



*Far East Consortium  
International Limited*

Stock Code: 035



ANNUAL REPORT  
**2008**

We are optimistic that the outlook for hotel industries in Hong Kong and China is still strong and encouraging. We will continue to identify prominent properties at reasonable value for our rapid hotel expansion in both Hong Kong and China with our proven strategy.



## 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

Australia

Freehills

## AUDITOR

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

Affin Islamic Bank Berhad

Alliance Bank Malaysia Berhad

CIMB Bank Berhad

Public Bank Berhad

Singapore

The Hongkong and Shanghai

Banking Corporation Limited

Australia

BOS International Australia Limited

Commonwealth Bank of Australia Limited

China

DBS Bank (China) Limited

China Construction Bank

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

Tricor Standard 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



Mr. Deacon Chiu, J.P.  
*Chairman*

**“I believe the prospects for the economy in Hong Kong and the Mainland remain bright. Therefore, the Group will capture every opportunity to invest in hotel and property projects in Hong Kong and the Mainland, so as to enhance shareholders’ returns.”**

The fallout of sub-prime crisis in the United States leads to the prolonged weakness of its economy. Such credit crisis not only causes turmoil in the global financial markets, but also economic slowdown in other developed markets like Europe. It is expected that emerging markets such as China and India will also be affected and experience slower growth.

Meanwhile, inflation pressure poses another challenge for Hong Kong. Inflation now appears to be a global phenomenon caused by elevated food prices, labour and housing costs, energy prices, as well as the weak U.S. dollars. All of these unfavorable factors resulted in a 3.5% increase in Hong Kong's CPI in the fourth quarter of 2007.

Despite the aforesaid challenges, Hong Kong still enjoyed sound economic growth in the previous year.

After the Action Agenda proposed by the Central Government in Economic Summit on "National 11th Five-Year Plan", over 110 specific measures recommended by the Action Agenda have been implemented by the end of last year. It further deepens and broadens the Closer Economic Partnership Arrangement framework which promotes economic developments between the Mainland and Hong Kong, bringing ample business opportunities in the long run.

In addition, Hong Kong further strengthens its key position as an international financial hub and a business center. According to the Census and Statistics Department, GDP in Hong Kong rose 9.5% in 2007 as compared with 2006, reflecting a steady growth of the Hong Kong economy, while the increase in labor productivity partly offsets the pressure of inflation.

As the United States economy remains weak and the global financial turbulence deepens, the Group will select development and investment projects prudently in the coming year. We are constantly monitoring the market conditions and evaluating various investment opportunities in Hong Kong and the Mainland. I believe, however, the prospects for the economy in Hong Kong and the Mainland remain bright. Therefore, the Group will capture every opportunity to invest in hotel and property projects in Hong Kong and the Mainland, so as to enhance shareholders' returns.

Finally, I would like to take this opportunity to express my sincere gratitude to all directors, senior management and staff for their contributions and hard work in the previous year and our shareholders and business partners for their invaluable support to the Group. We will encourage all staff members to continue to demonstrate their abilities and dedication to the benefit of the Company.

**Deacon Te Ken Chiu**

*Chairman*

18th July, 2008

# Deputy Chairman & Chief Executive Officer's Report

**“We are optimistic that the outlook for hotel industries in Hong Kong and China is still strong and encouraging. We will continue to identify prominent properties at reasonable value for our rapid hotel expansion in both Hong Kong and China with our proven strategy.”**



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

I am pleased to present to you the annual results of Far East Consortium International Limited for the financial year of 2008, which the Group has achieved another record year with outstanding performance in both hotel operations and property development.

According to the Hong Kong Tourism Board, the cumulative visitors' arrivals to Hong Kong reached 28.2 million, representing a 11.6% increase from previous year. The Group's hotel division has benefited from the strong tourism growth with an overall average occupancy rate reaching 89%, while the average room rate surged 13% as compared with last year. We have been developing five hotels since last financial year to cope with the increasing demand for hotel rooms in Hong Kong. Subsequent to the end of the financial year, the Group has successfully acquired an industrial building in Kwai Chung for further hotel development. Upon the completion of our six hotel projects over the next two years, the total number of our hotel rooms in Hong Kong will be more than doubled from 1,549 to 3,281.

With the dedication and professionalism of our hotel staff, our 4-star flagship hotel, Cosmopolitan Hotel received the globally-acclaimed "eMarketer of the Year – Asia Pacific" Award by the United States headquartered Hospitality Sales & Marketing Association International last year. Subsequent to the winning of "The Best Boutique Hotel in Asia" Award last year, Lan Kwai Fong Hotel was honored to receive yet another award as "Hong Kong's Leading Boutique Hotel" in the World Travel Awards 2008.

The Management has a strong belief that dedicated staff is valuable asset to the Group and is the key to corporate success. By engaging the right people and offering quality training and enriching career development opportunities for them can significantly help them deploy their full potentials. Furthermore, a sense of belonging can be enhanced through recognition and incentive programmes whereby team spirit and stronger bonds between colleagues can be fully demonstrated.

The Group was fully aware of the market impact arising from the Mainland's further austerity control measures and did not take an aggressive move in acquiring assets over the last few years. However, we will now begin to capitalize on the current property environment and selectively seek for new projects when opportunity arises with our well-reserved cash flow. In the past financial year, we made two acquisitions in Chengdu and Wuhan for the development of 4-5 star hotels to meet the increasing demand of business and individual travelers in China. Subsequent to financial year-end, we made two more acquisitions in Shanghai and Zhejiang for hotel development. We are determined to focus and develop our hotel expansion plan in the Mainland to boost our recurring income in long term.

In regard to residential projects, California Garden in Shanghai was able to maintain prominent sales results as the impact on the middle-class property market caused by the Central Government's macro-economic control policies since 2005 has been limited. In general, we believe that such measures are beneficial to the healthy development in the Mainland property market over the long term. Given rapid economic growth and rising incomes in the middle and upper-class sectors, there is strong expectation for higher quality and affordable homes. We are ready to enlarge our land bank and develop our investment properties in the prime cities of Shanghai and Guangzhou as well as other potential tier-two and tier-three cities of promising prospects.

In addition, the three hotels in Malaysia, namely Dorsett Regency Hotel, Sheraton Subang Hotel and Grand Dorsett Labuan Hotel, also posted brilliant performance in the past year. The Group is confident that all of our hotels in Malaysia will continue to enhance investment returns for our hotel division.



Though 2008 will be a challenging year with uncertainties in the global economy, we are optimistic that the outlook for hotel industries in Hong Kong and China is still strong and encouraging. We will continue to identify prominent properties at reasonable value for our rapid hotel expansion in both Hong Kong and China with our proven strategy. In establishing our unique hotel brands and sustaining our position as the leading 4 star hotel developer and operator in the industry, we believe that greater value on hotel development can be created through quality upgrades and innovative design. More importantly, we aim to replicate our local success factors and introduce them to our hotel and property developments in China.

I would also like to take this opportunity to express my gratitude to our directors, management and to thank all our staff for their support and contribution during the year.

