distance to vibrant district of Tsim Sha Tsui.

Dorsett Olympic Hotel, Tai Kok Tsui – a modern 3-star hotel situated in one of Kowloon's new booming areas – Tai Kok Tsui, with 141 comfortably designed guest

rooms. It was developed by the Group and opened in May 2005. The hotel is close to famous tourist points in Mongkok shopping district such as the Ladies' Market, the Goldfish Market, the Flower Market, and the Bird's Street etc.

Dorsett Far East Hotel, Tsuen Wan – this modern 3-star hotel was converted from the "Far East Bank Building" with a total of 240 rooms and commenced operation in October 2006. The Hotel is situated in one of the major satellite towns, Tsuen Wan, just a step away from Tsuen Wan station of MTR and close to shopping and entertainment facilities. Renovation work at podium floors is scheduled to be completed in late 2007.

Malaysia

Dorsett Regency Hotel, Kuala Lumpur – this 320-room hotel is located right at the central business district of the busy Kuala Lumpur and is also within walking distance to major shopping complexes in the city. The Group expects the hotel to maintain its status as one of the top performing 4-star hotels in the Golden Triangle of Kuala Lumpur.

Sheraton Subang Hotel, Kuala Lumpur – a 5-star urban resort, is a grand example of contemporary elegance, set against a picturesque view of lush greenery and serene lakes. It is strategically located in the heart of the commercial hub consisting of Subang Jaya, Shah Alam and Petaling Jaya. It is 35 minutes from Kuala Lumpur International Airport and 20 minutes from Kuala Lumpur City Centre. With 502 tastefully furnished rooms and suites, spacious conference facilities for up to 2,000 persons, and hi-tech facilities including hi-speed internet access and Wi-Fi, the hotel is an ideal choice for business travelers, conference and leisure guests.

Business and Financial Review

Hotels under Development

Hong Kong

Dorsett Kowloon Hotel, Tai Kok Tsui – a developing hotel project located one block away from our Dorsett Olympic Hotel. It is our plan to develop a 3-star hotel with a total of 297 rooms. The foundation has been completed and the superstructure will be commenced in mid-July 2007. It is scheduled to be completed and commence operation by the end of 2008.

Dorsett Hong Kong Hotel, Kennedy Town – a 4-star hotel development project, located at Davis Street. Demolition of the existing residential block has been completed and the foundation works are in progress. It is planned to develop a 3-4-star hotel with 225 rooms. It is scheduled to be completed and to commence operation in mid-2009.

Dorsett Kwun Tong Hotel, Kwun Tong – another hotel development project, located at Hung To Road. The existing industrial building will be demolished and the area will be re-developed into a 3-4-star hotel with 375 rooms. Currently, it is under planning and submission stage. The construction works will be commenced in late 2007. It is scheduled to be completed and to commence operation in late 2009.

Business and Financial Review

FINANCIAL REVIEW

Revenue for the financial year of 2007 increased by 41% to HK\$988 million with gross operating profit and net profit were up by 34% to HK\$433 million and by 61% to HK\$536 million respectively.

The increase of revenue was primarily driven by the strong performance of our hotel operations and the increase of property sales. Revenue from our hotel operations increased from HK\$204 million last year to HK\$348 million this year, representing an increase of 71%. Owing to the increased contribution from our property development in Australia, the total property sales for this year increased to HK\$339 million from last year's HK\$270 million. Furthermore, the sales of financial instruments was recorded at HK\$114 million this year, as compared to HK\$26 million last year.

Gross profit rose to HK\$433 million, a 34% increase as compared to that of last year. Such growth was mainly attributable to the strong operating performance of our hotels and the expansion of our hotel portfolio.

During the year, we disposed our interest in the Riverside South Project in Manhattan, the United States for US\$37.8 million (approximately HK\$294.8 million), a profit of HK\$225 million was recognized. On top of our strong operating results, this one-off gain further boosted our net profit to HK\$536 million for the year.

Business and Financial Review

FINANCIAL RESOURCES AND LIQUIDITY

Borrowings and charge on Group assets

	2007	2006
	HK\$'000	HK\$'000
Bank loans	1,866,801	1,622,087
Bank overdrafts	6,582	285
Financial liabilities at fair value through profit or loss	838,336	914,969
Mortgage loans	456,282	348,440
Obligations under finance leases	1,836	1,068
Other loans	313,408	11,478
	3,483,245	2,898,327
Analysed as:		
Secured	2,644,909	1,971,880
Unsecured	838,336	926,447
	3,483,245	2,898,327
The above borrowings are repayable as follows:		
On demand or within one year	2,078,909	1,915,531
Amount due after one year	1,404,336	982,796
	3,483,245	2,898,327

Business and Financial Review

Zero Coupon Convertible Bonds

The US\$67 million zero coupon convertible bonds issued by the Company on 13th April, 2004 was purposed for repayment of existing loans and general working capital. At the balance sheet date, over 98% of these convertible bonds have been converted into ordinary shares of the Company. On or at anytime after 13th April, 2006 and prior to 13th April, 2009, the Company can exercise its option to redeem the outstanding convertible bonds at a predetermined early redemption amount.

Presently, the Company has another zero coupon convertible bonds amounting to HK\$754 million remain outstanding at the balance sheet date. The primary purpose of the issue is to finance the upcoming development project in Macau. Based on the adjusted conversion price of HK\$3.07, the convertible bonds are convertible into approximately 245 million ordinary shares of the Company of HK\$0.1 each.

Under HKAS32 and HKAS39, both zero coupon convertible bonds are designated as "financial liabilities at fair value through profit or loss". At each subsequent balance sheet date, "financial liabilities at fair value through profit or loss" are measured at fair value with changes in the fair value recognised directly in the income statement of the Company in the period in which they arise. Accordingly, the balances of the US dollar denominated and Hong Kong dollar denominated convertible bonds are adjusted from HK\$2 million and HK\$754 million to HK\$2 million and HK\$836 million respectively at the balance sheet date. Such adjustments are recognised as a charge to the income statement resulting from the increase in the fair value of financial liabilities. In subsequent period up to maturity date of the convertible bonds, the increase or decrease in the fair value of such financial liabilities will be credited or charged to the income statement of the Company in the corresponding period.

Business and Financial Review

Contingent Liabilities and Commitments

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

- (a) The Group has given guarantees to bankers to secure banking and other facilities made available to an investee company of nil (2006: HK\$154,322,000). The fair value of the guarantee issued in 2006 have not been recognised as the directors consider that the amount should not be significant.
- (b) The Group has given a guarantee in respect of mortgage loans provided to the home buyers of a property project in the PRC. At 31st March, 2007, the total amount of mortgages outstanding which are subject to these guarantees was HK\$40,406,060 (2006: HK\$2,769,000). The director considered that the fair values of these financial guarantee contracts at their initial recognition are insignificant on the basis of short maturity periods and low applicable default rates.
- (c) In previous year, a subsidiary of the Company (the "Subsidiary") was sued by two consultants providing management, consulting and advisory service concerning business strategy and corporate finance activities of the Subsidiary. The two consultants entered into a consulting contract with the Subsidiary in 1999 in lieu of cash for service rendered. The two consultants alleges that the Subsidiary fraudulently misrepresented and concealed material facts regarding the proposed investment from them and claim compensation for damages amounting to approximately HK\$5,843,000. Moreover, the two consultants also allege that the Subsidiary owes them salaries, payment in lieu of notice for early termination of the contract and the reimbursement for expenses regarding the employment contract as the board of directors of the Subsidiary amounting to approximately HK\$5,865,000. A motion of dismissing the claim was filed in the United States court and the claim is still in progress. While the outcome of these proceedings cannot be estimated with certainty at this stage, the directors are of the opinion that the outcome of this case would not have a material adverse impact on the financial position of the Group.

Business and Financial Review

Capital Commitments

	2007 HK\$'000	2006 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Properties under development for sale	1,136,198	475,256
Hotel properties	–	2,781
Others	4,329	–
	1,140,527	478,037
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties under development	426,090	–
Hotel properties	11,315	8,400
	437,405	8,400
	1,577,932	486,437

Gearing ratio

The gearing ratio (total bank and other borrowings and financial liabilities at fair value thought profit or loss and convertible bonds to shareholders' equity) as at 31st March, 2007 was 87% (2006: 82%).

Current ratio

The current ratio as at 31st March, 2007 was 1.1 (2006: 1.1). The Group has maintained sufficient liquid assets to finance its operation.

Exchange rate

The Group was not exposed to material exchange rates fluctuations during the year.

Business and Financial Review

Pledge of assets

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

- (a) The Group's completed properties for sale, investment properties and property, plant and equipment, bank deposits and investments held for trading with an aggregate carrying amount of approximately HK\$4,205,899,000 (2006: HK\$3,399,431,000), HK\$101,821,000 (2006: HK\$55,102,000) and HK\$731,000 (2006: HK\$1,576,000) respectively, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and properties of associates and third parties were pledged to the Group's bankers and loan creditors to secure banking and loan facilities granted to the Group and an associate to the extent of approximately HK\$3,854,548,000 (2006: HK\$2,822,947,000) and nil (2006: HK\$5,000,000), respectively.

The Group's bank deposits of approximately HK\$3,165,000 (2006: HK\$2,765,000) were pledged to a Group's banker to secure a credit facility given by the banker to secure credit facility in favour of subsidiary of the Company.

- (b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments, other financial assets and deposits with an aggregate carrying amount of approximately HK\$365,640,000 (2006: HK\$414,182,000) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$1,011,087,000 (2006: HK\$645,095,000), of which HK\$83,621,000 (2006: HK\$54,427,000) were utilised.
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.
- (d) The Group has subordinated its amount due from an investee company of approximately HK\$119,995,000 (2006: HK\$119,995,000) to a financial institution to secure general credit facility granted to the investee company.

Directors' Report

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are engaged in property development and investment, hotel operations and loan financing, and treasury management. These divisions are the basis on which the Group reports its primary segment information. Other operations include sale of boiler products and other interest income.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Details of the Company's principal subsidiaries, associates and jointly controlled entities at 31st March, 2007 are set out in notes 54, 55 and 18 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 44.

An interim dividend of HK4 cents per share amounting to HK\$58,196,000 was paid to the shareholders during the year. The Directors recommend a final dividend for the year of HK8 cents per share to shareholders whose names appear on the Company's Register of Members on 23rd August, 2007 amounting to HK\$117,409,000. The final dividend will take the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements ("Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to (i) the approval of the proposed final dividend at the annual general meeting to be held on 23rd August, 2007; and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the five trading days prior to and including 23rd August, 2007. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders together with a form of election on or about 30th August, 2007. Dividends warrants or new shares certificates will be posted on or about 28th September, 2007.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 13.

Directors' Report

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at 31st March, 2007. The net increase in fair value of investment properties, which has been credited directly to consolidated income statement, amounted to HK\$59,841,000.

Details of these and other movements during the year in the investment properties of the Group are set out in note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$94,287,000 on hotel properties and hotel properties under development.

In addition, the Group acquired hotels properties through business combination with carrying amount of approximately HK\$599,016,000.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 15 and acquisition of a subsidiary/business in note 44 to the consolidated financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2007 are set out on pages 118 to 127 of the annual report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 39 to the consolidated financial statements.

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

DISTRIBUTABLE RESERVES OF THE COMPANY

In the opinion of the Directors, the reserves of the Company which are available for distribution to shareholders at 31st March, 2007, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, amounted to approximately HK\$645,107,000 (2006: HK\$737,659,000), representing the net of the distributable reserve of HK\$787,301,000 (2006: HK\$932,031,000) and accumulated losses of HK\$142,194,000 (2006: HK\$194,372,000).

Directors' Report

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Deacon Te Ken Chiu, Chairman

Tan Sri Dato' David Chiu, Deputy Chairman and Chief Executive Officer

Mr. Dennis Chiu

Mr. Craig Grenfell Williams

Non-executive Directors

Madam Ching Lan Ju Chiu

Mr. Dick Tat Sang Chiu (resigned on 4th July, 2007)

Mr. Daniel Tat Jung Chiu

Independent Non-executive Directors

Mr. David Kwok Kwei Lo (resigned on 3rd July, 2007)

Mr. Jian Yin Jiang

Mr. Kwok Wai Chan

Mr. Peter Man Kong Wong (appointed on 2nd May, 2007)

In accordance with the provisions of the Company's Articles of Association, Tan Sri Dato' David Chiu, Mr. Dennis Chiu, Mr. Peter Man Kong Wong and Mr. Jian Yin Jiang shall retire by rotation and, being eligible, offer themselves for re-election.

The term of office for each of the Non-executive Directors is the period up to his or her retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At 31st March, 2007, the interests and short positions of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of SFO, or as otherwise notified to the Company

Directors' Report

and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(a) Directors' interest in shares and underlying shares of the Company

Name of director	Nature of interests	Number of Ordinary Shares Held			Beneficial interests in underlying shares	Total	Percentage of issued share capital of the Company
		Personal interests	Corporate interests				
Deacon Te Ken Chiu	Long Position	10,851,359	118,660,876 (i)	–	129,512,235	8.82%	
David Chiu	Long Position	660,103	332,278,010 (ii)	11,000,000 (iii)	343,938,113	23.44%	
Dennis Chiu	Long Position	8,397	5,064,321 (iv)	–	5,072,718	0.35%	
Ching Lan Ju Chiu	Long Position	1,353,490	–	–	1,353,490	0.09%	
Dick Tat Sang Chiu	Long Position	863,155	–	–	863,155	0.06%	
Daniel Tat Jung Chiu	Long Position	40,594	3,877,218 (v)	–	3,917,812	0.27%	

Notes:

- (i) These shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.
- (ii) These shares are held by Sumptuous Assets Limited, a company controlled by Tan Sri Dato' David Chiu.
- (iii) These interests represent derivative interests pursuant to a derivative contract exercisable for the period from 26th April, 2006 to 26th April, 2007 and was extended to 26th April, 2008 on 26th April, 2007.
- (iv) These shares are held by Chiu Capital N.V., a company controlled by Mr. Dennis Chiu and First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.
- (v) These shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu and are entirely duplicated and included in the corporate interest of Mr. Dennis Chiu

(b) Director's interest in shares and underlying shares of associated corporation

Name of director	Nature of interests	Name of associated corporation	Number of ordinary shares held	Percentage of issued share capital of the associate corporation
Deacon Te Ken Chiu	Long Position	Kanic Property Management Limited	2	50%
David Chiu	Long Position	Oi Tak Enterprises Limited	250,000	25%

Save as disclosed above, none of the Directors or chief executives or their associates had registered an interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31st March, 2007.