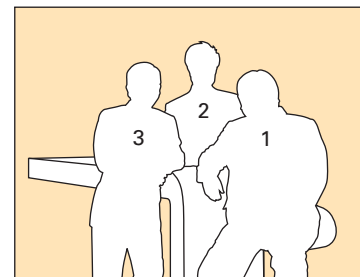
**David Chiu**

*Deputy Chairman & Chief Executive Officer*

# 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*



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

Mr. Chiu, aged 83, 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 54, 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 regards of his devotion to the community services, Tan Sri Dato' David Chiu is a trustee member of The Better Hong Kong Foundation and 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 49, 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 56, was appointed as 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. Before joining the Australian operations of the Company, he was a director of 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 immediate Past President of the St. Kilda Road Campaign Inc.

**Madam Ching Lan JU CHIU, J.P.**

*(Non-executive Director)*

Madam Chiu, aged 68, was appointed as Director of Far East Consortium Limited (the predecessor of the Company), in 1972. She is now a Non-executive Director of each 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 a member of Shanghai Standing Committee Chinese People's Political Consultative Conference since 1982. She has also been the Honorary Vice-President of Hong Kong Federation of Women since 1997. 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 47, 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 J.P. and Madam Ching Lan Ju Chiu J.P., the brother of Tan Sri Dato' David Chiu and Mr. Dennis Chiu.

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

Mr. Jiang, age 78, 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 was experienced 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 49, 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.

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

Mr. Wong, aged 59, 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 U.S.A. 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) Co. Ltd., Sino Hotels (Holdings) Limited, Sun Hung Kai & Co., Limited and New Times Group Holdings Ltd., all being companies listed on the Stock Exchange. Mr. Wong is a Deputy of the 11th National People's Congress of the P.R.C.

**Mr. Denny Chi Hing CHAN**  
*(Chief Operating Officer)*

Mr. Chan, aged 45, was promoted as the 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 Alternate Director of Far East Hotels and Entertainment Limited to Mr. Deacon Te Ken Chiu J.P., the founder of the Far East Group, on 17<sup>th</sup> May, 2003. In June, 2007, he was appointed as an Independent Non-executive Director of Hidili Industry International Development Limited, a Hong Kong listed company.

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

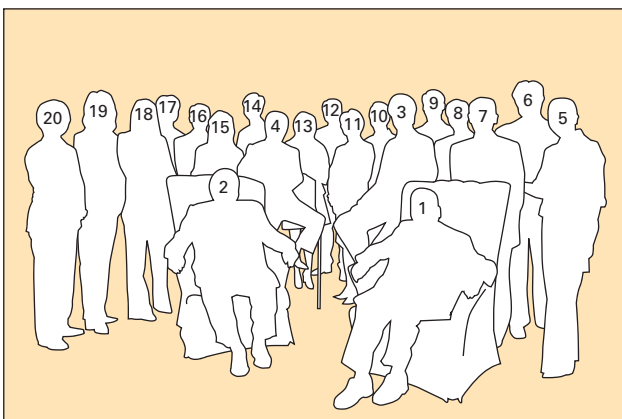
**Mr. Bill Kwai Pui MOK, B.A., M.B.A., A.I.C.P.A., C.P.A.**  
*(Chief Financial Officer and Company Secretary)*

Mr. Mok, aged 47, joined the Group on 1st 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 a security house from the United States and a major investment bank from 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 member of the Hong Kong Institute of Certified Public Accountants.

**Mr. Kam Kin Yat**  
*(Deputy Executive Officer – China Business)*

Mr. Kam Kin Yat, aged 55, is the Deputy Executive Officer (China Business) of the Group. He was the Independent Non-executive Director of Blu Spa Holdings Limited from 2002 to 2004. On 24 June 1999, he was appointed the Acting Chief Executive of Lai Fung Holdings Limited and was previously the Senior Vice-president for China investments in Lai Sun Development Company Limited in 1993. He acted as Director of Far East Consortium Limited in the 1980s and was in charge of China investments. He has more than 30 years of working experience in China trade. Before he came to Hong Kong in the beginning of the 1980s, he worked with the government of Jiangsu Province and was engaged in the works relating to promoting foreign investments.



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|---|--|
| 1 Mr. Deacon Chiu, J.P.<br>Chairman   | 11 Ms. Maria Cheung<br>Marketing Director                                  |
| 2 Tan Sri Dato' David Chiu<br>Deputy Chairman & Chief Executive Officer                   | 12 Mr. Clarence Mui<br>Financial Controller                                |
| 3 Mr. Denny Chan<br>Chief Operating Officer   | 13 Ms. Wendy Yung<br>Personal Assistant to Chairman                        |
| 4 Mr. Bill Mok<br>Chief Financial Officer and Company<br>Secretary                        | 14 Mr. Tang Kwok Keung<br>Senior Project Manager                           |
| 5 Ms. Rebecca Kwan<br>General Manager – Central Park Hotel & Lan<br>Kwai Fong Hotel       | 15 Ms. Magdalene Ho<br>Human Resources & Administration<br>Manager         |
| 6 Mr. Roland Lau<br>Project Director-Hong Kong  | 16 Mr. Simon Yeung<br>Project Manager                                      |
| 7 Mr. Kam Kin Yat<br>Deputy Executive Officer – China Business                            | 17 Mr. Julian Leung<br>Head of Treasury Investment                         |
| 8 Mr. Richard Kwong<br>General Manager – Dorsett Seaview Hotel &<br>Dorsett Olympic Hotel | 18 Ms. Miranda Tse<br>Legal Counsel  |
| 9 Mr. Eric Cheng<br>General Manager – Dorsett Far East Hotel                              | 19 Ms. Anita Chan<br>General Manager – Cosmopolitan Hotel<br>& Cosmo Hotel |
| 10 Mr. Frankie Lai<br>Director of Hotel Operations  | 20 Ms. Ellen Wu<br>Group Chief Accountant                                  |

# Five-Year Financial Summary

	For the year ended 31st March,				
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
<b>RESULTS</b>					
Revenue	809,053	546,120	684,144	875,176	<b>2,159,514</b>
Profit before taxation	213,733	446,485	418,078	693,823	<b>658,396</b>
Taxation	(61,326)	(36,814)	(85,867)	(157,394)	<b>(215,016)</b>
Profit for the year	152,407	409,671	332,211	536,429	<b>443,380</b>
Earnings per share	14 cents	32 cents	24 cents	37 cents	<b>28 cents</b>

	At 31st March,				
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	4,924,709	6,234,848	7,140,308	8,712,356	<b>9,585,961</b>
Total liabilities	(2,239,690)	(3,014,603)	(3,568,525)	(4,664,260)	<b>(4,633,817)</b>
Minority interests	2,685,019 (26,593)	3,220,245 (31,789)	3,571,783 (27,250)	4,048,096 (26,148)	<b>4,952,144 (39,467)</b>
Shareholders' funds	2,658,426	3,188,456	3,544,533	4,021,948	<b>4,912,677</b>





Senior Management of Hotels

From left to right:

**Mr. Richard Kwong**  
General Manager – Dorsett Seaview Hotel &  
Dorsett Olympic Hotel

**Ms. Rebecca Kwan**  
General Manager – Central Park Hotel & Lan  
Kwai Fong Hotel

**Mr. Frankie Lai**  
Director of Hotel Operations

**Ms. Anita Chan**  
General Manager – Cosmopolitan Hotel &  
Cosmo Hotel

**Mr. Eric Cheng**  
General Manager – Dorsett Far East Hotel

## CORPORATE OVERVIEW

The Group's property and hotel businesses have remained strong despite further tightening austerity measures imposed by the Central Government and the fallout of sub-prime crisis in the United States during the year. With the increased property sales for the year, the profit contributed from our property division increased to HK\$673 million, representing a 741% increase from last year. Benefiting from the overall increase in the number of visitors in the region and the Group's well-positioned hotel portfolio, our hotel division posted a total profit contribution

of HK\$255 million, an increase of 26% compared with last year.