Directors' Report

SHARE OPTION SCHEME

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

Particulars of the Company's Share Option Scheme are set out in note 40 to the financial statements. The following table disclose movements in the Company's share options during the year:

Category of grantee	Date of grant	Exercise price HK\$	Number of options				Outstanding as at 31.03.2007	Exercise period
			Outstanding as at 1.4.2006	Granted during the year	Lapsed during the year	Exercised during the year		
<i>Senior management</i>								
Denny Chi Hing Chan	21.10.2004	2.075	600,000	-	-	(600,000)	-	1.11.2004 to 31.12.2010
			1,400,000	-	-	(400,000)	1,000,000	1.1.2006 to 31.12.2010
			1,600,000	-	-	-	1,600,000	1.1.2007 to 31.12.2010
			1,800,000	-	-	-	1,800,000	1.1.2008 to 31.12.2010
			2,000,000	-	-	-	2,000,000	1.1.2009 to 31.12.2010
			7,400,000	-	-	(1,000,000)	6,400,000	
Bill Kwai Pui Mok	21.10.2004	2.075	1,200,000	-	-	-	1,200,000	1.4.2005 to 31.12.2010
			1,400,000	-	-	-	1,400,000	1.1.2006 to 31.12.2010
			1,600,000	-	-	-	1,600,000	1.1.2007 to 31.12.2010
			1,800,000	-	-	-	1,800,000	1.1.2008 to 31.12.2010
			2,000,000	-	-	-	2,000,000	1.1.2009 to 31.12.2010
			8,000,000	-	-	-	8,000,000	
<i>Other employees in aggregate</i>	21.10.2004	2.075	500,000	-	-	(250,000)	250,000	1.11.2004 to 31.12.2010
			-	-	-	-	-	1.1.2005 to 31.12.2010
			1,705,000	-	-	(830,000)	875,000	1.1.2006 to 31.12.2010
			2,975,000	-	200,000	(700,000)	2,075,000	1.1.2007 to 31.12.2010
			3,475,000	-	250,000	-	3,225,000	1.1.2008 to 31.12.2010
3,975,000	-	300,000	-	3,675,000	1.1.2009 to 31.12.2010			
			12,630,000	-	750,000	(1,780,000)	10,100,000	
<i>Other employees in aggregate</i>	25.8.2006	3.29	-	450,000	-	-	450,000	1.9.2006 to 31.12.2010
			-	525,000	-	-	525,000	1.1.2007 to 31.12.2010
			-	600,000	-	-	600,000	1.1.2008 to 31.12.2010
			-	675,000	-	-	675,000	1.1.2009 to 31.12.2010
			-	750,000	-	-	750,000	1.1.2010 to 31.12.2010
			-	3,000,000	-	-	3,000,000	
Total			28,030,000	3,000,000	750,000	2,780,000	27,500,000	

Directors' Report

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2007, the register of interests in shares or short positions required to be kept under Section 336 of the SFO showed that, other than the interests of Directors as set out above, the following shareholders were interested in 5% or more of the issued share capital of the Company:

	Capacity	Nature of interests	No. of ordinary shares held	Percentage of issued share capital of the Company
Zwaanstra John	Interests in controlled corporation	Long	308,540,740	21.02%
Penta Investment Advisers Ltd.	Investment manager	Long	308,540,740	21.02%
Mercurius GP LLC	Founder of a discretionary trust	Long	134,098,350	9.14%
Zwaanstra Todd	Trustee	Long	134,098,350	9.14%
Penta Japan Fund Ltd.	Interests in controlled corporation	Long	134,098,350	9.14%
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long	42,353,572	2.89%
		Short	3,510,945	0.24%
	Person having a security interest	Long	92,322,317	6.29%
		Short	20,313,925	1.38%
Sky Investment Counsel Inc.	Investment manager	Long	87,074,000	5.93%

Note: "Long" refers to the long position in the shares of the Company held by such person/entity, while "Short" refers to short position in the shares of the Company held by such person/entity.

Save as disclosed herein, the Company has not been notified of any other person (other than Directors or chief executives of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31st March, 2007.

Directors' Report

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$1,200,000.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

The aggregate revenue attributable to the Group's five largest customers was less than 30% of total turnover.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible participants, details of the scheme is set out in note 40 to the consolidated financial statements.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 36 to 41 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March, 2007.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Memorandum and Articles of Association of the Company and the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Directors' Report

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Tan Sri Dato' David Chiu

Deputy Chairman and Chief Executive Officer

19th July, 2007

Corporate Governance Report

The Company is committed to meeting statutory and regulatory standards and adherence to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness. The Board and the Senior Management of the Company ensure that effective self-regulatory practices exist to protect the interests of the shareholders of the Group.

The Company has applied the principles of the code provisions under the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") throughout the year ended 31st March, 2007, except for the deviations from the code provisions A1.1, A.4.1 and A.4.2 of the Code described below.

Under code provision A.1.1 of the Code, the Board should meet regularly and Board meeting should be held at least four times a year at approximately quarterly intervals. However, only two Board meetings had been held during the year since each Director is travelling too heavily to uphold this requirement. In view of good corporate governance practices, the Board will meet regularly and hold at least four Board meetings in the forthcoming year.

Under code provision A.4.1 of the Code, Non-executive Directors should be appointed for a specific term and subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term of office. However, the Non-executive Directors of the Company are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association.

Under the second part of code provision A.4.2 of the Code, every Director, including those appointed for a specific term should be subject to retirement by rotation at least once every three years. The Chairman of the Company, however, is not subject to retirement by rotation. In accordance with the second part of Article 115(B) of the Articles of Association of the Company, a Director appointed as an Executive Chairman or as Managing Director or Joint Managing Director shall not while holding such office be subject to retirement by rotation or taken into account in determining the rotation retirement of Directors. In view of good corporate governance practices, the Executive Chairman voluntarily retires from his office and offers himself for re-election at the last annual general meeting of the Company notwithstanding that he is not required to do so by the Company's Article 115(B). As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

THE BOARD OF DIRECTORS

Board Responsibilities

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual and interim reports, and of other price-sensitive announcements and other financial disclosures as required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory requirements.

The management is responsible for the day-to-day operations of the Group under the leadership of the Deputy Chairman and Chief Executive Officer. The Deputy Chairman and Chief Executive Officer, with other Executive Directors and the management team of each business division, is responsible for managing the business of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for operations of the Group.

Corporate Governance Report

Board Composition

The Board comprises nine Directors, whose biographical details are set out in the section “Profile of Directors and Senior Management” on pages 8 to 12 of this Annual Report. Four of the Directors are Executive, two are Non-executive and three are Independent Non-executive. Please refer to the Report of Directors on page 28 for the composition of the Board.

Collectively the Board has a diverse wealth of expertise and experience in the areas of business management, accounting, finance and corporate governance. One of the Independent Non-executive Directors possesses recognized professional qualification in accounting and corporate governance practices. This diversity of experiences and backgrounds enables the Board to enhance good corporate governance and to bring in valuable contributions and advices for the development of the Group’s business.

The roles of Chairman and Deputy Chairman and Chief Executive Officer are held separately by Mr. Deacon Te Ken Chiu and Tan Sri Dato’ David Chiu respectively. Their roles and responsibilities are separate and are set out in writing.

The Chairman is responsible for providing leadership to, and overseeing the functioning of the Board. He is also responsible for taking the lead of effective running of the Board.

The Deputy Chairman and Chief Executive Officer is delegated with the authorities to manage the Group’s business in all aspects effectively, formulating and setting major strategies, make day-to-day decisions and coordinate overall business operations.

Pursuant to the requirement of the Listing Rules, the Company has received written confirmation from all three Independent Non-executive Directors of their independence from the Company and considers them to be independent.

Corporate Governance Report

REGULAR BOARD MEETINGS

The Board meets two times during the year and has a formal schedule of matters referred to it for consideration and decision. Additional meetings may be convened as and when necessary. Notice of at least fourteen days is served for regular Board meetings and reasonable notice is given for all other Board meetings. Directors are consulted and provided with an opportunity to include matters into the agenda for discussion at the Board meetings. The Company Secretary assists the Chairman in preparing the agenda for each regular Board meeting and ensuring that applicable rules and regulations regarding the meetings are observed.

The Board met on two occasions during the year ended 31st March, 2007. The attendance of individual Directors at the Board meetings is set out in the table below.

	Number of meetings attended	Attendance rate
Executive Directors		
Deacon Te Ken Chiu, <i>Chairman</i>	2/2	100%
David Chiu, <i>Deputy Chairman and Chief Executive Officer</i>	1/2	50%
Dennis Chiu	0/2	0%
Craig Grenfell Williams	0/2	0%
Non-executive Directors		
Ching Lan Ju Chiu	0/2	0%
Dick Tat Sang Chiu ⁽¹⁾	0/2	0%
Daniel Tat Jung Chiu	1/2	50%
Independent Non-executive Directors		
David Kwok Kwei Lo ⁽²⁾	1/2	50%
Jian Yin Jiang	1/2	50%
Kwok Wai Chan	2/2	100%

Notes:

1. Mr. Dick Tat Sang Chiu resigned from the office of Non-executive Director of the Company on 4th July, 2007.
2. Mr. David Kwok Kwei Lo resigned from the office of Independent Non-executive Director of the Company on 3rd July, 2007.

Corporate Governance Report

BOARD COMMITTEES

The Board has established an Audit Committee and a Remuneration Committee with written terms of reference which are of no less exacting terms than those set out in the Code. Each committee has its own defined scope of duties and terms of reference. The Company Secretary shall make available the terms of reference of the committees to any shareholder upon receipt of a request in writing from the shareholder. The members of a committee are empowered to make decisions on matters within the terms of reference of such committee.

Audit Committee

The Audit Committee currently comprises three members, all of whom are Independent Non-executive Directors, namely Mr. Kwok Wai Chan, Mr. Jian Yin Jiang and Mr. Peter Man Kong Wong.

The principal duties of the Audit Committee include monitoring the Group's financial reporting system, review of financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the group audit. Two meetings were held during the year ended 31st March, 2007, and the attendance record is set out as follows:

	Number of meetings attended	Attendance rate
Executive Director		
David Chiu	1/2	50%
Independent Non-executive Directors		
Kwok Wai Chan, Chairman	2/2	100%
David Kwok Kwei Lo ⁽¹⁾	2/2	100%
Jian Yin Jiang	1/2	50%

Note:

1. Mr. David Kwok Kwei Lo resigned from the office of Independent Non-executive Director of the Company on 3rd July, 2007.

During the year, the works performed by the Audit Committee were mainly set out below:

- reviewed the interim results for the period ended 30th September, 2006 and annual results for the year ended 31st March, 2007 of the Group
- discussed with the management of the Company over the fairness and adequate accounting standards and policies of the Group in the preparation of the interim and annual financial statements
- reviewed and discussed with external auditors over the financial reporting of the Company
- reviewed the internal control procedures

Corporate Governance Report

Remuneration Committee

A Remuneration Committee has been established by the Company in accordance with the requirements of the Code. The Remuneration Committee currently comprises one Executive Director, namely Tan Sri Dato' David Chiu, who is the Chairman of the Remuneration Committee, and two Independent Non-executive Directors, namely Mr. Kwok Wai Chan and Mr. Peter Man Kong Wong.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Group's policy and structure for the overall remuneration of the Directors and senior management. In accordance with the Code, no Director or any of his/her associates may be involved in determining his/her own remuneration.

One meeting of the Remuneration Committee was held during the year ended 31st March, 2007, and the attendance record is set out as follows:

	Number of meetings attended	Attendance rate
Executive Director		
David Chiu, Chairman	1/1	100%
Independent Non-executive Directors		
David Kwok Kwei Lo ⁽¹⁾	1/1	100%
Kwok Wai Chan	1/1	100%

1. Mr. David Kwok Kwei Lo resigned from the office of Independent Non-executive Director of the Company on 3rd July, 2007.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31st March, 2007.

Deloitte Touche Tohmatsu, the auditors of the Company, acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31st March, 2007.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors in respect of audit services for the year ended 31st March 2007 amounted to HK\$4,538,000.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standards as set out in the Model Code during the year.

INTERNAL CONTROLS

The Board has overall responsibility for the Group's internal control systems and through the Audit Committee, conducts reviews on the effectiveness of these systems at least bi-annually, covering all material controls, financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of these internal control systems includes discussion with management on risk areas identified by the management. The purpose of the Company's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems so that the Company's objectives can be achieved.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to maintain a high level of transparency in communicating with shareholders. Extensive information on the Group's activities, business strategies and developments is provided in the Company's annual reports, interim reports and corporate website (<http://www.fecil.com.hk>). Shareholders of the Company are encouraged to attend the annual general meeting of the Company which offers a valuable forum for dialogue and interaction with management.

Independent Auditor's Report



TO THE MEMBERS OF FAR EAST CONSORTIUM INTERNATIONAL LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Far East Consortium International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 117, which comprise the consolidated balance sheet as at 31st March, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2007 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19th July, 2007

Consolidated Income Statement

For the year ended 31st March, 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Revenue	6	988,209	703,248
Sales of properties		339,420	270,081
Hotel operations		342,901	204,041
Property rental income and management service income		59,315	51,515
Interest income from financial instruments		60,441	68,862
Loan interest income		63,580	70,178
Revenue from other operations		9,519	19,467
		875,176	684,144
Depreciation on hotel properties and other equipment		(30,045)	(15,835)
Other cost of sales		(412,384)	(346,058)
Gross profit		432,747	322,251
Other income		20,236	15,250
Doubtful loan receivable recovered	44(b)	57,443	–
Administrative expenses		(294,120)	(166,020)
Gain on disposal of available-for-sale investments		113,755	25,895
(Decrease) increase in fair value of financial assets at fair value through profit or loss		(12,926)	2,067
Decrease (increase) in fair value of financial liabilities at fair value through profit or loss		68,839	(113,160)
Changes in fair value of derivative financial instruments		10,402	(40,281)
Increase in fair value of investments held for trading		7,916	1,898
Increase in fair value of investment properties		59,841	414,740
Discount on acquisition	44	44,208	–
Gain on disposal of a subsidiary	45	225,200	–
Share of results of associates		28,970	6,818
Share of results of jointly controlled entities		(771)	1,379
Finance costs	8	(67,917)	(52,759)
Profit before taxation		693,823	418,078
Taxation	9	(157,394)	(85,867)
Profit for the year	10	536,429	332,211
Attributable to:			
– Equity holders of the Company		538,955	335,124
– Minority interests		(2,526)	(2,913)
		536,429	332,211
Dividends	12		
– Interim, paid		58,196	42,926
– Final, paid for 2006 (Final, paid for 2005)		86,533	70,929
		HK cents	HK cents
Earnings per share	13		
– Basic		37.2	23.6
– Diluted		27.6	27.5

Consolidated Balance Sheet

At 31st March, 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Investment properties	14	1,371,722	1,297,427
Property, plant and equipment	15	2,040,663	1,210,504
Prepaid lease payments	16	680,236	374,965
Interests in associates	17	165,094	141,694
Interests in jointly controlled entities	18	73,846	74,617
Available-for-sale investments	20	245,289	598,758
Financial assets at fair value through profit or loss	21	673,188	99,783
Deposit for acquisition of a property		12,146	–
Amounts due from associates	22	78,542	129,559
Amount due from an investee company	23	119,995	119,995
Amount due from a minority shareholder	24	563	563
Loans receivable	25	7,480	417,257
Pledged bank deposits	31, 47	3,165	2,765
		5,471,929	4,467,887
Current assets			
Inventories	26	1,269	1,581
Completed properties for sale		710,922	181,046
Properties under development for sale	27	1,428,063	1,729,107
Investments held for trading	19	50,764	7,724
Available-for-sale investments	20	171,615	103,611
Financial assets at fair value through profit or loss	21	180,825	171,697
Derivative financial instruments	28	2,411	5,319
Loans receivable	25	1,022	3,679
Debtors, deposits and prepayments	29	138,266	241,415
Prepaid lease payments	16	11,904	8,239
Amount due from a jointly controlled entity	30	12,270	9,652
Amounts due from associates	22	2,331	3,437
Taxation recoverable		11,194	7,995
Pledged bank deposits	31, 47	98,656	52,338
Deposits with investment banks	31	154,891	31,000
Bank balances and cash	31	264,024	114,581
		3,240,427	2,672,421
Current liabilities			
Creditors and accruals	32	401,153	285,468
Customers' deposits received		171,785	14,492
Amounts due to directors	33	7,070	12,468
Amounts due to related companies	34	162,867	38,854
Amounts due to associates	35	11,885	23,479
Amounts due to minority shareholders	35	28,763	28,326
Financial liabilities at fair value through profit or loss	36	838,336	914,969
Derivative financial instruments	28	1,925	63,551
Taxation payable		151,730	33,124
Obligations under finance leases	37	766	352
Bank and other borrowings	38	1,233,225	999,925
Bank overdrafts, unsecured		6,582	285
		3,016,087	2,415,293
Net current assets		224,340	257,128
		5,696,269	4,725,015

Consolidated Balance Sheet

At 31st March, 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Capital and reserves			
Share capital	39	146,761	144,108
Reserves		3,875,187	3,400,425
<hr/>			
Equity attributable to equity holders of the Company		4,021,948	3,544,533
Minority interests		26,148	27,250
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Total equity		4,048,096	3,571,783
<hr/>			
Non-current liabilities			
Amount due to a minority shareholder	41	43,079	35,240
Amount due to a jointly controlled entity	41	12,552	10,801
Deferred taxation	42	188,206	124,395
Obligations under finance leases	37	1,070	716
Bank and other borrowings	38	1,403,266	982,080
<hr/>			
		1,648,173	1,153,232
<hr/>			
		5,696,269	4,725,015