During the year, the Group acquired two hotel development projects on the Hong Kong Island. The first one is on Jervois Street, Sheung Wan featuring a 55-room boutique hotel which is scheduled to be completed in the first quarter of 2010. The second one is a 149-room boutique hotel development project on Hill Road, West Point which is within a walking distance to the University of Hong Kong and is scheduled to open by the end of 2010. After the year-end, the Group has further expanded its hotel portfolio by acquiring an industrial building in Kwai Chung. This industrial building will be fully refurbished into a 634-room 4-star hotel. With its opening in early 2010, it will become the largest hotel member of the Group in Hong Kong.

At the beginning of the year, the Group entered into a hotel management contract with a hotel in Penang, Malaysia. This hotel is named Dorsett Penang Hotel, which is the first hotel to be managed by our Group without the hotel ownership. Furthermore, the Group acquired a hotel in Labuan in October, and branded it as Grand Dorsett Labuan Hotel. Presently, the Group has a total of four hotels in operation with two under development in Malaysia. With an increase of 19.4% in tourist arrivals in 2007 which posted the fourth consecutive year of tourist growth, we are positive on the prospect of tourism in Malaysia and will continue to explore new hotel investment opportunities in the country.

As part of our hotel expansion strategy, we made two major acquisitions for hotel development in China during the year – one in Chengdu and one in Wuhan. Subsequent to the year-end, the Group has further expanded

its hotel portfolio in China by acquiring a brand new apartment building in Pudong District, Shanghai, for hotel conversion and a majority interest of a hotel project in Zhuji, Zhejiang Province.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Property Development Division

#### *Mainland China*

Despite the weak sentiment in Shanghai's property market in general, the property sales of California Garden remained strong. We sold over 80% of 1,172 residential units launched and over 70% of the sold units were delivered to the purchasers before the year-end.

Other than California Garden, the Group also has three property development projects, namely New Time Plaza, Gantangyuan, and Huadijiyuan, in Guangzhou with a total attributable gross floor area of over 1.5 million square feet. All three projects consist of residential and commercial development and are scheduled to be completed by 2009 and 2010.

*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, over 4,000 residential and commercial units have been developed. The remaining balance of about 6,000 units is scheduled for completion over the next five to six 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 2014.

*New Time Plaza, Guangzhou* – the Group owns 50% of the development. It comprises an auxiliary building with a site area of about 33,000 square feet and a proposed 28-storey residential tower. The total gross floor area of the residential tower is approximately 215,000 square feet. The building includes 110,000 square feet of residential area, 67,000 square feet of commercial area and 38,000 square feet of car parking space. Construction work for the residential tower is currently in progress and is expected to be completed by 2009.

*Project Team**From left to right:**Mr. Denny Chan*  
*Chief Operating Officer**Ms. Joey Ng*  
*Project Manager**Mr. Simon Yeung*  
*Project Manager**Mr. Roland Lau*  
*Project Director-Hong Kong**Mr. Tang Kwok Keung*  
*Senior Project Manager**Mr. Lamiy Wong*  
*Project Manager*

*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 430,000 square feet of residential area, 20,000 square feet of commercial area and 10,000 square feet of car parking space. Currently the development is at the planning stage. Construction work is expected to commence in 2009 and is scheduled to be completed by 2010.

*Huadijiayuen, Huadiwan, Guangzhou* – the Group owns 100% of this development. Located next to the Huadi

River, the 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 910,000 square feet. Building design and approval procedure are in progress. Construction work is expected to commence in late 2008 and is scheduled to be completed in 2010.

*Hong Kong*

The Group will continue to focus on property development in China; however, we also seek for attractive property development projects when opportunities arise in Hong Kong. During the year, our luxury residential development, The Cove, was sold as a whole lot for HK\$120 million. By the end of the year, the Group acquired a 88% ownership of an old commercial and residential building in Shamshuipo, Kowloon. According to the plan, it will be developed into a commercial and residential building with a total gross floor area of over 40,000 square feet. Presently, we have six property projects under development.

*Bakerview, Hunghom* – a 32-storey residential and commercial development with a total gross floor area of approximately 55,000 square feet comprising of 104 residential units, 26 car-parks and two floors of retail spaces. The Group has withheld 35% of the unsold units and two floors of retail spaces for lease.

*Art Del Sol, Sai Kung* – a proposed development of 24 houses with a total gross floor area of approximately 53,000 square feet. Construction work on Phase 1 was completed and approximately 85% of the units have been sold. Development of other phases will depend on obtaining approvals from relevant government authorities.

*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. The project is presently at detailed design development stage and we target to obtain the certificate of completion from Building Department in the first quarter of 2009.

*Tan Kwai Tsuen, Yuen Long* – a luxurious residential development of 22 houses with a total gross floor area of approximately 52,000 square feet. The Group has made an application for land exchange and building plan submission.

*Hung Shui Kiu, Yuen Long* – a 7-storey residential development project with 72 units of a total gross floor area of approximately 36,000 square feet. Subsequent to the year-end, the whole project was sold in its “as is” condition in May 2008.

*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 square feet. The first phase is scheduled to be completed in 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. It is a 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.

*Sai Yeung Choi Street North, ShamShuiPo* – a commercial and residential development with a total gross floor area of 40,100 square feet comprising 72 residential units and 2 floors of commercial units. Construction work is expected to commence in late 2008.

#### *Australia*

The Group has two property development projects in Melbourne, namely Royal Domain Tower and Northbank Place. Royal Domain Tower is a luxurious residential development project. The construction has been



Senior Management of Cosmopolitan Hotel & Cosmo Hotel

From left to right:  
Mr. Andrew Lee  
Director of Rooms

Ms. Ivy Shek  
Assistant Director of Sales

Ms. Anita Chan  
General Manager

Mr. Eddie Liu  
Assistant Financial Controller



Senior Management of Dorsett Seaview Hotel  
& Dorsett Olympic Hotel

From left to right:  
Ms. Joey Chan  
Assistant Financial Controller

Mr. Amas Mo  
Rooms Division Manager

Mr. Barry Lo  
Resident Manager

Mr. Richard Kwong  
General Manager

completed and 90% of its 133 units have been sold. Northbank Place consists of an office building and two residential towers. The office building has been pre-sold to an investor and 100% of the 385 apartment units have been sold.

*Royal Domain Tower, Melbourne* – Located along St. Kilda Road, overlooking the celebrated Melbourne Botanical Gardens, the development is a 42-level high rise complex comprising 133 luxurious residential apartments

with a gross floor area of approximately 700,000 square feet. The construction work of this prominent project was commenced in 2003 and was completed in 2006. Up to the end of the year, 90% of the 133 units were sold. The Group has a 90% interest in this venture.

*Northbank Place, Melbourne* – this project consists of an office building with a net lettable area of approximately 111,000 square feet which has been pre-sold to an investor plus two residential towers consisting of 384 apartments which are 100% sold. Construction work commenced in April 2007. The Group has a 95% share in this project.

## 2. Hotel Division

During the year, the Group opened one new hotel, Grand Dorsett Labuan Hotel, in Malaysia. Our hotel portfolio has now increased from nine hotels to ten hotels and from 2,371 rooms to 2,549 rooms respectively. In addition, the Group has also entered into a hotel management contract to manage a 276-room hotel in Penang, Malaysia.