The consolidated financial statements on pages 44 to 117 were approved and authorised for issue by the Board of Directors on 19th July, 2007 and are signed on its behalf by:

Deacon Te Ken Chiu
DIRECTOR

David Chiu
DIRECTOR

Consolidated Statement Of Changes In Equity

For the year ended 31st March, 2007

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Assets revaluation reserve HK\$'000	Special reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April, 2005	141,426	1,360,550	253	-	869,357	169,352	(100,521)	(23,107)	-	742,861	3,160,171	31,789	3,191,960
Revaluation increase	-	-	-	8,761	-	-	-	105,941	-	-	114,702	-	114,702
Deferred tax liability on asset revaluation	-	-	-	(1,533)	-	-	-	-	-	-	(1,533)	-	(1,533)
Exchange difference on translation of foreign operations	-	-	-	-	-	-	(23,709)	-	-	-	(23,709)	(1,626)	(25,335)
Net income (expense) recognised directly in equity	-	-	-	7,228	-	-	(23,709)	105,941	-	-	89,460	(1,626)	87,834
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	335,124	335,124	(2,913)	332,211
Total recognised income and expense for the year	-	-	-	7,228	-	-	(23,709)	105,941	-	335,124	424,584	(4,539)	420,045
Share issued pursuant to scrip dividend scheme	1,806	53,189	-	-	-	-	-	-	-	-	54,995	-	54,995
Shares issued upon exercise of share options	197	3,891	-	-	-	-	-	-	-	-	4,088	-	4,088
Shares issued upon conversion of convertible bonds	679	14,126	-	-	-	-	-	-	-	-	14,805	-	14,805
Shares issue expenses	-	(255)	-	-	-	-	-	-	-	-	(255)	-	(255)
Dividends paid	-	-	-	-	-	-	-	-	-	(113,855)	(113,855)	-	(113,855)
At 31st March, 2006	144,108	1,431,501	253	7,228	869,357	169,352	(124,230)	82,834	-	964,130	3,544,533	27,250	3,571,783
Revaluation increase	-	-	-	-	-	-	-	173,249	-	-	173,249	-	173,249
Exchange difference on translation of foreign operations	-	-	-	-	-	-	84,071	-	-	-	84,071	1,424	85,495
Net income (expense) recognised directly in equity	-	-	-	-	-	-	84,071	173,249	-	-	257,320	1,424	258,744
Transfer to profit or loss on disposal on available-for-sale investments	-	-	-	-	-	-	-	(256,308)	-	-	(256,308)	-	(256,308)
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	538,955	538,955	(2,526)	536,429
Total recognised income and expense for the year	-	-	-	-	-	-	84,071	(83,059)	-	538,955	539,967	(1,102)	538,865
Share issued pursuant to scrip dividend scheme	2,002	65,180	-	-	-	-	-	-	-	-	67,182	-	67,182
Shares issued upon exercise of share options	278	5,491	-	-	-	-	-	-	-	-	5,769	-	5,769
Shares issued upon conversion of convertible bonds	373	7,420	-	-	-	-	-	-	-	-	7,793	-	7,793
Shares issue expenses	-	(31)	-	-	-	-	-	-	-	-	(31)	-	(31)
Recognition of the equity-settled share based payments	-	-	-	-	-	-	-	-	1,464	-	1,464	-	1,464
Dividends paid	-	-	-	-	-	-	-	-	-	(144,729)	(144,729)	-	(144,729)
At 31st March, 2007	146,761	1,509,561	253	7,228	869,357	169,352	(40,159)	(225)	1,464	1,358,356	4,021,948	26,148	4,048,096

The special reserve of the Group represented the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the group reorganisation in 1991.

The other reserve of the Group represented share premium attributable to subsidiaries pursuant to the group reorganisation in 1991.

The retained profits of the Group include HK\$75,012,000 (2006: HK\$51,612,000) and HK\$25,878,000 (2006: HK\$26,649,000) retained by associates and jointly controlled entities of the Group respectively.

Consolidated Cash Flow Statement

For the year ended 31st March, 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Operating activities			
Profit before taxation		693,823	418,078
Adjustments for:			
Share of results of jointly controlled entities		771	(1,379)
Share of results of associates		(28,970)	(6,818)
Depreciation		35,884	20,987
Dividend from listed investments		(4,307)	(2,304)
Interest income		(65,086)	(72,977)
Interest expenses		72,007	57,670
Allowance for bad and doubtful debts		36,193	5,009
Allowance for loans receivable		3,088	11,004
Allowance for amount due from an associate		51,923	–
Increase in fair value of investment properties		(59,841)	(414,740)
Gain on disposal of available-for-sales investments		(113,755)	(25,895)
Doubtful loan receivable recovered		(57,443)	–
(Decrease) increase in fair value of financial liabilities through profit or loss		(68,839)	113,160
Gain on disposal of a subsidiary	45	(225,200)	–
Discount on acquisitions		(44,208)	–
Recognition of share-based payments		1,464	–
Amortisation of prepaid lease payments		6,609	5,223
Loss (gain) on disposal of property, plant and equipment		16	(225)
Operating cash flows before movements in working capital		234,129	106,793
(Increase) decrease in completed properties for sale		(529,876)	16,164
Decrease (increase) in properties under development for sale		342,807	(366,908)
Decrease (increase) in debtors, deposits and prepayments		82,968	(7,600)
(Increase) decrease in investments held for trading		(43,040)	13,316
Increase in financial assets through profit or loss		(582,533)	(6,655)
Increase (decrease) in derivative financial instruments		(58,718)	58,232
Increase in loans receivable		(62,978)	(65,197)
Decrease (increase) in inventories		1,016	(687)
Decrease (increase) in amounts due from associates		200	(397)
Increase in amount due from a jointly controlled entity		(2,618)	(6,716)
Increase (decrease) in creditors and accruals		185,605	(21,267)
Increase (decrease) in customers' deposits received		157,293	(4,586)
Increase in amounts due to related companies		124,013	1,987
Increase in amount due to a jointly controlled entity		1,751	–
Decrease in amounts due to associates		(11,594)	(1,306)
Increase in amounts due to minority shareholders		437	23,434
Cash used in operations		(161,138)	(261,393)
Hong Kong Profits Tax paid		(14,783)	(2,530)
Tax paid for other jurisdictions		(4,289)	(32,366)
Net cash used in operating activities		(180,210)	(296,289)

Consolidated Cash Flow Statement

For the year ended 31st March, 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Investing activities			
Purchase of property, plant and equipment		(163,326)	(166,336)
Purchase of businesses, net of bank balances and cash acquired	44	(251,923)	–
Proceeds from disposal of a subsidiary, net of bank balances and cash disposed	45	294,834	–
Proceeds from disposal of investment properties		–	10,689
Proceeds from disposal of property, plant and equipment		130	470
Purchase of available-for-sale investments		(609,297)	(525,534)
Proceeds from disposal of available-for-sale investments		855,824	568,435
Increase in prepaid lease payments		(194,871)	(81,000)
Advance to associates		–	(381)
Deposit paid on acquisition of a property		(12,146)	–
Increase in pledged bank deposits		(46,718)	(48,202)
Dividend received from associates		5,570	9,410
Dividend received from listed investments		4,307	2,304
Interest received		65,086	72,977
Net cash used in investing activities		(52,530)	(157,168)
Financing activities			
Proceeds from issue of shares, net of issue expenses		5,738	3,833
New bank and other borrowings raised		1,489,354	839,446
Repayments of bank and other borrowings		(887,261)	(534,770)
Repayments of obligations under finance leases		(362)	(268)
(Repayment to) advance from a director		(5,398)	643
Repayment from (advance to) a minority shareholder		7,839	(724)
Dividends paid		(77,547)	(58,860)
Interest paid		(120,723)	(72,603)
Net cash from financing activities		411,640	176,697
Net increase (decrease) in cash and cash equivalents		178,900	(276,760)
Cash and cash equivalents brought forward		145,296	464,870
Effect of foreign exchange rate changes		88,137	(42,814)
Cash and cash equivalents carried forward		412,333	145,296
Analysis of the balances of cash and cash equivalents			
Deposits with investment banks		154,891	31,000
Bank balances and cash		264,024	114,581
Bank overdrafts		(6,582)	(285)
		412,333	145,296

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

1. GENERAL

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

The principal activities of the Group are property development and investment, hotel operations and loan financing, and treasury management.

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

2. POTENTIAL IMPACT ARISING ON THE NEW AND REVISED ACCOUNTING STANDARDS NOT YET EFFECTIVE

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are either effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The adoption of the new HKFRSs had resulted in change to the Group accounting policy in the following area. The adoption of the new HKFRSs has had no material effect on how the results and financial position of the Group for the current or prior periods have been prepared and presented.

Financial guarantee contracts

In the current year, the Group has applied Hong Kong Accounting Standard ("HKAS") 39 and Hong Kong Financial Reporting Standards ("HKFRS") 4 (Amendments) "Financial guarantee contracts" which is effective for annual periods beginning on or after 1st January, 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

The adoption of HKAS 39 and HKFRS 4 (Amendments) has no material impact on the Group's consolidated financial statements.

Fair value option

In the current year, the Group has applied HKAS 39 (Amendment) "The fair value option" which is effective for annual periods beginning on or after 1st January, 2006.

Prior to 1st April, 2006, the Group designated certain financial instruments as at fair value through profit or loss.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

2. POTENTIAL IMPACT ARISING ON THE NEW AND REVISED ACCOUNTING STANDARDS NOT YET EFFECTIVE *(continued)*

At the date of authorisation of these consolidated financial statements, the following HKFRS, HKAS and Interpretations ("HK(IFRIC)") were issued but not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on how the results and the financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC) - INT 8	Scope of HKFRS 2 ³
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC) - INT 11	HKFRS 2 – Group and Treasury Share Transactions ⁶
HK(IFRIC) - INT 12	Service Concession Arrangements ⁷

¹ Effective for annual periods beginning on or after 1st January, 2007

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st May, 2006

⁴ Effective for annual periods beginning on or after 1st June, 2006

⁵ Effective for annual periods beginning on or after 1st November, 2006

⁶ Effective for annual periods beginning on or after 1st March, 2007

⁷ Effective for annual periods beginning on or after 1st January, 2008

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company, its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the associate, except to the extent that unrealised losses provided evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Interests in jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in jointly controlled assets

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

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

Revenue recognition

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

Revenue from sale of properties in the ordinary course of business (including revenue from pre-completion contracts for the sale of development properties entered into on or after 1st January, 2005) is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

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

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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

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

Investment properties

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

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

Property, plant and equipment

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

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

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

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

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Buildings under development for own use

Buildings under development held for own use are stated at cost less any impairment loss recognised. Cost comprises development costs including attributable interest and professional charges capitalised during the development period.

No depreciation is provided in respect of buildings under development held for own use. Depreciation of building commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Prepaid lease payments

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

Completed properties for sale

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

Properties under development for sale

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

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

Impairment

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

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

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

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

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

Leasehold land under development

When the leasehold land is in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction.

Leases

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

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

Retirement benefits schemes

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

Financial instruments

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

Financial assets

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

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

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

Financial assets at fair value through profit or loss

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

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition, if it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets (continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

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

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

Financial liabilities at fair value through profit or loss

Conversion option of convertible bonds issued by the Group which is settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity instruments is a conversion option derivative which is not closely related to the liability component of the convertible bonds. The Group has designated the entire instrument as financial liability carried at fair value through profit or loss. At initial recognition and in subsequent periods, the convertible bonds is measured at fair value through profit or loss with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

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

Equity instruments

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

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within creditors and accrued charges. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to the relevant asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in creditors and accrued charges in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received and cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated allowances for bad and doubtful debts

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

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

5. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include debtors, loans receivables, investments held for trading, available-for-sale investments, financial assets at fair value through profit or loss, amounts due from a jointly controlled entity, an investee company and associates, deposits with banks or investments banks, creditors, amounts due to directors, related companies, associates, a jointly controlled entity and a minority shareholder, and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Cash flow interest rate risk

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group's credit risks primarily attributable to its debtors, loans receivables, amounts due from associates, an investee company, a minority shareholder and a jointly controlled entity. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

Price risk

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

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

5. FINANCIAL INSTRUMENTS (continued)

b. Fair value

The fair value of the following financial assets and financial liabilities are determined as follows:

- the fair value of listed available-for-sale investments with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.
- the fair value of financial assets and liabilities at fair value through profit or loss traded through investment banks are determined with reference to latest market bid and ask prices respectively.
- the fair value of derivative financial instruments are determined in accordance with generally accepted pricing models based on data obtained in current market.
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

6. REVENUE

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

	2007	2006
	HK\$'000	HK\$'000
Sale of properties	339,420	270,081
Rental income and management fee income	59,315	51,515
Hotel operations	342,901	204,041
Hotel loan financing income	63,580	70,178
Sale of financial instruments	113,033	19,104
Interest income from financial instruments	60,441	68,862
Other operations	9,519	19,467
	988,209	703,248

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

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

2007

	Property development and investment HK\$'000	Hotel Operations HK\$'000	Loan financing HK\$'000	Treasury management HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	394,217	347,419	63,580	173,474	9,519	-	988,209
Inter-segment sales	29,237	654	88,490	-	-	(118,381)	-
Total revenue	423,454	348,073	152,070	173,474	9,519	(118,381)	988,209
Inter-segment sales are charged at prevailing market rates.							
RESULTS							
Segment results	79,999	202,912	59,377	182,956	(129,950)		395,294
Discount on acquisition	-	44,208	-	-	-		44,208
Decrease in fair value of financial liabilities at fair value through profit or loss							68,839
Gain on disposal of a subsidiary							225,200
Share of results of associates	26,475	-	-	-	2,495		28,970
Share of results of jointly controlled entities	-	-	-	-	(771)		(771)
Finance costs							(67,917)
Profit before taxation							693,823
Taxation							(157,394)
Profit for the year							536,429

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2007 (continued)

	Property development and investment HK\$'000	Hotel		Treasury management HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
		Operations HK\$'000	Loan financing HK\$'000			
BALANCE SHEET						
ASSETS						
Segment assets	3,914,257	2,631,717	-	1,543,112	174,071	8,263,157
Interests in associates	31,864	-	-	-	133,230	165,094
Interests in jointly controlled entities	-	-	-	-	73,846	73,846
Amounts due from associates	160	-	-	-	80,713	80,873
Amount due from a jointly controlled entity	-	-	-	-	12,270	12,270
Taxation recoverable						11,194
Unallocated corporate assets						105,922
Consolidated total assets						8,712,356
LIABILITIES						
Segment liabilities	602,033	41,519	-	112,935	15,438	771,925
Amounts due to associates	11,787	-	-	-	98	11,885
Amount due to a jointly controlled entity	-	-	-	-	12,552	12,552
Borrowings						3,483,245
Taxation payable						151,730
Deferred taxation						188,206
Unallocated corporate liabilities						44,717
Consolidated total liabilities						4,664,260
OTHER INFORMATION						
Capital additions	71,649	1,076,393	-	-	-	1,148,042
Depreciation and amortisation	5,899	36,442	-	152	-	42,493

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2006

	Property development and investment HK\$'000	Hotel		Treasury management HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
		Operations HK\$'000	Loan financing HK\$'000				
REVENUE							
External sales	321,596	204,041	70,178	87,966	19,467	-	703,248
Inter-segment sales	35,517	-	-	-	-	(35,517)	-
Total revenue	357,113	204,041	70,178	87,966	19,467	(35,517)	703,248

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment results	379,005	83,673	67,851	63,020	(17,974)		575,575
Increase in fair value of financial liabilities at fair value through profit or loss							(113,160)
Profit on disposal of property, plant and equipment	225	-	-	-	-		225
Share of results of associates	5,741	-	-	-	1,077		6,818
Share of results of jointly controlled entities	-	-	-	-	1,379		1,379
Finance costs							(52,759)
Profit before taxation							418,078
Taxation							(85,867)
Profit for the year							332,211

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2006 (continued)

	Property development and investment HK\$'000	Hotel		Treasury management HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
		Operations HK\$'000	Loan financing HK\$'000			
BALANCE SHEET						
ASSETS						
Segment assets	1,534,938	1,426,508	408,744	575,114	2,813,730	6,759,034
Interests in associates	1,839	-	-	-	139,855	141,694
Interests in jointly controlled entities	-	-	-	-	74,617	74,617
Amounts due from associates	60,658	-	-	-	72,338	132,996
Amount due from a jointly controlled entity	-	-	-	-	9,652	9,652
Taxation recoverable						7,995
Unallocated corporate assets						14,320
Consolidated total assets						7,140,308
LIABILITIES						
Segment liabilities	222,302	25,940	59,943	92,090	52,522	452,797
Amounts due to associates	23,315	-	-	-	164	23,479
Amount due to a jointly controlled entity	-	-	-	-	10,801	10,801
Borrowings						2,898,327
Taxation payable						33,124
Deferred taxation						124,395
Unallocated corporate liabilities						25,602
Consolidated total liabilities						3,568,525
OTHER INFORMATION						
Capital additions	16,500	233,395	-	-	63	249,958
Depreciation and amortisation	5,816	20,085	-	-	309	26,210

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographic segments

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

	2007 HK\$'000	2006 HK\$'000
Hong Kong	569,786	400,349
Australia	302,167	227,189
Malaysia	50,703	37,507
Other regions in the People's Republic of China ("PRC")	50,211	24,728
Singapore	15,342	13,475
	988,209	703,248

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

	Carrying amount of segment assets		Capital additions	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong	5,147,700	4,193,771	841,885	236,750
Other regions in the PRC	1,363,226	797,197	599	105
Malaysia	723,874	406,106	301,299	240
Australia	558,846	882,140	53	864
Singapore	305,228	252,366	7	17
United States of America ("USA")	141,431	207,913	–	–
Others	22,852	19,541	4,199	11,982
	8,263,157	6,759,034	1,148,042	249,958

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

8. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Borrowing costs on:		
Bank loans and overdrafts		
– wholly repayable within five years	29,917	30,762
– not wholly repayable within five years	71,296	36,501
Other loans		
– wholly repayable within five years	18,071	2,679
– not wholly repayable within five years	1,416	2,635
Finance leases	23	26
Others	113	125
Total borrowing costs	120,836	72,728
Less: Amounts capitalised in respect of:		
– properties under development for sale	(41,763)	(12,921)
– buildings under development	–	(2,012)
– hotel properties under development	(6,953)	–
	72,120	57,795
Analysed into:		
Amount included in cost of sales	4,203	5,036
Amount included in finance costs	67,917	52,759
	72,120	57,795

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

9. TAXATION

	2007 HK\$'000	2006 HK\$'000
The taxation charges comprises:		
Current year:		
Hong Kong	64,473	11,872
Other jurisdictions	10,110	263
	74,583	12,135
Prior years underprovision:		
Hong Kong	15,183	553
Other jurisdictions	46,317	464
	61,500	1,017
Deferred taxation (note 42)	21,311	72,715
	157,394	85,867

Included in taxation, the group has provided Land Appreciation Tax ("LAT") of HK\$60,000,000 for the year (2006: Nil). The State Administration of Taxation ("SAT") of the PRC issued Guoshuifa [2006] No.187 dated 28th December, 2006, which has become effective from 1st February, 2007, announcing its intention to strengthen the mechanism for collection of LAT on property developers, and authorising the local tax bureaux to issue detailed implementation rules and procedures appropriate to local environment. In order to minimise the uncertainties in the accounts due to exposure to the additional LAT liabilities, the Group has provided for LAT in the current year fully in accordance with the requirements of SAT even though detailed implementation rules and procedures are not issued by the relevant local tax bureau.

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

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

9. TAXATION (continued)

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

	Hong Kong HK\$'000	Other regions in the PRC HK\$'000	Malaysia HK\$'000	Australia HK\$'000	Others HK\$'000	Total HK\$'000
2007						
Profit (loss) before taxation	705,246	(48,331)	52,913	24,358	(40,363)	693,823
Applicable income tax rate	17.5%	33%	27%	30%		
Tax at the applicable income tax rate	123,418	(15,949)	14,286	7,307	(4,793)	124,269
Tax effect of expenses not deductible for tax purpose	15,852	14,883	1,495	559	10,697	43,486
Tax effect of income not taxable for tax purpose	(68,231)	(548)	(12,099)	(879)	(6,229)	(87,986)
LAT						
– underprovision in prior years	–	50,000	–	–	–	50,000
– provision in current year	–	10,000	–	–	–	10,000
Tax effect of LAT	–	(19,800)	–	–	–	(19,800)
Tax effect of tax losses not recognised	17,729	21,655	15	–	–	39,399
Utilisation of tax loss not previously recognised	(4,770)	–	–	(5,610)	189	(10,191)
Tax effect of share of results of associates	(5,070)	–	–	–	–	(5,070)
Tax effect of change in tax rate	–	–	248	–	–	248
Tax effect of share of results of jointly controlled entity	263	(241)	–	–	–	22
(Over) underprovision in prior years	15,183	5	3	(454)	(3,237)	11,500
Others	2,670	–	20	(1,378)	205	1,517
Taxation charge for the year	97,044	60,005	3,968	(455)	(3,168)	157,394

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

9. TAXATION (continued)

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

Details of the deferred taxation are set out in note 42.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

10. PROFIT FOR THE YEAR

	2007 HK\$'000	2006 HK\$'000
Profit for the year has been arrived at after charging:		
Amortisation of investment in a jointly controlled entity	2,904	2,904
Amortisation of prepaid lease payments	6,609	5,223
Allowance for bad and doubtful debts	36,193	5,009
Allowance for loans receivable	3,088	11,004
Allowance for amount due from an associate	51,923	–
Auditor's remuneration	4,538	2,850
Cost of completed properties for sale recognised as an expense	290,150	258,856
Cost of inventories recognised as an expense	5,716	14,659
Depreciation:		
Owned assets	35,665	20,768
Assets held under finance leases	219	219
Loss on disposal of property, plant and equipment	16	–
Directors' remuneration and other staff costs	108,931	57,102
Share of taxation of associates (included in share of results of associates)	69	1,431
and after crediting:		
Dividend income from listed investments	4,307	2,304
Bank interest income	4,645	4,115
Net foreign exchange gains	4,187	484
Gain on disposal of property, plant and equipment	–	225
Rental income, net of outgoings of HK\$11,908,000 (2006: HK\$10,342,000)	40,950	36,019

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

11. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

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

For the year ended 31st March, 2007

	Deacon Te Ken Chiu HK\$'000	David Chiu HK\$'000	Craig Grenfell Williams HK\$'000	Dennis Chiu HK\$'000	Ching Lan Ju Chiu HK\$'000	Dick Tat Sang Chiu HK\$'000	Daniel Tat Jung Chiu HK\$'000	David Kwok Kwei Lo HK\$'000	Jian Yin Jiang HK\$'000	Kwok Wai Chan HK\$'000	Total HK\$'000
Fees	25	25	25	25	25	25	25	150	25	150	500
Other emoluments											
Salaries and other benefits	2,055	2,530	1,535	557	520	-	-	-	-	-	7,197
Contributions to retirement benefits schemes	-	12	-	-	-	-	-	-	-	-	12
Total emoluments	2,080	2,567	1,560	582	545	25	25	150	25	150	7,709

For the year ended 31st March, 2006

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

No directors waived any emoluments in the year ended 31st March, 2007 and 2006.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

11. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

Of the five individuals with the highest emoluments in the Group, three (2006: three) were directors whose emoluments are included in the disclosures above. The remuneration of the remaining two (2006: two) individuals were as follows:

	2007 HK\$'000	2006 HK\$'000
Salaries and other benefits	1,693	1,526
Contributions to retirement benefits scheme	24	24
	1,717	1,550

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

During the years ended 31st March, 2007 and 2006, no emolument was paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

	2007 HK\$'000	2006 HK\$'000
Interim, paid – HK4 cents (2006: HK3 cents) per share:		
Cash	30,193	18,418
Share alternative under scrip dividend scheme	28,003	24,508
	58,196	42,926
Final, paid for 2006 - HK6 cents (Final, paid for 2005: HK5 cents) per share:		
Cash	47,354	40,442
Share alternative under scrip dividend scheme	39,179	30,487
	86,533	70,929
	144,729	113,855

The final dividend in respect of 2007 of HK8 cents (2006: HK6 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

13. EARNINGS PER SHARE

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

	2007 HK\$'000	2006 HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per shares	538,955	335,124
Effect of (decrease) increase in fair value of financial liabilities at fair value through profit or loss	(68,839)	113,160
Earnings for the purpose of diluted earnings per share	470,116	448,284
	Number of shares '000	Number of shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,450,102	1,419,558
Effect of dilutive potential ordinary shares		
– convertible bonds	245,051	201,312
– share options	10,433	11,894
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,705,586	1,632,764

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

14. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1st April, 2005	800,955
Exchange adjustments	3,779
Disposals	(10,689)
Transfer from hotel properties under development	88,642
Increase in fair value recognised in the consolidated income statement	414,740
At 31st March, 2006	1,297,427
Exchange adjustments	23,240
Transfer to property, plant and equipment	(8,786)
Increase in fair value recognised in the consolidated income statement	59,841
At 31st March, 2007	1,371,722

The carrying amount of investment properties comprises:

	2007	2006
	HK\$'000	HK\$'000
Land in Hong Kong:		
Long lease	204,485	205,270
Medium-term lease	835,746	814,746
Land outside Hong Kong:		
Freehold	45,731	40,786
Long lease	285,760	236,625
	1,371,722	1,297,427

The fair value of the investment properties in Hong Kong, Malaysia and Singapore at 31st March, 2007 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, Raine & Horne International Zaki + Partners Sdn. Bhd., and Jones Lang LaSalle Property Consultants Pte. Limited, independent qualified professional valuers not connected with the Group, respectively. DTZ Debenham Tie Leung Limited, Raine & Horne International Zaki + Partners Sdn. Bhd., and Jones Lang LaSalle Property Consultants Pte. Limited are members of the Hong Kong Institute of Surveyors ("HKIS") and Royal Institution of Chartered Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Buildings HK\$'000	Buildings under development HK\$'000	Hotel properties HK\$'000	Hotel properties under development HK\$'000	Others HK\$'000	Total HK\$'000
COST							
At 1st April, 2005	125,596	71,422	6,104	584,391	347,128	60,558	1,195,199
Exchange adjustments	-	2,117	-	1,042	-	692	3,851
Additions	-	-	12,977	42,669	98,500	14,812	168,958
Transfer to investment properties	-	-	-	-	(79,881)	-	(79,881)
Reclassification	-	-	-	259,770	(259,770)	-	-
Disposals	-	(303)	-	-	-	(818)	(1,121)
At 31st March, 2006	125,596	73,236	19,081	887,872	105,977	75,244	1,287,006
Exchange adjustments	4,148	2,628	-	18,353	-	2,772	27,901
Additions	-	-	67,428	51,166	43,121	9,694	171,409
Acquired through business combinations	53,033	-	-	599,016	-	9,039	661,088
Transfer from investment properties	-	8,786	-	-	-	-	8,786
Reclassification	-	-	-	125,359	(125,359)	-	-
Disposals	-	-	-	-	-	(1,970)	(1,970)
At 31st March, 2007	182,777	84,650	86,509	1,681,766	23,739	94,779	2,154,220
DEPRECIATION							
At 1st April, 2005	-	10,525	-	3,933	-	40,603	55,061
Exchange adjustments	-	435	-	358	-	537	1,330
Provided for the year	-	3,162	-	13,280	-	4,545	20,987
Eliminated on disposals	-	(58)	-	-	-	(818)	(876)
At 31st March, 2006	-	14,064	-	17,571	-	44,867	76,502
Exchange adjustments	-	749	-	548	-	1,698	2,995
Provided for the year	-	3,287	-	25,546	-	7,051	35,884
Eliminated on disposals	-	-	-	-	-	(1,824)	(1,824)
At 31st March, 2007	-	18,100	-	43,665	-	51,792	113,557
CARRYING VALUES							
At 31st March, 2007	182,777	66,550	86,509	1,638,101	23,739	42,987	2,040,663
At 31st March, 2006	125,596	59,172	19,081	870,301	105,977	30,377	1,210,504

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

Buildings on land held under:

Long lease	2%
Freehold	2%
Medium-term lease	Shorter of lease terms or 50 years
Other assets	10% – 20%

No depreciation is provided in respect of freehold land.

Included in hotel properties under development is interest capitalised of HK\$6,953,000 (2006: HK\$2,014,000).

The Group's property interests shown above comprises:

	2007 HK\$'000	2006 HK\$'000
Land in Hong Kong:		
Long lease	45,084	13,843
Medium-term lease	1,306,416	834,358
Land outside Hong Kong:		
Freehold	586,105	274,686
Medium-term lease	60,071	57,240
	1,997,676	1,180,127

Included in the carrying value of others is an amount of HK\$2,584,000 (2006: HK\$653,000) in respect of assets held under finance leases.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

16. PREPAID LEASE PAYMENTS

	2007 HK\$'000	2006 HK\$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	680,842	370,933
Leasehold land outside Hong Kong:		
Medium-term lease	11,298	12,271
	692,140	383,204
Analysed for reporting purposes as:		
Current asset	11,904	8,239
Non-current asset	680,236	374,965
	692,140	383,204

17. INTERESTS IN ASSOCIATES

	2007 HK\$'000	2006 HK\$'000
Unlisted investments, at cost	86,761	86,761
Share of post-acquisition reserves, net of dividends received	78,333	54,933
	165,094	141,694

Details of the Group's principal associates at 31st March, 2007 are set out in note 55.

Included in the cost of investments in associates is goodwill of HK\$10,601,000 (2006: HK\$10,601,000) arising on acquisitions of associates in prior years.

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For the year ended 31st March, 2007

17. INTERESTS IN ASSOCIATES *(continued)*

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

	2007 HK\$'000	2006 HK\$'000
Total assets	1,067,163	961,860
Total liabilities	(671,236)	(646,525)
	395,927	315,335
Group's share of net assets	154,493	131,093
Revenue	404,036	347,935
Profit for the year	95,757	34,759
Group's share of results of associates for the year	28,970	6,818

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

	2007 HK\$'000	2006 HK\$'000
Unrecognised share of losses of associates for the year	23	24
Accumulated unrecognised share of losses of associates	50,124	50,101

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For the year ended 31st March, 2007

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2007 HK\$'000	2006 HK\$'000
Unlisted investments, at cost	42,160	45,064
Share of post-acquisition reserves net of dividends received	31,686	29,553
	73,846	74,617

Details of the Group's jointly controlled entities at 31st March, 2007 are as follows:

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

Note: The Group holds the controlling equity interests in these jointly controlled entities. However, under the respective joint venture agreements, all the operating and financial decisions have to be jointly approved by the Group and the joint venture partners. Accordingly, these two entities are classified as jointly controlled entities of the Group.

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For the year ended 31st March, 2007

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

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

	2007 HK\$'000	2006 HK\$'000
Total assets	104,470	134,604
Total liabilities	(7,266)	(6,151)
	97,204	128,453
Group's share of net assets	8,999	6,866
Revenue	37,324	8,206
Expenses	(35,549)	(3,168)
Profit for the year	1,775	5,038
Group's share of results of jointly controlled entities for the year	2,133	4,283

Note: Under a joint venture agreement, the Group is required to make 68% of total capital contribution in Shangqiu Yongyuan Development Company Limited, an equity joint venture company in the PRC established for the construction and operation of highway, for a term of 21 years commencing from 31st July, 1997. Upon the completion of the construction work, the Group is entitled to 85% of the profits earned until it has recovered dividends to an amount equivalent to all its contributions. Thereafter, the Group is entitled to 25% of the profits whereas the PRC joint venture partner is entitled to the remaining 75% until it has effectively recovered dividends equivalent to all its contributions for the agreed valuation of the relevant highway. The Group's entitlement to a share of profits is then in proportion to its contribution. At the end of the 21 years, the joint venture will be dissolved and the Group's interest in the joint venture will be surrendered to the PRC party for no consideration. Therefore, the investment cost of the interest in the jointly controlled entity of HK\$2,904,000 (2006: HK\$2,904,000) is amortised over 21 years under the joint venture agreement and the Group's share of profit of the joint venture project during the year is being HK\$2,133,000 (2006: HK\$4,283,000).