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. At the year-end date, we had five 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 doubled in terms of the number of hotel rooms.

Apart from expanding our hotel portfolio, we are also dedicated to establishing our own hotel brands. In 2007, the Group's Cosmopolitan Hotel and Lan Kwai Fong Hotel in Hong Kong were awarded as "eMarketer of the Year – Asia Pacific" by the Hospitality Sales & Marketing Association International in the United States and "The Best Boutique Hotel in Asia" by TravelWeekly Asia Industry Awards

2007, respectively. Recently, our Lan Kwai Fong Hotel was recognized as “Hong Kong’s Leading Boutique Hotel” by World Travel Awards 2008 and our Central Park Hotel was also nominated as one of the finalists for the same award.

### *Hotels in Operation*

#### *Hong Kong*

*Cosmopolitan Hotel, Wanchai*, – 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. In 2007, Cosmopolitan Hotel is Awarded the globally-acclaimed “eMarketer of the Year – Asia Pacific” Award by the US headquartered Hospitality Sales & Marketing Association International, recognizing its excellence in meeting marketing objectives, delivering creative and quality content and increasing booking conversions through its integrated e-marketing program.

*Cosmo Hotel, Wanchai* – 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 homey 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. Designer shops, world famous art galleries and antique shops on Hollywood Road fill the area with a unique artistic and cultural atmosphere. With easy access to extensive dining and entertainment areas of Soho and Lan Kwai Fong, this hotel was nominated as one of the finalists of “Hong Kong’s Leading Boutique Hotel” by World Travel Awards 2008.

*Lan Kwai Fong Hotel, Central* – a hip boutique hotel uniquely designed in décor, 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. This award winning hotel was recently recognized



*Senior Management of Dorsett Far East Hotel*

*From left to right:*

*Mr. Stevy Mok*  
*Rooms Division Manager*

*Mr. Henry Tse*  
*Director of Sales*

*Mr. Eric Cheng*  
*General Manager*



Senior Management of Central Park Hotel & Lan Kwai Fong Hotel

From left to right:

Ms. Vanessa Chung  
Director of Business Development

Ms. Freda Chan  
Accounting Manager

Ms. Agnes Cheng  
Sales & Marketing Manager

Ms. Rebecca Kwan  
General Manager

as “Hong Kong’s Leading Boutique Hotel” by World Travel Awards 2008 and “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 a 5-minute walking distance to Central District.

*Dorsett Seaview Hotel, Yau Ma Tei* – a traditional 3-star hotel 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 a walking distance to the 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.

*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. It is just a step away from Tsuen Wan MTR station and close to shopping and entertainment facilities. The enhancement work at the podium of the hotel is scheduled to be completed in September 2008.

#### Malaysia

*Dorsett Regency Hotel, Kuala Lumpur* – a stylish 4-star deluxe hotel located in the heart of Kuala Lumpur City Centre. It features modern amenities with warm Malaysian hospitality and comforts of contemporary living. The hotel consists of 320 tasteful deluxe rooms including 28 suites and 3 club floors. Its simple yet contemporary elegance charms the executive business and leisure travelers. The hotel has recently undergone some soft refurbishment on the 320 rooms and meeting rooms.

*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 the 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 that include hi-speed internet access and Wi-Fi, the hotel is an ideal choice for business travelers, conference and leisure guests.

*Grand Dorsett Labuan Hotel* – Strategically located in the revitalized business district of Labuan, Grand Dorsett Labuan Hotel is only minutes away from Labuan’s town centre and the airport. Located on the duty-free island, the hotel has 178 well-appointed guest rooms overlooking the serene harbour as well as views of the city.

*Dorsett Penang Hotel* – Located in the heart of Georgetown with panoramic views of the city and the ocean, the hotel is located in the commercial district, historical pre-war buildings and adjacent to the shopping complex – Penang Plaza. Spacious and well appointed, the hotel consists of 276 guestrooms including luxurious suites. This is the first hotel operated by the Group under a hotel management agreement without the property ownership.

### Hotels under Development

#### *Hong Kong*

*Cosmo 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 4-star hotel with a total of 285 rooms. The superstructure work is in progress. 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 with 218 rooms located at Davis Street. The superstructure work is in progress. It is scheduled to be completed and commence operation in mid-2009.

*Cosmopolitan Kowloon Hotel, Kwun Tong* – a hotel development project located at Hung To Road. The existing industrial building will be demolished and the area will be re-developed into a 4-star hotel with 391 rooms. Demolition is in progress and foundation works will be commenced in September 2008. It is scheduled to be completed and commence operation by the third quarter of 2010.



*Boutique Hotel on Jervois Street, Sheung Wan* – Just steps away from the heart of Central, this boutique hotel will offer 55 rooms with unique contemporary design and layouts ranging from studio to one bedroom. Fabulous restaurants, the gymnasium and the swimming pool will be in operation upon completion. Currently, it is under foundation construction and superstructure works, it is scheduled to commence operation by the first quarter of 2010.

*Boutique Hotel on Hill Road, West Point* – the existing residential building will be demolished and the area will be developed into a boutique hotel with 149 rooms. It is currently under planning and statutory submissions stage. Demolition works is scheduled to be commenced at the end of 2008.

#### *China*

*Wuhan Cosmopolitan Hotel, Wuhan* – a newly acquired property located in the heart of downtown. The hotel is situated atop the well-known Hong Kong and Macau Center on Jiangnan Road, the famous pedestrian boulevard in Wuhan. Proximity to the most prosperous shopping areas, diverse dining and fabulous entertainment, the hotel is a premier location for both leisure and business travelers. Major renovation is under planning so as to revamp the property into a trendy design hotel. With contemporary décor, furniture and fixtures, state-of-the-art meeting and banquet facilities as well as comprehensive recreational facilities, the 400-room hotel aims to blend simplicity with elegance and to be one of a kind at the market.

*Chengdu Cosmopolitan Hotel, Chengdu* – located in the heart of central business district in Chengdu. It is planned to develop a pre-five-star hotel with 588 rooms. It is under final submission stage and some of A&A works are in progress. It is scheduled to be completed in mid-2009.

## OUTLOOK

### 1. Property Development Division

With the continued efforts made by the Central Government by introducing a series of austerity measures over the last few years, the Mainland property markets have become less speculative. On top of the tightening controls on bank financing and foreign investments in property related projects in China, the weakening capital markets have created financial pressure on domestic property developers. Due to limited debt or equity financing available, we see more distressed property projects for sale in China today. We believe this is the right time for us to expand our land bank in the Mainland.

### 2. Hotel Division

Being the fourth consecutive year of growth in the number of visitor arrivals, 2007 was another good year for tourism in Hong Kong. According to the Hong Kong Tourism Board, the cumulative visitor arrivals in 2007 reached 28.2 million, representing an 11.6% increase from the previous year. With the depreciation of Hong Kong dollars relative to other currencies and the continuous influx of visitors, we expect tourism in Hong Kong will continue to grow in the foreseeable future.

In China, we believe the increase of both leisure and business travelers are due to the exponential economic growth. In 2007, there were a total of 131 million inbound tourists, representing a 4.8% increase from prior year. More significantly, the domestic travelers reached 1.6 billion in 2007, as compared to 1.4 billion in 2006 and 1.2 billion in 2005. Hence, the Group will continue to look for new hotel investment opportunities in Hong Kong and China in order to enlarge our hotel portfolio and to strengthen our recurring income base.

## FINANCIAL REVIEW

Revenue for the financial year of 2008 was increased by 147% to HK\$2,160 million with gross operating profit and net profit were HK\$1,079 million and to HK\$443 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\$347 million last year to HK\$612 million this year, representing an increase of 76%. Owing to the increased contribution from our property development in Shanghai, the total property sales for this year increased to HK\$1,334 million from last year's HK\$335 million.

Gross profit rose to HK\$1,079 million, a 149% 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.

Net profit was reported at HK\$443 million, decrease from last year's HK\$536 million. Such profit drop was mainly related to the fair value adjustments. Excluding all fair value adjustments and revaluation, net profit would be HK\$605 million, up 50% from last year's HK\$402 million.

## FINANCIAL RESOURCES AND LIQUIDITY

### Borrowings and charge on Group assets

	2008 HK\$'000	2007 HK\$'000
Bank loans	2,467,647	1,866,801
Bank overdrafts	–	6,582
Financial liabilities at fair value through profit or loss	430,123	838,336
Mortgage loans	208,283	456,282
Obligations under finance leases	1,821	1,836
Other loans	152,704	313,408
	<b>3,260,578</b>	3,483,245
Analysed as:		
Secured	2,830,455	2,644,909
Unsecured	430,123	838,336
	<b>3,260,578</b>	3,483,245
The above borrowings are repayable as follows:		
On demand or within one year	1,449,846	2,078,909
Amount due after one year	1,810,732	1,404,336
	<b>3,260,578</b>	3,483,245

### Zero Coupon Convertible Bonds

The US\$67million 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 99% 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.

No conversion rights were exercised by the holders of US\$ Bonds during the year. During the year ended 31st March, 2007, an aggregate principal amount of US\$1,000,000 (equivalent to approximately HK\$7,793,000) of convertible bonds were converted into ordinary shares of the Company.

Presently, the Company has another zero coupon convertible bonds with an issued size of HK\$754 million. The conversion price is subsequently adjusted to HK\$2.96, an aggregate principal amount of HK\$359,720,000 (2007: Nil) of the convertible bond were converted into ordinary shares of the Company during the year. The fair value of the convertible bond denominated in Hong Kong dollars amounted to HK\$428,175,000 (2007: HK\$836,388,000).

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.

### Contingent Liabilities and Commitments

#### *Contingent Liabilities*

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, 2008, the total amount of mortgages outstanding which are subject to these guarantees was HK\$354,419,000 (2007: HK\$40,406,060). 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.

### Contingent Liabilities and Commitments (continued)

#### Capital Commitments

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Properties under development for sale	<b>719,850</b>	1,136,198
Hotel properties	<b>611,695</b>	–
Others	<b>14,164</b>	4,329
	<hr/> <b>1,345,709</b>	<hr/> 1,140,527
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties under development	–	426,090
Hotel properties	<b>73,636</b>	11,315
	<hr/> <b>73,636</b>	<hr/> 437,405
	<hr/> <b>1,419,345</b>	<hr/> 1,577,932

#### Gearing ratio

The gearing ratio (total bank and other borrowings and financial liabilities at fair value through profit or loss and convertible bonds to shareholders' equity) as at 31st March, 2008 was 66% (2007: 87%).

#### Current ratio

The current ratio as at 31st March, 2008 was 1.2 (2007: 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.

### 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\$4,989,610,000 (2007: HK\$4,205,899,000), HK\$107,338,000 (2007: HK\$101,821,000) and HK\$764,000 (2007: HK\$731,000) 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 to the extent of approximately HK\$4,358,882,000 (2007: HK\$3,854,548,000).

The Group's bank deposits of approximately HK\$3,165,000 in 2007 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 in prior year.

- (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\$167,669,000 (2007: HK\$365,640,000) 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\$732,771,000 (2007: HK\$1,011,087,000), of which HK\$152,704,000 (2007: HK\$83,621,000) 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 (2007: HK\$119,995,000) to a financial institution to secure general credit facility granted to the investee company.

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, 2008.

## **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, 2008 are set out in notes 56, 57 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 46.

An interim dividend of HK5 cents per share amounting to HK\$80,293,000 was paid to the shareholders during the year. The Directors recommend a final dividend for the year of HK10 cents per share to shareholders whose names appear on the Company's Register of Members on 22nd August, 2008 amounting to approximately HK\$161,608,000. 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 22nd August, 2008; 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 22nd August, 2008. 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 1st September, 2008. Dividends warrants or new shares certificates will be posted on or about 30th September, 2008.

## **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 15.

## INVESTMENT PROPERTIES

The Group revalued all of its investment properties at 31st March, 2008. The net increase in fair value of investment properties, which has been credited directly to consolidated income statement, amounted to HK\$205,562,000.

Details of these and other movements during the year in the investment properties of the Group are set out in note 15 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$432,938,000 on hotel properties and hotel properties under development.

In addition, the Group acquired hotels properties through business combination with carrying amount of approximately HK\$104,000,000.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 16 and acquisition of a subsidiary/business in note 45 to the consolidated financial statements.

## MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2008 are set out on pages 140 to 151 of the annual report.

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 40 to the consolidated financial statements.

During the year, the Company via its subsidiary repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month of Repurchase	No. of ordinary share of HK\$0.01 each HK\$	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
December 2007	1,000,000	4.21	3.86	3,998,000
March 2008	5,000,000	3.00	2.38	13,706,000

The above share were cancelled upon repurchase and, accordingly the issued share capital of the Company was reduced by the nominal value of these shares and the premium paid on repurchase was charged to share premium.

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

## 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, 2008, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, amounted to approximately HK\$394,963,000 (2007: HK\$644,081,000), representing the net of the distributable reserve of HK\$580,512,000 (2007: HK\$787,301,000) and accumulated losses of HK\$185,549,000 (2007: HK\$143,220,000).

## 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, J.P., 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, J.P.

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, J.P. (appointed on 2nd May, 2007)

In accordance with the provisions of the Company's Articles of Association, Mr. Craig Grenfell Williams and Madam Ching Lan Ju Chiu 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, 2008, 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 and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, 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	11,259,887	122,680,004 <sup>(i)</sup>	–	133,939,891	8.27%
Tan Sri Dato' David Chiu	Long Position	819,952	354,486,054 <sup>(ii)</sup>	–	355,306,006	21.94%
Dennis Chiu	Long Position	8,487	5,109,012 <sup>(iii)</sup>	–	5,117,499	0.32%
Ching Lan Ju Chiu	Long Position	1,404,442	–	–	1,404,442	0.09%
Daniel Tat Jung Chiu	Long Position	42,121	3,877,218 <sup>(iv)</sup>	–	3,919,339	0.24%

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 and Modest Secretarial Services Limited, companies controlled by Tan Sri Dato' David Chiu.
- (iii) 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.
- (iv) 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 had registered an interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations 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 for Securities Transactions by Directors of Listed Companies at 31st March, 2008.