19. INVESTMENTS HELD FOR TRADING

Investments held for trading which are measured at fair value at 31st March, 2006 and 2007 comprise:

	2007 HK\$'000	2006 HK\$'000
Listed equity investments:		
In Hong Kong	24,428	7,724
Overseas	26,336	–
	50,764	7,724

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For the year ended 31st March, 2007

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31st March, 2007 comprise:

	2007 HK\$'000	2006 HK\$'000
Listed equity investments:		
In Hong Kong	91,834	164,947
Overseas	98,863	304,782
	190,697	469,729
Unlisted investments:		
Equity securities (Note)	26	69,194
Debt securities with fixed interest rates	70,166	93,400
Quoted fund	156,015	70,046
	226,207	232,640
	416,904	702,369
Analysed for reporting purposes as:		
Non-current assets	245,289	598,758
Current assets	171,615	103,611
	416,904	702,369

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

Note: The amount at 31st March, 2006 represented an 5% equity investment in the contributed capital of Hudson Waterfront Associates, L. P. ("Hudson"), a limited partnership established in the United States of America. Hudson is an investment vehicle principally engaged in property development and investment in the New York City, the USA. During the year, this investment was sold through disposal of a subsidiary, Shelborn Enterprises, Inc. (see note 45).

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For the year ended 31st March, 2007

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount represents unlisted equity-linked notes held by the Group. As notes contain conversion option which is not closely related to the host debt contract, and accordingly they are designated as financial assets at fair value through profit or loss and are measured at fair value as at 31st March, 2006 and 2007.

Equity-linked notes are classified into the current and non-current portions based on the maturity date of the respective securities stated on the term sheets issued by financial institutions.

22. AMOUNTS DUE FROM ASSOCIATES

	2007 HK\$'000	2006 HK\$'000
Unsecured and interest free advances to associates, net of allowance	80,873	132,996
Less: Amount due within one year shown as current assets	(2,331)	(3,437)
Amount due after one year	78,542	129,559

23. AMOUNT DUE FROM AN INVESTEE COMPANY

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

24. AMOUNT DUE FROM A MINORITY SHAREHOLDER

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

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For the year ended 31st March, 2007

25. LOANS RECEIVABLE

	2007 HK\$'000	2006 HK\$'000
Secured loans receivable at commercial interest rates	8,502	420,936
Less: Amount due within one year shown as current assets	(1,022)	(3,679)
Amount due after one year	7,480	417,257

The loans receivables are secured by certain properties of the borrowers. The effective interest rate for both years on the Group's loans receivable is 15.01% (2006: 14.38%) except for the loans receivable amounting to HK\$8,502,000 (2006: HK\$12,192,000) which carry interest at 7.75% (2006: 7.63%).

26. Inventories

	2007 HK\$'000	2006 HK\$'000
Raw materials	282	392
Work in progress	–	612
Finished goods	987	577
	1,269	1,581

27. PROPERTIES UNDER DEVELOPMENT FOR SALE

Included in properties under development for sale as at 31st March, 2007 are properties with a carrying value of HK\$662,564,000 (2006: HK\$876,264,000). This represents the carrying value of properties are not expected to be realised within twelve months from the balance sheet date.

28. DERIVATIVE FINANCIAL INSTRUMENTS

The amount represents call/put options on overseas listed equity securities, with maturity dates ranging from three months to one year, held by the Group measured at fair value at 31st March, 2006 and 2007.

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29. DEBTORS, DEPOSITS AND PREPAYMENTS

The debtors, deposits and prepayments include trade debtors of HK\$56,191,000 (2006: HK\$26,624,000). The Group allows an average credit period of 60 days to its trade customers.

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

	2007 HK\$'000	2006 HK\$'000
0 – 60 days	48,081	24,094
61 – 90 days	2,062	931
Over 90 days	6,048	1,599
	56,191	26,624

Included in debtors, deposits and prepayments is amount due from a minority shareholder of HK\$681,000 (2006: HK\$41,658,000) which is unsecured, interest free and repayable on demand.

30. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

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

31. PLEDGED BANK DEPOSITS, DEPOSITS WITH INVESTMENT BANKS AND BANK BALANCES AND CASH

Pledged bank deposits included in non-current assets comprised time deposits of HK\$3,165,000 (2006: HK\$2,765,000) carried at fixed interest rates ranging from 0.02% to 5.21% (2006: 0.7% to 4.49%) with the maturity dates ranging from 1 to 6 month and are pledged for bank borrowings repayable after one year.

Pledged bank deposits included in current assets comprise time deposits of HK\$98,656,000 (2006: HK\$52,338,000) carried at fixed interest rates ranging from 0.02% to 5.21% (2006: 0.7% to 4.49%) with the maturity dates ranging from 1 to 6 month and are pledged for bank borrowings repayable after one year.

Deposits with investment banks at 31st March, 2007 comprised time deposits with the maturity dates ranging from 1 to 6 month of HK\$154,891,000 (2006: HK\$31,000,000) carried fixed interest rates ranging from of 2.25% to 5.2% (2006: 2.83% to 8.6%).

Bank balances and cash at 31st March, 2007 comprised time deposits of HK\$148,990,000 (2006: HK\$96,635,000) carried fixed average interest rates of 2.5% to 5.14% (2006: 1.35% to 4.58%) and other deposits of HK\$115,034,000 (2006: HK\$17,946,000) carried at floating average market interest rate of 2.5% (2006: 0.3%).

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

32. CREDITORS AND ACCRUALS

The creditors and accruals include trade creditors of HK\$292,260,000 (2006: HK\$109,911,000).

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

	2007 HK\$'000	2006 HK\$'000
0 – 60 days	123,890	87,724
61 – 90 days	5,959	995
Over 90 days	162,411	21,192
	292,260	109,911

33. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest free except for an amount of HK\$3,726,000 (2006: HK\$7,797,000) which carries interest at 5% (2006: 5%) per annum and repayable on demand.

34. AMOUNTS DUE TO RELATED COMPANIES

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

35. AMOUNTS DUE TO ASSOCIATES AND MINORITY SHAREHOLDERS

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

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36. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount represents two convertible bonds denominated in United States dollars and Hong Kong dollars respectively as at 31st March, 2007.

Convertible bonds denominated in United States dollars

In April 2004, the Company issued zero coupon convertible bonds with a principal amount of US\$66,989,000 (the "US\$ Bonds"). The holders of the US\$ Bonds are entitled to convert the convertible bonds into ordinary shares of the Company at an initial conversion price of HK\$2.25 (subsequently adjusted to HK\$2.07) per share during the period from 13th May, 2004 to 14th March, 2009, or to require the Company to redeem all or some of the US\$ Bonds on 13th April, 2006 at 102.01% of their principal amount. The Company may redeem all but not some of the US\$ Bonds, on or at any time after 13th April, 2006 and prior to 13th April, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the US\$ Bonds will be redeemed at 105.10% of their principal amount on 13th April, 2009. The US\$ Bonds are listed on the Stock Exchange. Details of the issue of the Bonds were disclosed in the Company's circular dated 6th April, 2004.

During the year, an aggregate principal amount of US\$1,000,000 (2006: US\$1,900,000) (equivalent to approximately HK\$7,793,000 (2006: HK\$14,805,000)) of the convertible bonds were converted into ordinary shares of the Company. The fair value of the convertible bond denominated in United States dollars is amounted to HK\$1,948,000 (2006: HK\$9,689,000).

Convertible bonds denominated in Hong Kong dollars

In December 2004, the Company issued zero coupon convertible bonds with a principal amount of HK\$754,000,000 (the "HK\$ Bonds"). The holders of the HK\$ Bonds are entitled to convert the convertible bonds into ordinary shares of the Company at an initial conversion price of HK\$4.10 (subsequently adjusted to HK\$3.07) per share, during the period from 11th January, 2005 to 10th November, 2009, or to require the Company to redeem all or some of the HK\$ Bonds on 10th December, 2006 at 104.58% of their principal amount. The Company may redeem all but not some of the HK\$ Bonds on or at any time after 10th June, 2005 and prior to 10th December, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the HK\$ Bonds will be redeemed at 111.84% of their principal amount of 10th December, 2009. The HK\$ Bonds are listed on the Stock Exchange. Details of the issue of the Bonds were disclosed in the Company's circular dated 10th November, 2004.

During the two years ended 31st March, 2007, no conversion rights were exercised by the holders of the HK\$ Bonds. The fair value of the convertible bond denominated in Hong Kong dollars is amounted to HK\$836,388,000 (2006: HK\$905,280,000).

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37. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Amounts payable under finance leases:				
Within one year	785	374	766	352
In the second to fifth year inclusive	1,071	735	1,070	716
	1,856	1,109	1,836	1,068
Less: Future finance charges	(20)	(41)	–	–
Present value of lease obligations	1,836	1,068	1,836	1,068
Less: Amount due within one year shown under current liabilities			(766)	(352)
Amount due after one year			1,070	716

It is the Group's policy to lease certain of its motor vehicles, fixtures and equipment under finance leases. The average lease terms range from 1 to 3 years. The average effective borrowing rates range from 3% to 8% per annum during the year. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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38. BANK AND OTHER BORROWINGS

	2007 HK\$'000	2006 HK\$'000
The borrowings comprise:		
Bank loans	1,866,801	1,622,087
Mortgage loans	456,282	348,440
Other loans	313,408	11,478
	2,636,491	1,982,005
Analysed as:		
Secured	2,636,491	1,970,527
Unsecured	–	11,478
	2,636,491	1,982,005

The Group's bank borrowings and mortgage loans are on a floating rate basis which carry interest at prevailing market rates. The range of effective interest rates for the year on the Group's bank borrowings are 4.64% to 7.25% (2006: 2.75% to 7%).

The other loans are secured and bear floating interest rate range from 0.56% to 5.85% (2006: fixed interest at 5%) per annum.

	2007 HK\$'000	2006 HK\$'000
The above borrowings are repayable as follows:		
On demand or within one year	1,233,225	999,925
More than one year, but not exceeding two years	307,130	189,767
More than two years, but not exceeding three years	224,646	97,424
More than three years, but not exceeding four years	107,052	170,824
More than four years, but not exceeding five years	206,583	288,577
More than five years	557,855	235,488
	2,636,491	1,982,005
Less: Amount due within one year shown under current liabilities	(1,233,225)	(999,925)
Amount due after one year	1,403,266	982,080

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39. SHARE CAPITAL

	Number of shares		Share capital	
	2007	2006	2007 HK\$'000	2006 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning and end of year	2,000,000,000	2,000,000,000	200,000	200,000
Issued and fully paid:				
At beginning of year	1,441,087,989	1,414,262,017	144,108	141,426
Issued pursuant to scrip dividend schemes	20,011,957	18,064,519	2,002	1,806
Issued upon conversion of convertible bonds	3,728,373	6,791,453	373	679
Issued upon exercise of share options	2,780,000	1,970,000	278	197
At end of year	1,467,608,319	1,441,087,989	146,761	144,108

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

- On 25th September, 2006 and 8th February, 2007, the Company issued and allotted a total of 11,943,420 and 8,068,537 shares of HK\$0.1 each in the Company at HK\$3.28 and HK\$3.47 per share (2006: 9,153,769 and 8,910,750 shares of HK\$0.10 each in the Company at HK\$3.33 and HK\$2.75 per share) to the shareholders who elected to receive shares in the Company for the 2006 final dividends and 2007 interim dividends pursuant to the scrip dividend scheme announced by the Company on 12th September, 2006 and 22nd January, 2007, respectively.
- During the year, the Company issued and allotted a total of 3,728,373 (2006: 6,791,453) shares of HK\$0.10 each in the Company upon the conversion of convertible bonds as referred to in note 36.
- During the year, 2,780,000 (2006: 1,970,000) shares of HK\$0.10 each in the Company were issued upon the exercise of share options at a subscription price of HK\$2.075 per share.

All the shares issued during the two years ended 31st March, 2007 rank pari passu in all respects with the existing shares.

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

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40. SHARE OPTION SCHEME

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

At 31st March, 2007, the number of shares which remained outstanding under the Share Option Scheme was 27,500,000 (2006: 28,030,000), representing 1.87% (2006: 1.95%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

Details of share options, which were granted on 21st October, 2004 at an initial exercise price at HK\$2.075 per share and on 25th August, 2006 at an initial exercise at HK\$3.290 per share. Options granted during the year can only be exercised upon completion of the requisite service period.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price HK\$	Exercise Date
Tranche 1	25.8.2006	25.8.2006 to 31.8.2006	1.9.2006 to 31.12.2010	3.290	1.9.2006
Tranche 2	25.8.2006	25.8.2006 to 31.12.2006	1.1.2007 to 31.12.2010	3.290	1.1.2007
Tranche 3	25.8.2006	25.8.2006 to 31.12.2007	1.1.2008 to 31.12.2010	3.290	1.1.2008
Tranche 4	25.8.2006	25.8.2006 to 31.12.2008	1.1.2009 to 31.12.2010	3.290	1.1.2009
Tranche 5	25.8.2006	25.8.2006 to 31.12.2009	1.1.2010 to 31.12.2010	3.290	1.1.2010

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40. SHARE OPTION SCHEME (continued)

The movements in the options during the year are as follows:

Category of grantee	At 1.4.2005	Exercised during the year	At 31.3.2006	Granted during the year	Exercised during the year	Forfeited during the year	At 31.3.2007	Exercisable period
Denny Chi Hing Chan	1,200,000	(600,000)	600,000	-	(600,000)	-	-	1.11.2004 to 31.12.2010
	1,400,000	-	1,400,000	-	(400,000)	-	1,000,000	1.1.2006 to 31.12.2010
	1,600,000	-	1,600,000	-	-	-	1,600,000	1.1.2007 to 31.12.2010
	1,800,000	-	1,800,000	-	-	-	1,800,000	1.1.2008 to 31.12.2010
	2,000,000	-	2,000,000	-	-	-	2,000,000	1.1.2009 to 31.12.2010
	8,000,000	(600,000)	7,400,000	-	(1,000,000)	-	6,400,000	
Bill Kwai Pui Mok	1,200,000	-	1,200,000	-	-	-	1,200,000	1.4.2005 to 31.12.2010
	1,400,000	-	1,400,000	-	-	-	1,400,000	1.1.2006 to 31.12.2010
	1,600,000	-	1,600,000	-	-	-	1,600,000	1.1.2007 to 31.12.2010
	1,800,000	-	1,800,000	-	-	-	1,800,000	1.1.2008 to 31.12.2010
	2,000,000	-	2,000,000	-	-	-	2,000,000	1.1.2009 to 31.12.2010
	8,000,000	-	8,000,000	-	-	-	8,000,000	
Other employee in aggregate	1,150,000	(650,000)	500,000	-	(250,000)	-	250,000	1.11.2004 to 31.12.2010
	100,000	(100,000)	-	-	-	-	-	1.1.2005 to 31.12.2010
	2,325,000	(620,000)	1,705,000	-	(830,000)	-	875,000	1.1.2006 to 31.12.2010
	-	-	-	450,000	-	-	450,000	1.9.2006 to 31.12.2010
	2,975,000	-	2,975,000	525,000	(700,000)	(200,000)	2,600,000	1.1.2007 to 31.12.2010
	3,475,000	-	3,475,000	600,000	-	(250,000)	3,825,000	1.1.2008 to 31.12.2010
	3,975,000	-	3,975,000	675,000	-	(300,000)	4,350,000	1.1.2009 to 31.12.2010
	-	-	-	750,000	-	-	750,000	1.1.2010 to 31.12.2010
	14,000,000	(1,370,000)	12,630,000	3,000,000	(1,780,000)	(750,000)	13,100,000	
30,000,000	(1,970,000)	28,030,000	3,000,000	(2,780,000)	(750,000)	27,500,000		

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40. SHARE OPTION SCHEME (continued)

The estimated fair value of the options granted during the year determined at the date of grant using the Binominal model was approximately HK\$2,961,000. The Group recognised the total expense of approximately HK\$1,464,000 for the year ended 31st March, 2007 in relation to share options granted by the Company.