## 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.

Category of grantee	Date of grant	Exercise price HK\$	Number of options			Exercise period
			Outstanding as at 1.4.2007	Exercised during the year	Outstanding as at 31.03.2008	
<i>Senior management</i>						
Chi Hing Chan	21.10.2004	2.075	-	-	-	01.11.2004 – 31.12.2010
			1,000,000	(1,000,000)	-	01.01.2006 – 31.12.2010
			1,600,000	(1,100,000)	500,000	01.01.2007 – 31.12.2010
			1,800,000	-	1,800,000	01.01.2008 – 31.12.2010
			2,000,000	-	2,000,000	01.01.2009 – 31.12.2010
			6,400,000	(2,100,000)	4,300,000	
Bill Kwai Pui Mok	21.10.2004	2.075	1,200,000	(1,200,000)	-	01.04.2005 – 31.12.2010
			1,400,000	(1,400,000)	-	01.01.2006 – 31.12.2010
			1,600,000	(400,000)	1,200,000	01.01.2007 – 31.12.2010
			1,800,000	-	1,800,000	01.01.2008 – 31.12.2010
			2,000,000	-	2,000,000	01.01.2009 – 31.12.2010
			8,000,000	(3,000,000)	5,000,000	

## Directors Report

Category of grantee	Date of grant	Exercise price HK\$	Number of options			Exercise period
			Outstanding as at 1.4.2007	Exercised during the year	Outstanding as at 31.03.2008	
Other employees in aggregate	21.10.2004	2.075	250,000	-	250,000	01.01.2004 – 31.12.2010
			-	-	-	01.01.2005 – 31.12.2010
			875,000	(450,000)	425,000	01.01.2006 – 31.12.2010
			2,075,000	(1,000,000)	1,075,000	01.01.2007 – 31.12.2010
			3,225,000	(950,000)	2,275,000	01.01.2008 – 31.12.2010
			3,675,000	-	3,675,000	01.01.2009 – 31.12.2010
			10,100,000	(2,400,000)	7,700,000	
Other employees in aggregate	25.08.2006	3.29	450,000	(450,000)	-	01.09.2006 – 31.12.2010
			525,000	(525,000)	-	01.01.2007 – 31.12.2010
			600,000	(475,000)	125,000	01.01.2008 – 31.12.2010
			675,000	-	675,000	01.01.2009 – 31.12.2010
			750,000	-	750,000	01.01.2010 – 31.12.2010
			3,000,000	(1,450,000)	1,550,000	
Total			27,500,000	(8,950,000)	18,550,000	

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, 2008, 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	% of issued shares capital
Zwaanstra John	Interests in controlled corporation	Long	469,074,397	28.97%
Penta Investment Advisers Ltd.	Investment manager	Long	469,074,397	28.97%
Mercurius GP LLC	Founder of a discretionary trust	Long	178,265,591	11.01%
Penta Asia Fund, Ltd.	Interests in controlled corporation	Long	178,265,591	11.01%
Zwaanstra Todd	Trustee	Long	178,265,591	11.01%
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long	29,123,343	1.80%
		Short	8,998,552	0.56%
	Person having a security interest	Long	83,312,094	5.14%
		Short	30,826,327	1.90%
Sky Investment Counsel Inc.	Investment manager	Long	87,847,252	5.42%
Penta Asia Long/Short Fund, Ltd.	Beneficial owner	Long	80,514,665	4.97%

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, 2008.

## 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 38 to 43 of the annual report.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March, 2008.

## 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.

## AUDITOR

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

On behalf of the Board

**Tan Sri Dato' David Chiu**

*Deputy Chairman and Chief Executive Officer*

18th July, 2008

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, 2008, 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 three 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 2006 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.

### Board Composition

The Board comprises nine Directors, whose biographical details are set out in the section "Profile of Directors and Senior Management" on pages 10 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 29 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.



## REGULAR BOARD MEETINGS

The Board meets three 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 three occasions during the year ended 31st March, 2008. The attendance of individual Directors at the Board meetings is set out in the table below.

	Number of meetings attended	Attendance rate
<b>Executive Directors</b>		
Deacon Te Ken Chiu, <i>Chairman</i>	3/3	100%
David Chiu, <i>Deputy Chairman and Chief Executive Officer</i>	3/3	100%
Dennis Chiu	0/3	0%
Craig Grenfell Williams	0/3	0%
<b>Non-executive Directors</b>		
Ching Lan Ju Chiu	0/3	0%
Dick Tat Sang Chiu <sup>(1)</sup>	0/3	0%
Daniel Tat Jung Chiu	0/3	0%
<b>Independent Non-executive Directors</b>		
David Kwok Kwei Lo <sup>(2)</sup>	0/3	0%
Jian Yin Jiang	0/3	0%
Kwok Wai Chan	3/3	100%
Peter Man Kong Wong <sup>(3)</sup>	2/3	66%

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.
3. Mr. Peter Man Kong Wong was appointed as Independent Non-executive Director of the Company on 2nd May, 2007.

## 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, reviewing 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, 2008, and the attendance record is set out as follows:

	Number of meetings attended	Attendance rate
<b>Executive Director</b>		
David Chiu	2/2	100%
<b>Independent Non-executive Directors</b>		
Kwok Wai Chan, Chairman	2/2	100%
David Kwok Kwei Lo <sup>(1)</sup>	0/2	0%
Jian Yin Jiang	0/2	0%
Peter Man Kong Wong <sup>(2)</sup>	2/2	100%

Note:

1. Mr. David Kwok Kwei Lo resigned from the office of Independent Non-executive Director of the Company on 3rd July, 2007.
2. Mr. Peter Man Kong Wong was appointed as Independent Non-executive Director of the Company on 2nd May, 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, 2007 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

### 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.

During the year ended 31st March, 2008, no meeting was held by the Remuneration Committee.

## DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31st March, 2008.

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, 2008.

## AUDITORS' REMUNERATION

The remuneration paid to the external auditors in respect of audit services for the year ended 31st March 2008 amounted to HK\$5,661,000.

## 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 the 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.

## **Deloitte.** **德勤**

### **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 46 to 139, which comprise the consolidated balance sheet as at 31st March, 2008, 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.

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, 2008 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

18th July, 2008

# Consolidated Income Statement

For the year ended 31st March, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Revenue	7	2,159,514	875,176
Depreciation on hotel properties and equipment		(52,548)	(30,045)
Other cost of sales		(1,028,142)	(412,384)
Gross profit		1,078,824	432,747
Other income		42,593	20,236
Doubtful loan receivable recovered	45(b)	–	57,443
Administrative expenses		(266,476)	(294,120)
(Loss) gain on disposal of available-for-sale investments		(5,660)	113,755
Decrease in fair value of financial assets at fair value through profit or loss		(154,391)	(12,926)
(Increase) decrease in fair value of financial liabilities at fair value through profit or loss		(25,817)	68,839
Changes in fair value of derivative financial instruments		(139,105)	10,402
(Decrease) increase in fair value of investments held for trading		(48,061)	7,916
Increase in fair value of investment properties	15	205,562	59,841
Discount on acquisition	45	66,140	44,208
Gain on disposal of a subsidiary	46	–	225,200
Share of results of associates		15,675	28,970
Share of results of jointly controlled entities		(2,904)	(771)
Finance costs	9	(107,984)	(67,917)
Profit before taxation		658,396	693,823
Taxation	10	(215,016)	(157,394)
Profit for the year	11	443,380	536,429
Attributable to:			
– Equity holders of the Company		432,905	538,955
– Minority interests		10,475	(2,526)
		443,380	536,429
Dividends	13		
– Interim, paid		80,293	58,196
– Final, paid		126,496	86,533
		206,789	144,729
Earnings per share	14	HK cents	HK cents
– Basic		27.8	37.2
– Diluted		26.4	27.6

# Consolidated Balance Sheet

At 31st March, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>			
Investment properties	15	1,936,939	1,371,722
Property, plant and equipment	16	2,598,266	2,040,663
Prepaid lease payments	17	1,115,311	680,236
Interests in associates	18	170,675	165,094
Interests in jointly controlled entities	19	70,942	73,846
Available-for-sale investments	20	93,802	245,289
Financial assets as at fair value through profit or loss	22	264,384	673,188
Deposit for acquisition of hotel properties		97,249	12,146
Amounts due from associates	23	82,221	78,542
Amount due from an investee company	24	119,995	119,995
Amount due from a minority shareholder	25	563	563
Loans receivable	26	2,110	7,480
Pledged bank deposits	32, 48	–	3,165
		<b>6,552,457</b>	<b>5,471,929</b>
<b>Current assets</b>			
Inventories	27	1,805	1,269
Completed properties for sale		912,618	710,922
Properties under development for sale	28	1,048,455	1,428,063
Available-for-sale investments	20	72,101	171,615
Investments held for trading	21	71,277	50,764
Financial assets designated as at fair value through profit or loss	22	166,103	180,825
Derivative financial instruments	29	–	2,411
Loans receivable	26	1,154	1,022
Debtors, deposits and prepayments	30	167,687	138,266
Prepaid lease payments	17	20,141	11,904
Amount due from a jointly controlled entity	31	13,135	12,270
Amounts due from associates	23	407	2,331
Amount due from a related company	31	4,773	–
Taxation recoverable		1,889	11,194
Pledged bank deposits	32, 48	107,339	98,656
Deposits with financial institutions	32	36,296	154,891
Bank balances and cash	32	408,324	264,024
		<b>3,033,504</b>	<b>3,240,427</b>
<b>Current liabilities</b>			
Creditors and accruals	33	279,855	401,153
Customers' deposits received		349,050	171,785
Amounts due to directors	34	3,352	7,070
Amounts due to related companies	35	43,548	162,867
Amounts due to associates	36	13,760	11,885
Amounts due to minority shareholders	36	29,665	28,763
Financial liabilities designated as at fair value through profit or loss	37	430,123	838,336
Derivative financial instruments	29	141,038	1,925
Taxation payable		256,747	151,730
Obligations under finance leases	38	1,247	766
Bank and other borrowings, secured	39	1,018,476	1,233,225
Bank overdrafts, secured		–	6,582
		<b>2,566,861</b>	<b>3,016,087</b>
<b>Net current assets</b>		<b>466,643</b>	<b>224,340</b>
		<b>7,019,100</b>	<b>5,696,269</b>



**Consolidated Balance Sheet**

At 31st March, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>Capital and reserves</b>			
Share capital	40	161,941	146,761
Reserves		4,750,736	3,875,187
Equity attributable to equity holders of the Company		4,912,677	4,021,948
Minority interests		39,467	26,148
<b>Total equity</b>		<b>4,952,144</b>	4,048,096
<b>Non-current liabilities</b>			
Amount due to a minority shareholder	42	22,277	43,079
Amount due to a jointly controlled entity	42	12,552	12,552
Deferred taxation	43	221,395	188,206
Obligations under finance leases	38	574	1,070
Bank and other borrowings, secured	39	1,810,158	1,403,266
		2,066,956	1,648,173
		7,019,100	5,696,269

The consolidated financial statements on pages 46 to 139 were approved and authorised for issue by the Board of Directors on 18th July, 2008 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, 2008

## Attributable to equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption 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, 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
Shares 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
Revaluation decrease	-	-	-	-	-	-	-	(45,350)	-	-	(45,350)	-	(45,350)
Exchange difference on translation of foreign operations	-	-	-	-	-	-	154,949	-	-	-	154,949	2,844	157,793
Net income (expense) recognised directly in equity	-	-	-	-	-	-	154,949	(45,350)	-	-	109,599	2,844	112,443
Transfer to profit or loss on disposal of available-for-sale investments	-	-	-	-	-	-	-	5,660	-	-	5,660	-	5,660
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	432,905	432,905	10,475	443,380
Total recognised income and expense for the year	-	-	-	-	-	-	154,949	(39,690)	-	432,905	548,164	13,319	561,483
Shares issued pursuant to scrip dividend scheme	3,157	108,740	-	-	-	-	-	-	-	-	111,897	-	111,897
Shares issued upon exercise of share options	895	19,438	-	-	-	-	-	-	-	-	20,333	-	20,333
Shares issued upon conversion of convertible bonds	11,728	422,302	-	-	-	-	-	-	-	-	434,030	-	434,030
Shares issue expenses	-	(64)	-	-	-	-	-	-	-	-	(64)	-	(64)
Repurchase of own shares	(600)	(17,104)	-	-	-	-	-	-	-	-	(17,704)	-	(17,704)
Recognition of the equity-settled share based payments	-	-	-	-	-	-	-	-	862	-	862	-	862
Dividends paid	-	-	-	-	-	-	-	-	-	(206,789)	(206,789)	-	(206,789)
At 31st March, 2008	161,941	2,042,873	253	7,228	869,357	169,352	114,790	(39,915)	2,326	1,584,472	4,912,677	39,467	4,952,144

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.

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

# Consolidated Cash Flow Statement

For the year ended 31st March, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>Operating activities</b>			
Profit before taxation		<b>658,396</b>	693,823
Adjustments for:			
Share of results of jointly controlled entities		<b>2,904</b>	771
Share of results of associates		<b>(15,675)</b>	(28,970)
Depreciation		<b>59,091</b>	35,884
Dividend from listed investments		<b>(4,061)</b>	(4,307)
Interest income		<b>(7,093)</b>	(4,645)
Interest expenses		<b>107,984</b>	72,007
Allowance for bad and doubtful debts		<b>3,460</b>	36,193
Allowance for loans receivable		<b>3,900</b>	3,088
Allowance for amount due from an associate		–	51,923
Increase in fair value of investment properties		<b>(205,562)</b>	(59,841)
Loss (gain) on disposal of available-for-sales investments		<b>5,660</b>	(113,755)
Doubtful loan receivable recovered		–	(57,443)
Increase (decrease) in fair value of financial liabilities through profit or loss		<b>25,817</b>	(68,839)
Gain on disposal of a subsidiary	46	–	(225,200)
Discount on acquisitions	45	<b>(66,140)</b>	(44,208)
Recognition of share-based payments		<b>862</b>	1,464
Amortisation of prepaid lease payments		<b>11,893</b>	6,609
(Gain) loss on disposal of property, plant and equipment		<b>(31)</b>	16
Effect on foreign exchange		–	(24,113)
Operating cash flows before movements in working capital		<b>581,405</b>	270,457
Decrease (increase) in completed properties for sale		<b>720,866</b>	(399,814)
(Increase) decrease in properties under development for sale		<b>(373,587)</b>	342,807
(Increase) decrease in debtors, deposits and prepayments		<b>(11,614)</b>	82,968
Increase in investments held for trading		<b>(20,513)</b>	(43,040)
Decrease (increase) in financial assets designated as at fair value through profit or loss		<b>423,526</b>	(582,533)
Decrease (increase) in derivative financial instruments		<b>141,524</b>	(58,718)
Decrease (increase) in loans receivable		<b>1,338</b>	(62,978)
(Increase) decrease in inventories		<b>(91)</b>	1,016
(Decrease) Increase in amounts due from associates		<b>(1,755)</b>	200
Increase in amount due from jointly controlled entities		<b>(865)</b>	(2,618)
(Decrease) increase in creditors and accruals		<b>(125,882)</b>	175,233
Increase in customers' deposits received		<b>177,265</b>	151,201
Increase in amount due to a jointly controlled entity		–	1,751
Decrease (increase) in amounts due to associates		<b>1,875</b>	(11,594)
Cash used in operations		<b>1,513,492</b>	(135,662)
Hong Kong Profits Tax paid		<b>(50,469)</b>	(14,783)
Tax paid for other jurisdictions		<b>(27,940)</b>	(4,289)
<b>Net cash from (used in) operating activities</b>		<b>1,435,083</b>	(154,734)