The following assumptions were used to calculate the fair value of share options granted during the year:

Exercise price	HK\$3.290
Expected life of options	2.7 years to 4.1 years
Expected volatility	45%
Expected dividend yield	3.9%
Risk free rate	4.079%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Total consideration received by the Group during the year for taking up the options granted amounted to approximately HK\$5,769,000 (2006: HK\$4,088,000).

The weighted average closing price of the Company's shares immediately before the date(s) on which the options were exercised is HK\$3.45.

41. AMOUNTS DUE TO A MINORITY SHAREHOLDER AND A JOINTLY CONTROLLED ENTITY

The amounts are unsecured and interest free, except for an amount of HK\$43,079,000 (2006: HK\$35,240,000) due to a minority shareholder which bears interest at 7.05% (2006: 7.05%) and matures in November 2013. In addition, the jointly controlled entity have confirmed that the amount will not be demanded for repayment within next twelve months from the balance sheet date and, accordingly, the amount is shown as non-current.

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42. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st April, 2005	38,676	58,062	(46,591)	50,147
Charge (credit) to consolidated income statement for the year	3,108	71,091	(1,484)	72,715
Charge to equity for the year	–	1,533	–	1,533
At 31st March, 2006	41,784	130,686	(48,075)	124,395
Acquisition of a business	42,500	–	–	42,500
Charge to consolidated income statement for the year	332	5,728	15,251	21,311
At 31st March, 2007	84,616	136,414	(32,824)	188,206

At 31st March, 2007, the Group has unused tax losses of HK\$618,660,000 (2006: HK\$561,609,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK\$143,856,000 (2006: HK\$226,853,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$474,804,000 (2006: HK\$334,756,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK\$149,322,000 (2006: HK\$138,346,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

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43. JOINTLY CONTROLLED ASSETS

The Group has entered into joint venture agreements in the form of jointly controlled assets to develop a multi-storey building, retail building, two residential apartment blocks and one office building. The Group has a 50% interest in these joint ventures.

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

	2007	2006
	HK\$'000	HK\$'000
Properties under development for sale	36,799	986
Debtors, deposits and prepayments	597	27
Bank balances	6,227	5,974
Creditors and accruals	(11,554)	(22)
	32,069	6,965

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

44. ACQUISITION OF A SUBSIDIARY/BUSINESS

(a) Acquisition of a subsidiary

On 1st March, 2007, the Group acquired the entire issued share capital of Subang Jaya Hotel Development Sdn Bhd ("SJHDSB") which is engaged in hotel operation, at a consideration of HK\$261,600,000. The acquisition has been accounted for using the purchase method.

The net assets acquired were as follows:

	Fair value of net assets HK\$'000
<hr/>	
Net assets acquired:	
Property, plant and equipment	301,013
Inventories	595
Debtors, deposits and prepayments	8,927
Bank balances and cash	9,122
Creditors and accruals	(13,849)
Shareholders' loans	(283,176)
	<hr/>
	22,632
Assignment of shareholders' loans	283,176
	<hr/>
	305,808
Discount on acquisition recognised in the consolidated income statement	(44,208)
	<hr/>
Satisfied by:	
Cash consideration	261,600
	<hr/>

The acquiree's carrying amount of net assets approximates to the fair value of the net assets acquired.

	HK\$'000
<hr/>	
Net cash outflow arising on acquisition:	
Cash consideration	(261,600)
Bank balances and cash acquired	9,122
	<hr/>
	(252,478)
	<hr/>

The discount arising on acquisition represents excess of acquirer's interest in the net fair value of assets attributable by the bargain purchase with the shareholders of the acquiree.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

44. ACQUISITION OF A SUBSIDIARY/BUSINESS (continued)

(a) Acquisition of a subsidiary (continued)

From the date of acquisition, SJHDSB has contributed HK\$1,151,000 to the profit of the Group. If the combination had taken place at the beginning of the period, the profit for the Group would have been HK\$585,471,000 and total group revenue would have been HK\$1,003,150,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st April, 2006, nor is it intended to be a projection of future results.

(b) Acquisition of a business

On 31st January, 2007, the Group acquired a hotel operation for consideration of HK\$443,507,000. This acquisition has been accounted for using the purchase method.

The net assets of the hotel business at the date of acquisition were as follows:

	Carrying amount HK\$'000	Fair value adjustment HK\$'000	Fair value of net assets HK\$'000
Net assets acquired:			
Property, plant and equipment	118,075	242,000	360,075
Prepaid lease payments	120,674	–	120,674
Inventories	109	–	109
Debtors, deposits and prepayments	7,085	–	7,085
Bank balances and cash	555	–	555
Creditors and accruals	(2,491)	–	(2,491)
Amount due from acquiror	(86,260)	–	(86,260)
Deferred taxation	–	(42,500)	(42,500)
	157,747	199,500	357,247
Satisfied by:			
Loan receivable			443,507
Amount due to acquiree			(86,260)
			357,247
Net cash inflow arising on acquisition:			
Bank balances and cash acquired			555

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

44. ACQUISITION OF A SUBSIDIARY/BUSINESS (continued)

(b) Acquisition of a business (continued)

As a result of the acquisition, the Group has recovered doubtful loan receivable amounting to HK\$57,443,000, which was credited to the consolidated income statement in the current year. The recoverable amount was arrived at by reference to the fair value of net assets acquired.

The hotel business acquired contributed HK\$4,039,000 to the Group's profit for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on 1st April, 2006, total group revenue for the period would have been HK\$1,029,679,000, and profit for the period would have been HK\$596,778,000. The pro forma information is for illustrative purpose only and is not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st April, 2006, nor is it intended to be a projection of future results.

45. DISPOSAL OF A SUBSIDIARY

On 24th January, 2007, the Group sold its 5% equity investment in the contributed capital of Hudson, a limited partnership established in the United States of America through disposal of the entire interest in a subsidiary, Shelborn Enterprises, Inc.. The net assets of the disposed subsidiary at the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Available-for-sale investments	69,634
Bank balances and cash	6
	<hr/>
	69,640
Gain on disposal of a subsidiary	225,200
	<hr/>
Total consideration satisfied by:	
Cash	294,840
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration received	294,840
Bank balances and cash disposed of	(6)
	<hr/>
	294,834
	<hr/>

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

46. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of asset with a total capital value at the inception of the leases of HK\$1,130,000 (2006: HK\$610,000).

As referred to in note 39, the Company issued shares for 2006 final dividends and 2007 interim dividends pursuant to scrip dividend scheme totalling HK\$67,182,000 (2006: HK\$54,995,000).

As referred to in note 39, an aggregate principal amount of HK\$7,793,000 (2006: HK\$14,805,000) of the US\$ Bonds were converted into ordinary shares of the Company.

As referred to in note 44(b), the Group has acquired a hotel business with a consideration of its loan receivable and interest receivable from the seller up to the date of acquisition amounting to HK\$443,507,000.

47. PLEDGE OF ASSETS

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

- (a) The Group's completed properties for sale, investment properties and property, plant and equipment, bank deposits and investments held for trading with an aggregate carrying amount of approximately HK\$4,205,899,000 (2006: HK\$3,399,431,000), HK\$101,821,000 (2006: HK\$55,102,000) and HK\$731,000 (2006: HK\$1,576,000) respectively, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and properties of associates and third parties were pledged to the Group's bankers and loan creditors to secure banking and loan facilities granted to the Group and an associate to the extent of approximately HK\$3,854,548,000 (2006: HK\$2,822,947,000) and nil (2006: HK\$5,000,000), respectively.

The Group's bank deposits of approximately HK\$3,165,000 (2006: HK\$2,765,000) were pledged to a Group's banker to secure a credit facility given by the banker to secure credit facility in favour of subsidiary of the Company.

- (b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments, other financial assets and deposits with an aggregate carrying amount of approximately HK\$365,640,000 (2006: HK\$414,182,000) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$1,011,087,000 (2006: HK\$645,095,000), of which HK\$83,621,000 (2006: HK\$54,427,000) were utilised.
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.
- (d) The Group has subordinated its amount due from an investee company of approximately HK\$119,995,000 (2006: HK\$119,995,000) to a financial institution to secure general credit facility granted to the investee company.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

48. CAPITAL COMMITMENTS

	2007 HK\$'000	2006 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Properties under development for sale	1,136,198	475,256
Hotel properties	–	2,781
Others	4,329	–
	1,140,527	478,037
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties under development	426,090	–
Hotel properties	11,315	8,400
	437,405	8,400
	1,577,932	486,437

49. OPERATING LEASE ARRANGEMENTS

The Group as lessor:

At the balance sheet date, investment properties and completed properties for sale with carrying amount of HK\$1,333,225,000 (2006: HK\$1,111,016,000) and HK\$98,672,000 (2006: HK\$95,503,000) respectively were let out under operating leases.

Gross rental income earned during the year is HK\$52,858,000 (2006: HK\$46,361,000), of which HK\$42,689,000 (2006: HK\$38,176,000) was derived from letting of investment properties. The property held has committed tenants for the next one to three years.

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

	2007 HK\$'000	2006 HK\$'000
Within one year	50,237	28,564
In the second to fifth years inclusive	26,042	14,869
	76,279	43,433

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

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

49. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessee:

Minimum lease payments paid under operating leases during the year.

	2007 HK\$'000	2006 HK\$'000
Premises	8,193	6,754
Motor vehicles	118	–
	8,311	6,754

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

	2007 HK\$'000	2006 HK\$'000
Premises		
– within one year	12,001	5,921
– in the second to fifth years inclusive	636	9,545
	12,637	15,466

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

50. CONTINGENT LIABILITIES

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

- The Group has given guarantees to bankers to secure banking and other facilities made available to an investee company of nil (2006: HK\$154,322,000). The fair value of the guarantee issued in 2006 have not been recognised as the directors consider that the amount should not be significant.
- The Group has given a guarantee in respect of mortgage loans provided to the home buyers of a property project in the PRC. At 31st March, 2007, the total amount of mortgages outstanding which are subject to these guarantees was HK\$40,406,060 (2006: HK\$2,769,000). The directors consider that the fair values of these financial guarantee contracts at their initial recognition are insignificant on the basis of short maturity periods and low applicable default rates.

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

50. CONTINGENT LIABILITIES (continued)

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

51. RELATED PARTY TRANSACTIONS

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

Related party	Nature of transaction	2007 HK\$'000	2006 HK\$'000
Directors and their associates	Interest expenses	311	371
Associates	Dividend income	5,570	9,410
	Building management fee expenses	4,459	3,855
	Refund of management fee	12,500	–
Jointly controlled entities	Rental income	2,179	1,964
	Interest income	654	–
Related company of a minority shareholder	Relocation cost	127,326	24,260

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

51. RELATED PARTY TRANSACTIONS *(continued)*

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

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

Compensation of key management personnel

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

	2007 HK\$'000	2006 HK\$'000
Short-term benefits	10,097	8,941
Post-employment benefits	36	48
	10,133	8,989

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

52. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee. The retirement benefits scheme contributions charged to consolidated income statement during the year amounted to HK\$5,086,000 (2006: HK\$4,092,000).

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions charged to consolidated income statement during the year amounted to HK\$213,000 (2006: HK\$251,000).

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

53. SUBSEQUENT TO BALANCE SHEET EVENTS

Subsequent to balance sheet date, the Group entered into the transactions as follows:

- i) On 22nd April, 2007, the Group through a public bidding entered into a sale and purchase agreement pursuant to which the Group has conditionally agreed to acquire a building at a consideration of RMB279 million (equivalent to approximately HK\$281.8 million). The building is known as Cheng Du Ginza Building (成都銀座大廈) and located in the central business district of the city of Chengdu.
- ii) On 29th June, 2007, the Group entered into a sale and purchase agreement pursuant to which the Group has conditionally agreed to acquire a building complex in Wuhan at the consideration of RMB420 million (equivalent to approximately HK\$432.6 million). The building complex is known as Hong Kong & Macau Centre (港澳中心) and situated in the central business area of Wuhan.

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Issued share capital				Principal activities
	Number of Shares	Par value per share/ registered capital	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Group	
404577 Alberta Ltd.	2	Nil	Class A	100	Property investment
413643 Alberta Ltd.	100	Nil	Class A	100	Property investment
Accessway Profits Limited	1	US\$1	Ordinary	100	Investment holdings
Action Fulfilled Assets Limited	1	US\$1	Ordinary	100	Investment holdings
Amphion Investment Limited	2	HK\$1	Ordinary	100	Investment holdings
Angel Voice Limited	1	US\$1	Ordinary	100	Dormant
Aniwell Investment Limited	10,000	HK\$1	Ordinary	100	Hotel operation
Annick Investment Limited	2	HK\$1	Ordinary	100	Property investment
Arvel Company Limited	10,000	HK\$1	Ordinary	100	Property investment
Asia Land Pty Ltd. (formerly known as FEC Property Services Pty Ltd.)	1	A\$1	Ordinary	100	Loan financing
Best Hoover Limited	1	HK\$1	Ordinary	100	Property investment
Bonus Gain Investments Ltd.	1	US\$1	Ordinary	100	Investment holdings
Bournemouth Estates Limited	2	HK\$10	Ordinary	100	Property development
Bradney Proprietary Ltd.	2	A\$1	Ordinary	100	Investment holdings
Capital Fortune Investment Limited	10,000	HK\$1	Ordinary	100	Property investment
Caragis Limited	2	HK\$1	Ordinary	100	Hotel operation
Cathay General Inc.	1	Nil	Common	100	Investment holdings and share investment
Complete Delight Limited	1	US\$1	Ordinary	100	Investment holdings
Charter Joy Limited	2	HK\$1	Ordinary	100	Property development
Charter National International Limited	2	HK\$1	Ordinary	100	Property development
Cheong Sing Property Development Limited	500	HK\$100	Ordinary	100	Property development
China Web Incorporated	1	US\$1	Ordinary	100	Investment holdings
Ching Chu Property Management (Shanghai) Company Limited (i)	N/A	US\$9,000,000	N/A	100	Property management
Chun Wah Holdings Limited	200	HK\$1	Ordinary	100	Property development
Cosmopolitan Hotel Limited	2	HK\$1	Ordinary	100	Hotel investment and operation
Coventry Investments Inc.	10	Nil	Common	100	Investment holdings
Detheridge Estates Limited	2	HK\$1	Ordinary	100	Property development
Dorsett Hotel Management Services Limited	2	HK\$1	Ordinary	100	Hotel management

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54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Issued share capital			Proportion of nominal value of registered capital held by the Group	Principal activities
	Number of Shares	Par value per share/ registered capital	Class of shares held		
Dorsett Hotels & Resorts (H.K.) Ltd	1,000,000	HK\$1	Ordinary	100	Investment holdings
Dorsett Regency Hotel (M) Sdn. Bhd.	5,000,000	M\$1	Ordinary	100	Hotel investment and operation
Double Advance Group Limited	1	US\$1	Ordinary	100	Investment holdings
Dunball Limited	2	HK\$1	Ordinary	100	Property investment
Dunjoy Limited	2	HK\$1	Ordinary	100	Investment holdings
E-Cash Ventures Limited	1	US\$1	Ordinary	100	Investment holdings
Elliott Investment Corporation	2	Nil	Ordinary	100	Investment holdings and share investment
Esmart Management Limited	2	HK\$1	Ordinary	100	Hotel management
Ever Liberty (M) Sdn. Bhd.	2	M\$1	Ordinary	100	Property investment
Everkent Development Limited	2	HK\$1	Ordinary	100	Property development
Far East Consortium China Infrastructure Company Limited	2	HK\$1	Ordinary	100	Investment holdings
Far East Consortium China Investments Limited	6,000	HK\$100	Ordinary	100	Property development and trading
Far East Consortium China Land Corporation Limited	1,000	HK\$100	Ordinary	100	Property development
Far East Consortium Holdings (Australia) Pty Limited	12 235	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	Investment holdings
Far East Consortium Limited	830,650,000	HK\$1	Ordinary	100	Investment holdings and property investment
Far East Consortium Machinery Limited	2	HK\$1	Ordinary	100	Investment holdings
Far East Consortium (Malaysia) Limited	2	HK\$1	Ordinary	100	Investment holdings
Far East Consortium (Netherlands Antilles) N.V.	6,000	US\$1	Ordinary	100	Investment holdings
Far East Consortium Properties Pty Limited	12 225	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	Investment holdings and property investment
Far East Consortium Property & Marketing Service Pty Limited	1	A\$1	Ordinary	100	Property development

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For the year ended 31st March, 2007

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Number of Shares	Issued share capital		Proportion of nominal value of registered capital held by the Group	Principal activities
		Par value per share/ registered capital	Class of shares held		
Far E Cyber Holding Limited	1	US\$1	Ordinary	100	Dormant
Far East Dorsett Hotel Mgt (Cheng Du) Co. Ltd.	N/A	US\$5,000,000	N/A	100	Property development
Far East Real Estate and Agency (H.K.) Limited	60,000	HK\$100	Ordinary	100	Investment holdings and loan financing
Far East Rockman Hotels (Australia) Pty Limited	12 375	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	Investment holdings
Far East Rockman Investments Pty Limited	12 125	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	Investment holdings
Far East Supermarket Limited	500,000	HK\$1	Ordinary	100	Investment holdings
FEC Development (Malaysia) Sdn. Bhd.	2	M\$1	Ordinary	100	Investment holdings
FEC Financing Solutions Pty. Ltd.	1	A\$1	Ordinary	100	Investment holdings
FEC Properties Limited	1	US\$1	Ordinary	100	Property investment
FEC Strategic Investments (Netherlands) B.V.	120,000	DFL1	Ordinary	100	Investment holdings
Focus Venue Sdn. Bhd.	90	M\$1	Ordinary	90	Property investment
Fortune Plus (M) Sdn. Bhd.	935,000	M\$1	Ordinary	100	Property investment
FECFW 1 Pty Ltd.	1	A\$1	Ordinary	100	Investment holdings
FECFW 2 Pty Ltd.	1	A\$1	Ordinary	100	Investment holdings
Full Benefit Limited	1	US\$1	Ordinary	100	Investment holdings
Garden Resort Development Ltd.	100	HK\$1	Ordinary	100	Property development
Grand Expert Limited	2	HK\$1	Ordinary	100	Hotel investment and operation
Grandco Investment Limited	1	US\$1	Ordinary	100	Property investment
Guangzhou Pegasus Boiler Manufacture Company Limited (ii)	N/A	HK\$ 50,000,000	N/A	51	Operation of boiler factory
Hamsher International Ltd.	29,805,065	US\$1	Ordinary	100	Hotel investment and operation
Henrik Investment Limited	2	HK\$1	Ordinary	100	Property investment
Hero Housing Limited	880	HK\$1,000	Ordinary	100	Property investment
Hong Kong Hotel Asset Management Limited	1	US\$1	Ordinary	100	Investment holding
Hong Kong Hotel REIT Holdings Ltd	1	US\$1	Ordinary	100	Investment holding

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Issued share capital			Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
	Number of Shares	Par value per share/ registered capital	Class of shares held		
Kuala Lumpur Land Holdings Limited	100	£1	Ordinary	100	Investment holdings
Madison Lighters and Watches Company Limited	4	HK\$1	Ordinary	100	Investment holdings
Multi Yield Limited	1	HK\$1	Ordinary	100	Property investment
NewTime Plaza Development Limited	1,000	HK\$1	Ordinary	100	Investment holdings
New Union Investments (China) Limited	300	HK\$1	Ordinary	100	Investment holdings
N.T. Horizon Realty (Jordan) Limited	2	HK\$100	Ordinary	100	Property investment
The Hotel of Lan Kwai Fong ("formerly known as Ocean Leader Development Limited")	2	HK\$1	Ordinary	100	Hotel investment and operation
Oi Tak Enterprises Limited	1,000,000	HK\$1	Ordinary	75	Investment holdings
Pansy Development Limited	2	HK\$1	Ordinary	100	Property investment
Peacock Management Services Limited	2	HK\$1	Ordinary	100	Administration services
Polyland Development Limited	2	HK\$1	Ordinary	100	Property investment
Ready Town Limited	2	HK\$1	Ordinary	100	Property and share investment
Redleaf Properties Limited	20,000	US\$1	Ordinary	100	Investment holdings
Regency Hotels Proprietary Limited	100	A\$1	Ordinary	100	Investment holdings
Rich Diamond Holdings Limited	10	US\$1	Ordinary	70	Investment holdings
Ridon Investment Limited	2	HK\$1	Ordinary	100	Investment holdings and share investment
Roseville Enterprises Limited	6,000	HK\$100	Ordinary	100	Property investment
Royal Domain Plaza Pty. Ltd.	2	A\$1	Ordinary	100	Property investment
Royal Domain Towers Pty. Limited	2	A\$1	Ordinary	100	Property investment
Ruby Way Limited	2	HK\$1	Ordinary	100	Property investment
Scarborough Development Limited	2	HK\$1	Ordinary	100	Property investment
Sea Wave Properties Limited	1,000,000	HK\$1	Ordinary	100	Investment holdings
Shanghai Ching Chu Property Development Company Limited (ii)	N/A	US\$9,000,000	N/A	98.2	Developing, selling and leasing properties

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Issued share capital				Principal activities
	Number of Shares	Par value per share/ registered capital	Class of shares held	Proportion of nominal value of issued capital/ registered capital held by the Group	
Sheen Profit Industries Limited	2	HK\$1	Ordinary	100	Property development
Singford Holdings Limited	1	US\$1	Ordinary	100	Share investment
Sovereign Land Company Limited	2	HK\$100	Ordinary	100	Property investment
Southsino Development Limited	100	HK\$1	Ordinary	100	Property development
Star Bridge Development Limited	2	HK\$1	Ordinary	100	Property investment
Stoneline Sdn. Bhd.	100	M\$1	Ordinary	100	Investment holdings
Subang Jaya Hotel Development Sdn Bhd	45,000,000	M\$1	Ordinary	100	Hotel investment and operation
Teampearl Company Ltd	5,001	HK\$1	Class A	100	Property development
	4,999		Class B	100	
Tomarta Sdn. Bhd.	1,000,000	M\$1	Ordinary	100	Property trading
Top Trend Developments Limited	2	US\$1	Ordinary	100	Property development
Turbulent Limited	2	HK\$10	Ordinary	100	Investment holdings
Upperace Development Limited	1,000,000	HK\$1	Ordinary	100	Investment holdings
Vicsley Limited	2	HK\$1	Ordinary	100	Hotel operation
Victoria Land Pty. Ltd.	12	A\$1	Ordinary	100	Management services
Vicco Development Limited	2	HK\$1	Ordinary	100	Investment holdings
Vico Overseas Inc.	4	US\$1	Ordinary	75	Property investment
Virgobee Limited	2	HK\$1	Ordinary	100	Property investment
Waldorf Development Pte Limited	2	S\$1	Ordinary	100	Property investment
Waldorf Holdings Pte Limited	1,000,000	S\$1	Ordinary	100	Property investment
Wanchope Limited	1	US\$1	Ordinary	100	Investment holdings
Win Chance Engineering Limited	2	HK\$1	Ordinary	100	Engineering
Wonder China Investments Limited	1	US\$1	Ordinary	100	Investment holdings
Zhongshan Development Limited	2	US\$1	Ordinary	100	Investment holdings

(i) Foreign investment enterprise registered in the PRC

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

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

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

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

Name of indirect subsidiary	Place of incorporation	Place of operation
404577 Alberta Ltd.	Canada	Canada
413643 Alberta Ltd.	Canada	Canada
Accessway Profits Limited	British Virgin Islands	Hong Kong
Action Fulfilled Assets Limited	British Virgin Islands	Hong Kong
Asia Land Pty Ltd. (formerly known as FEC Property Services Pty Ltd.)	Australia	Australia
Bradney Proprietary Ltd.	Australia	Australia
Cathay General Inc.	Republic of Liberia	Hong Kong
China Web Incorporated	Cayman Islands	Hong Kong
Ching Chu Property Management (Shanghai) Company Limited	The PRC	The PRC
Coventry Investments Inc.	Republic of Liberia	Republic of Liberia
Dorsett Regency Hotel (M) Sdn. Bhd.	Malaysia	Malaysia
E-Cash Ventures Limited	British Virgin Islands	Hong Kong
Elliott Investment Corporation	Panama	Hong Kong
Ever Liberty (M) Sdn. Bhd.	Malaysia	Malaysia
Far East Consortium Holdings (Australia) Pty Limited	Australia	Australia
Far East Consortium (Netherlands Antilles) N.V.	Netherlands Antilles	Netherlands Antilles
Far East Consortium Properties Pty Limited	Australia	Australia
Far East Consortium Property & Marketing Service Pty Limited	Australia	Australia
Far East Rockman Hotels (Australia) Pty Limited	Australia	Australia
Far East Rockman Investments Pty Limited	Australia	Australia
FEC Development (Malaysia) Sdn. Bhd.	Malaysia	Malaysia
FEC Financing Solutions Pty Ltd.	Australia	Australia
FEC Properties Limited	British Virgin Islands	Hong Kong
FEC Strategic Investments (Netherlands) B.V.	The Netherlands	The Netherlands
FEH Strategic Investment Pte Limited	Singapore	Singapore
Focus Venue Sdn. Bhd.	Malaysia	Malaysia
Fortune Plus (M) Sdn. Bhd.	Malaysia	Malaysia
FECFW 1 Pty Ltd.	Australia	Australia
FECFW 2 Pty Ltd.	Australia	Australia
Grandco Investment Limited	British Virgin Islands	The U.S.A.
Guangzhou Pegasus Boiler Manufacture Company Limited	The PRC	The PRC

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Place of incorporation	Place of operation
Hamsher International Ltd.	British Virgin Islands	The U.S.A.
Kuala Lumpur Land Holdings Limited	Channel Islands	Malaysia
New Empire Assets Limited	British Virgin Islands	Macau
People Assets Limited	British Virgin Islands	Macau
Redleaf Properties Limited	British Virgin Islands	Malaysia
Regency Hotels Proprietary Limited	Australia	Australia
Rich Diamond Holdings Limited	British Virgin Islands	The Philippines
Royal Domain Plaza Pty. Ltd.	Australia	Australia
Royal Domain Towers Pty. Limited	Australia	Australia
Shanghai Ching Chu Property Development Company Limited	The PRC	The PRC
Singford Holdings Limited	British Virgin Islands	Hong Kong
Smartland Assets Limited	British Virgin Islands	Singapore
Stoneline Sdn. Bhd.	Malaysia	Malaysia
Tang City Parkway Pte. Limited	Singapore	Singapore
Tang City Properties Pte. Limited	Singapore	Singapore
Tomarta Sdn. Bhd.	Malaysia	Malaysia
Top Trend Developments Limited	British Virgin Islands	China
Vico Overseas Inc.	British Virgin Islands	Malaysia
Victoria Land Pty. Ltd.	Australia	Australia
Waldorf Development Pte Limited	Singapore	Singapore
Waldorf Holdings Pte Limited	Singapore	Singapore
Wonder China Investments Limited	British Virgin Islands	The PRC
Zhongshan Development Limited	British Virgin Islands	The PRC

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

55. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of indirect associate	Class of shares held	Issued share capital	
		Proportion of nominal value of issued capital/registered capital held by the Group	Principal activities
Bermuda Investments Limited	Ordinary	25	Property investment
Flinders Wharf Management Pty. Ltd.	Ordinary	50	Property management
Gold Coin (Hong Kong) Limited	Ordinary	26	Investment holdings
Gold Coin Feedmill (China) Limited	Ordinary	26	Operation of feedmill factory
Guangdong Xin Shi Dai Real Estate Limited	N/A	45	Property development
Kanic Property Management Limited	Ordinary	50	Building management
Liuzhou Universe Compressor Company Limited	N/A	25.24	Operation of compressor factory
Naples Investments Limited	Ordinary	35	Investment holdings
Northleisure Proprietary Limited	Ordinary	50	Investment holdings
Omicron International Limited	Ordinary	30	Investment holding
Peacock Estates Limited	Ordinary	25	Property investment
Philippine Dream Company, Inc.	Ordinary	25.2	Hotel operation

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

Notes To The Consolidated Financial Statements

For the year ended 31st March, 2007

55. PARTICULARS OF PRINCIPAL ASSOCIATES *(continued)*

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

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

List of Major Properties Held by the Group

Name of property and location	Lot number	Group's interest	Site area (m ²)
Hong Kong			
1. Cosmopolitan Hotel No. 387 Queen's Road East Wanchai	IL 1578RP	100%	1,093
2. Central Park Hotel No. 263 Hollywood Road	IL568 s.A. RP. and IL 8412	100%	317
3. Dorsett Olympic Hotel 46-48 Anchor Street, Tai Kok Tsui	KIL 6374	100%	357
4. Cosmo Hotel No. 375 Queen's Road East Wanchai	IL 1578 s.Ass1	100%	380
5. Lan Kwai Fong Hotel 1 Kau U Fong 3-9 Aberdeen Street and 1 Gough Street, Central	IL 1747, 8852	100%	377
6. Dorsett Far East Hotel 135-143 Castle Peak Road Tsuen Wan	Lot 2158 in DD 449	100%	632
7. Dorsett Seaview Hotel 268 Shanghai Street Yau Ma Tei	KIL 9944, 9701, 9705, 9727, 9769 & 7429	100%	502
8. Dorsett Kowloon Hotel 35-43 Ivy Street Tai Kok Tsui	KIL 8050	100%	513
9. Dorsett Hong Kong Hotel 12-22 Davis Street Hong Kong	IL 905 S.A. SS.7 S.A to S.A SS.7 S.D, S.A. SS.7 RP & S.A SS12	100%	461
10. Dorsett Kwun Tong Hotel 84 Hung To Road Kwun Tong	KTIL 162	100%	929
11. 16th, 18th, 19th, 20th and 24th Floors, (including lavatories on 16th, 18th, 19th, 20th and 24th Floors and Flat Roof on 24th Floor), Far East Consortium Building 121 Des Voeux Road Central	120/736 shares of and in IL 2198, 2200, 2201 s.A and IL 2199 RP and s.A, s.B & s.C of ML 299	100%	–

List of Major Properties Held by the Group

Approximate gross floor area (m²)	Type	Stage of completion	Expected completion date
16,988	H	Completed	Existing
4,745	H	Completed	Existing
3,210	H	Completed	Existing
5,546	H	Completed	Existing
5,853	H	Completed	Existing
9,077	H	Under renovation	2007
5,563	H	Completed	Existing
6,259	H	Under construction	2008
6,921	H	Under planning	2009
11,148	H	Under construction	2009
2,474	O	Completed	Existing

List of Major Properties Held by the Group

Name of property and location	Lot number	Group's interest	Site area (m ²)
Hong Kong			
12. Far East Consortium Building 204-206 Nathan Road Tsim Sha Tsui	KIL 10467 RP and KIL 10468 RP	100%	314
13. Flats 1A, 1C Tung Wai Garden 419G Queen's Road West Sai Ying Pun	RP of s.B of ML 205 RP	100%	–
14. G/F, Garden Area and 1/F of Block 4, and Car Parking Spaces Nos.1, 4, 25, 61 & 62, Rise Park Villas 38 Razor Hill Road, Sai Kung	69/1408 shares of and in Lot 1124 in DD 253	100%	–
15. Various shops on LG/F and UG/F Tsuen Wan Gardens Phase 1 15-23 Castle Peak Road Tsuen Wan	241/4400 shares of and in TWTL 241	100%	–
16. Shops 17, 18 and 20 on G/F commercial portion of 1/F - 3/F Tung Fai Court 2 Shui Che Kwun Street Yuen Long	245/750 shares of and in YLTL 287 & 349	100%	–
17. Shop 6 on G/F and whole of 1/F Cheong Hung Mansion 2-14 Mei Fong Street, Kwai Chung	119/1000 shares of and in KCTL 186 & 295	100%	–
18. Shop C on Ground Floor and 1/F to 3/F, Full Hang Court Nos. 104-112 Ma Tau Wai Road Hung Hom	213/527 shares of and in KIL 8480-8484, KIL 6020 RP	100%	–
19. Shop Nos. G10, G19-24, G44-46, G56-60 and Showcase Nos. 18, 18a, 18b on G/F, shops nos. 101-173 on 1/F Come On Building 387 Castle Peak Road, Castle Peak Bay Tuen Mun	351/2485 shares of and in TMTL 151	100%	–

List of Major Properties Held by the Group

Approximate gross floor area (m²)	Type	Stage of completion	Expected completion date
3,579	S & O	Completed	Existing
92	R	Completed	Existing
620	R & CP	Completed	Existing
3,908	SA	Completed	Existing
1,318	S, R & C	Completed	Existing
570	C	Completed	Existing
1,684	C & S	Completed	Existing
1,475	C & S	Completed	Existing

List of Major Properties Held by the Group

Name of property and location	Lot number	Group's interest	Site area (m ²)
Hong Kong			
20. Shop Nos. 4, 5 and 6 on G/F Toho Court, 18 Main Street and 5 Ping Lan Street Ap Lei Chau	29/1176 shares of and in s.A of Ap Lei Chau IL 47 and the Extension thereto	100%	–
21. Dorsett Place 5B Chancery Lane Central	Lot No. 68 s. Ass5 RP	100%	147
22. Bakerview, 66 Baker Street Hung Hom	HHIL 235 s.B, s.C, s.D, s.E, s.lss1, s.lss2 and s.lss3	100%	604
23. Chuk Kok, Sai Kung	Lot 14 in DD 231	100%	2,790
24. Sheung Yeung Sai Kung	Lots 84, 85, 86, 89, 91, 92, 94, 95A, 99, 116RP, 137, 139, 141RP, 213, 221RP, 224RP, 229, 230, 231A, 231RP, 233, 234, 236, 258, 263RP and 746 in DD 225	100%	7,136
25. No. 684 Clear Water Bay Road	Lot No. 236 in D.D. at Ah Kwung Wan,	100%	1,860
26. Route TWISK, Chuen Lung Tsuen Wan	Various lots in DD 360, DD 433 and DD 435	100%	35,215
27. Tan Kwai Tsuen, Yuen Long	Lot 3927 s.B in DD 124	100%	4,850
28. Hung Shui Kiu Yuen Long	Lot 2959, 2960, (Portion) 2969 S.B SS.3, 2972 R.P. & 2973 RP av1 in DD 124	100%	2,800
29. Various lots, Pak Kong Sai Kung	Lots 1134 RP, 1137 RP, 1138 & 1139 RP in DD 222	100%	3,524
30. Yau Kam Tau, Tsuen Wan	Lot 232 RP in DD 354	100%	5,940
31. Tai Hang Village, Tai Po	Lot 73 RP in DD7	100%	2,332

List of Major Properties Held by the Group

Approximate gross floor area (m ²)	Type	Stage of completion	Expected completion date
57	S	Completed	Existing
1,259	R	Completed	Existing
5,444	S & R	Completed	Existing
1,116	R	Completed	Existing
4,682	R	Phase 1 completed	Existing
1,198	R	Under construction	2007
5,400	A	Under construction	2008 (phase 1)
4,850	R	Planning stage	2008
3,528	R	Planning stage	2008
Not yet determined	A	Planning stage	Vacant site
–	A	Planning stage	Vacant
3,121	R	Planning stage	Vacant

List of Major Properties Held by the Group

Name of property and location	Lot number	Group's interest	Site area (m ²)
Hong Kong			
32. Car Parking Spaces Nos. 14, 16, 17, 24, 26, 27, 29, 30, 34, 35, 40, 41, 44-46, 51, 53-56, 58, 62-71, 75, 77, 85, 86, 90, 91, 94, 96 and 97 on the Basement 1 and Car Parking Spaces Nos. 98, 99, 114, 124, 125, 129, 139-141, 144-147, 149-152, 154-157, 159-162, 164 and 167 on the Basement 2 Covent Garden, 88 Ma Tin Road Yuen Long	1675/35313 shares of and in YLTL 419	100%	–
Overseas			
1. Dorsett Regency Hotel 172, Jalan Imbi Kuala Lumpur Malaysia	Lots 471 and 472 Section 67, Town of Kuala Lumpur, Wilayah Persekutuan	100%	1,270
2. Sheraton Subang Hotel Jalan SS 12/1, 47500 Subang Jaya Selangor Malaysia	Lots 4244 and 4245 Mukim of Damansara, District of Petaling, Selangor	100%	37,782
3. Sri Jati Service Apartments Jalan Jati, Off Jalan Imbi Kuala Lumpur Malaysia	Lot 1292 Section 67, Town and District of Kuala Lumpur, Wilayah Persekutuan	100%	886
4. Mukim of Kerling District of Hulu Selangor Selangor Darul Ehsan Malaysia	Lots 600 and 619	100%	422,907
5. No. 100, Eu Tong Sen Street Pearl's Centre Singapore	Lot U871W	100%	–
6. 100A Eu Tong Sen Street Yang Tze Building Singapore	Lot U865L	100%	–

List of Major Properties Held by the Group

Approximate gross floor area (m ²)	Type	Stage of completion	Expected completion date
–	CP	Completed	Existing
27,753	H	Completed	Existing
57,879	H	Completed	Existing
4,685	R	Completed	Existing
–	A	Planning stage	Vacant
14,044	CP	Completed	Existing
8,007	O & S	Completed	Existing

List of Major Properties Held by the Group

Name of property and location	Lot number	Group's interest	Site area (m ²)
Overseas			
7. Parkway Centre 1 Marine Parade Central Singapore	Various lots of Mukim 26	100%	–
8. Room 2603, Block 3 Dong-Jun Plaza 836 Dong Feng Road East Guangzhou, PRC	N/A	100%	–
9. Room 2604, Block 3 Dong-Jun Plaza 836 Dong Feng Road East Guangzhou, PRC	N/A	100%	–
10. Dallas Grand Hotel 1914 Commerce Street Dallas, Texas, USA	N/A	100%	6,849
11. 1954 Commerce Street Dallas, Texas, USA	N/A	100%	2,322

List of Major Properties Held by the Group

Approximate gross floor area (m ²)	Type	Stage of completion	Expected completion date
4,756	C	Completed	Existing
91	O	Completed	Existing
91	O	Completed	Existing
–	H	Completed	Existing
11,918	C	Completed	Existing

O – Office
SA – Shopping Arcade
C – Commercial

S – Shops
R – Residential
A – Agricultural

H – Hotel
CP – Car Park

Hotel Portfolio

酒店組合



Hotels in operation

1 Central Park Hotel, Central

142 Rooms, in operation
中環麗栢酒店
142 間房間，營業中



2 Cosmopolitan Hotel, Wanchai

454 Rooms, in operation
麗都酒店
454 間房間，營業中



3 Cosmo Hotel, Wanchai

142 Rooms, in operation
麗悅酒店
142 間房間，營業中



4 Dorsett Far East Hotel, Tsuen Wan

240 Rooms, in operation
遠東帝豪酒店
240 間房間，營業中



5 Dorsett Olympic Hotel, Tai Kok Tsui

141 Rooms, in operation
帝豪奧運酒店
141 間房間，營業中



6 Dorsett Seaview Hotel, Yau Ma Tei

268 Rooms, in operation
帝豪海景酒店
268 間房間，營業中



7 Lan Kwai Fong Hotel, Central

162 Rooms, in operation
蘭桂坊酒店
162 間房間，營業中



Hotels under development

8 Dorsett Kowloon Hotel, Tai Kok Tsui

297 Rooms, expected completion: late 2008
帝豪九龍酒店
297 間房間，預計落成時間：二零零八年尾



9 Dorsett Hong Kong Hotel, Kennedy Town

225 Rooms, expected completion: mid-2009
帝豪香港酒店
225 間房間，預計落成時間：二零零九年中



10 Dorsett Kwun Tong Hotel, Kwun Tong

375 Rooms, expected completion: late 2009
帝豪觀塘酒店
375 間房間，預計落成時間：二零零九年尾

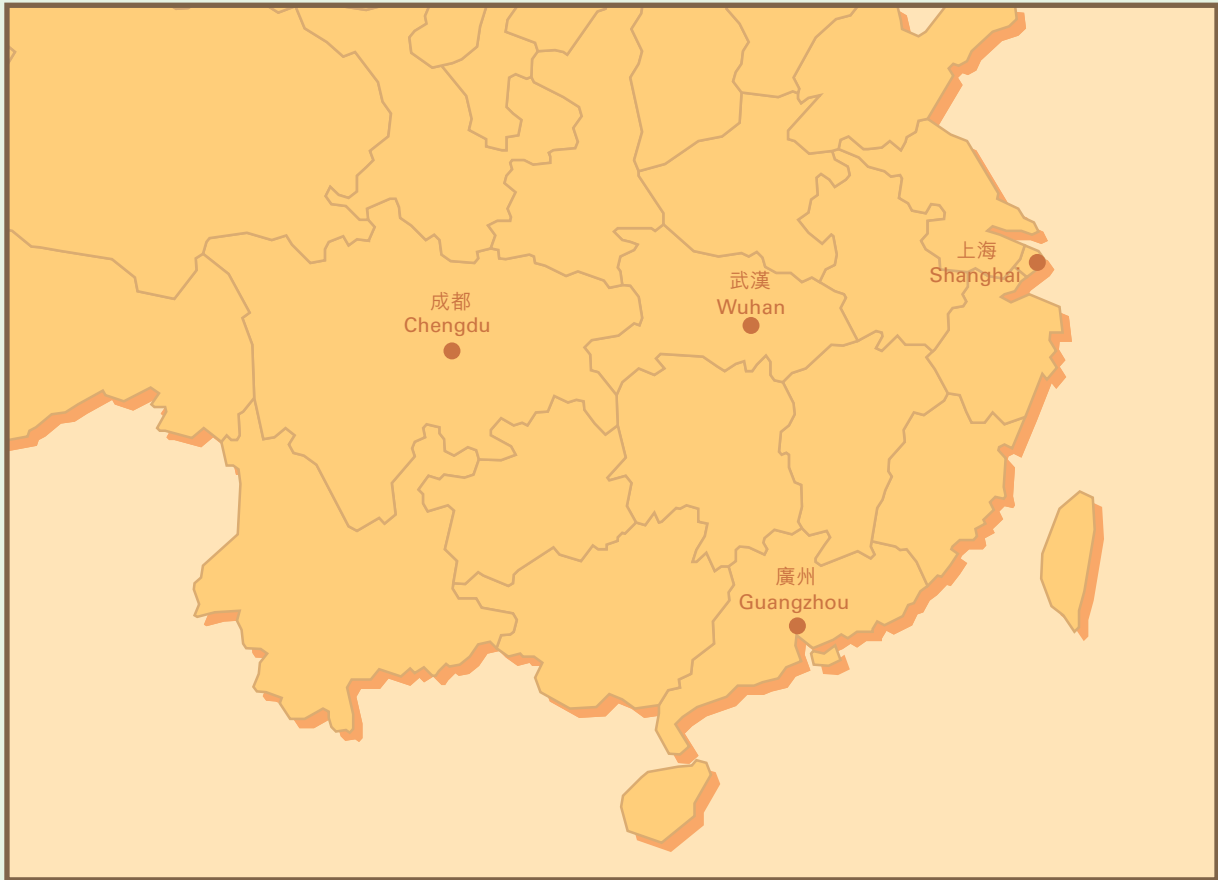
Hong Kong 香港



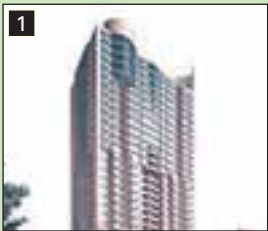
Malaysia 馬來西亞

<p>Map of Malaysia showing two hotel locations marked with numbered boxes 1 and 2. Location 1 is in the north and location 2 is in the south.</p>	<p>1 Dorsett Regency Hotel 320 Rooms, in operation 320 間房間 · 營業中</p>	<p>2 Sheraton Subang Hotel 502 Rooms, in operation 502 間房間 · 營業中</p>
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China Projects 中國業務



Guangzhou 廣州



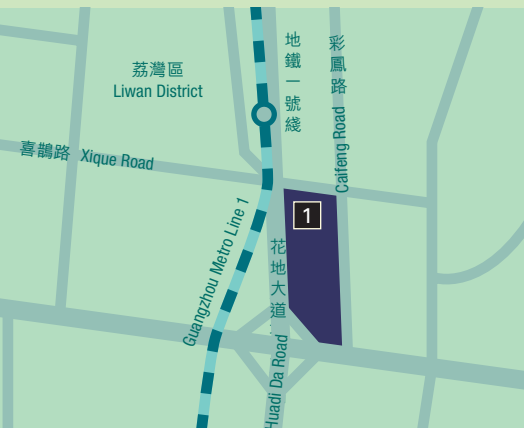
1 Gantangyuan
廣州甘棠苑



2 Huadijiayuan
廣州花地家園



3 NewTime Plaza
廣州新時代大廈



Shanghai 上海



1 M7 Shanghai University Station (on progress)
M7 地鐵上海大學站 (在選中)



2 M7 Jing Qiu Road Station (on progress)
M7 地鐵錦秋路路站 (在選中)



3 Yong Jing Court Expected completion: late 2007
雍景苑 預計落成時間：二零零七年年底



4 Jin He Ya Court Expected completion: late 2007
錦和雅苑 預計落成時間：二零零七年年底



5 Di Jing Court Expected completion: late 2007
帝景苑 預計落成時間：二零零七年年底



6 Jing Qiu Xin Tian Di Construction completed
錦秋新天地 建築完成



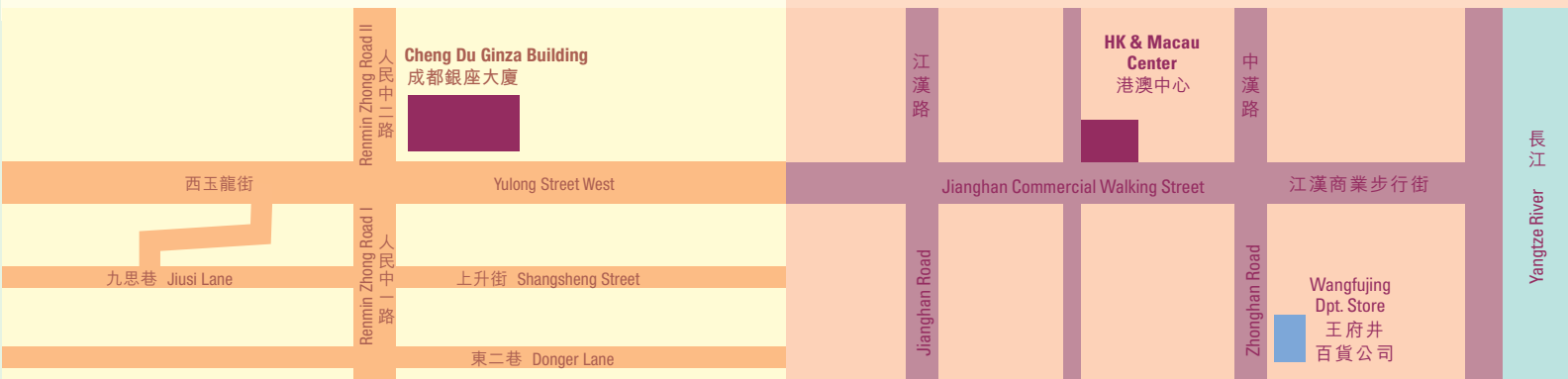
Chengdu 成都

Cheng Du Ginza Building*
成都銀座大廈
(Hotel under development)
(發展中酒店物業)



Wuhan 武漢

Hong Kong & Macau Center*
港澳中心
(Hotel under development)
(發展中酒店物業)



*Acquired after year-end * 結算日後收購