## Consolidated Cash Flow Statement

For the year ended 31st March, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>Investing activities</b>			
Purchase of property, plant and equipment		(446,338)	(163,326)
Purchase of subsidiaries, net of bank balances and cash equivalents acquired	45(a)	(70,099)	(252,478)
Purchase of businesses, net of bank balances and cash acquired	45(b)	–	555
Purchase of investment properties		(309,709)	–
Proceeds from disposal of a subsidiary, net of bank balances and cash disposed	46	–	294,834
Proceeds from disposal of property, plant and equipment		470	130
Purchase of available-for-sale investments		(1,430,013)	(609,297)
Proceeds from disposal of available-for-sale investments		1,635,664	855,824
Increase in prepaid lease payments		(425,770)	(194,871)
Deposit paid on acquisition of a property		(97,249)	(12,146)
Increase in pledged bank deposits		(5,518)	(46,718)
Decrease (increase) in deposits with financial institutions		118,595	(123,891)
Dividend received from associates		10,094	5,570
Dividend received from listed investments		4,061	4,307
Bank interest received		7,093	4,645
(Advance to) repayment from a minority shareholder		(19,900)	8,276
<b>Net cash used in investing activities</b>		<b>(1,028,619)</b>	<b>(228,586)</b>
<b>Financing activities</b>			
Proceeds from issue of shares, net of issue expenses		20,269	5,738
Repurchase of own shares		(17,704)	–
New bank and other borrowings raised		972,645	1,489,354
Repayments of bank and other borrowings		(873,208)	(887,261)
Repayments of obligations under finance leases		(563)	(362)
Repayment to a director		(3,718)	(5,398)
Advance to a related company		(4,773)	–
(Repayment to) advance from a related company		(119,319)	117,610
Dividends paid		(94,891)	(77,547)
Interest paid		(142,214)	(120,723)
<b>Net cash (used in) from financing activities</b>		<b>(263,476)</b>	<b>521,411</b>
<b>Net increase in cash and cash equivalents</b>		<b>142,988</b>	<b>138,091</b>
<b>Cash and cash equivalents brought forward</b>		<b>257,442</b>	<b>114,296</b>
<b>Effect of foreign exchange rate changes</b>		<b>7,894</b>	<b>5,055</b>
<b>Cash and cash equivalents carried forward</b>		<b>408,324</b>	<b>257,442</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash		408,324	264,024
Bank overdrafts		–	(6,582)
		<b>408,324</b>	<b>257,442</b>

## 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 treasury management.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendments to Hong Kong Accounting Standards ("HKAS"), Hong Kong Financial Reporting Standard ("HKFRS") and interpretations ("HK(IFRIC)-Int") (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st April, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs has the following impact:

- The impact of application of HKFRS 7 "Financial Instruments: Disclosures" has been to expand the disclosures provided in the consolidated financial statements regarding the Group's financial instruments, especially on the sensitivity analysis to market risk.
- The impact of application of HKAS 1 (Amendment) "Capital Disclosures" has been to disclose information regarding its objectives, policies and processes for managing capital.

The application of the remaining new HKFRSs has had no material effect on how the results and financial position of the Group for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC)-Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain 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 HKFRSs 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Basis of consolidation** *(continued)*

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

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

All intra-group transactions, balances, income and expenses have been 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.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Revenue recognition *(continued)*

Revenue from sale of properties in the ordinary course of business 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.

Revenue from sale of properties in the ordinary course of business is recognised upon the execution of a binding sales agreement and transfer of the legal title or upon the issuance of an occupation permit/completion certificate by the relevant authority, whichever is the later.

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.

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.



### **3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

#### **Investment properties**

Investment properties are properties held to earn rentals and/or capital appreciation.

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.

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation. Property interests held under operating lease previously classified as an investment property is accounted for as if it were a finance lease and measured under the fair value model. The Group shall continue to account for the lease as a finance lease, even if subsequent event changes the nature of the property interest so that it is no longer classified as investment property.

#### **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.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Property, plant and equipment** *(continued)*

When an item of property, plant and equipment is transferred to investment property carried at fair value, if the carrying amount is decreased as a result of a revaluation at the date of transfer, any resulting decrease in the carrying amount of the property is recognised in profit or loss. If the carrying amount is increased, to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in profit or loss. The amount recognised in profit or loss does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised. Any remaining part of the increase is credited directly to equity (assets revaluation reserve). On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to accumulated profits. The transfer from revaluation surplus to accumulated profits is not made through profit or loss.

#### **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).

When the building on the leasehold land is in the course of development for production, rental or for administrative purposes, the leasehold land component is amortised on a straight-line basis over the lease term. The amortisation charge for the leasehold land is included as part of costs of buildings under construction during the construction period.

#### **Owner-occupied leasehold interest in land**

When a building is in the course of development for production, rental or for administrative purposes, the leasehold land upon which the building is situated is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term.

### 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 joint control over the economic activity of the entity 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. The investment cost is amortised over the period of the joint venture agreement. 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Interests in jointly controlled entities** *(continued)*

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.

#### **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.

#### **Impairment of tangible assets**

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

#### **Inventories**

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

#### **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.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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.

#### **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 instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### ***Financial assets***

The Group's financial assets are classified into financial assets at fair value through profits or loss ("FVTPL"), available-for-sale investments and loans and receivables. 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.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial assets at initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Financial instruments** *(continued)*

##### **Financial assets** *(continued)*

###### Loans and receivables

Loans and receivables (including amounts due from associates, a jointly controlled entity, an investee company and a minority shareholder, loan receivable, debtors and deposit 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 ("FVTPL")

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, 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. The net fair value gain or loss recognised in profit or loss excludes any interest earned on the financial assets.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Financial instruments** *(continued)*

##### **Financial assets** *(continued)*

###### Available-for-sale investments

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.

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.

###### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Financial instruments** *(continued)*

##### *Impairment of financial assets (continued)*

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amounts due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

#### **Financial liabilities and equity**

Financial liabilities and equity instruments issued by a group entity 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 FVTPL and other financial liabilities.



### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Financial instruments** *(continued)*

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying financial liability at initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

##### 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 instruments in the entity as financial liabilities carried at fair value through profit or loss as the instrument embedded derivatives that are not closely related to the host debt contracts. On initial recognition and in subsequent periods, the convertible bonds are measured at fair value with changes in fair value recognised directly in profit or loss in the period in which they arise.

##### Other financial liabilities

Other financial liabilities (including creditors, amounts due to directors, related companies, associates, minority shareholders 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 Company are recorded at the proceeds received, net of direct issue costs.

##### *Derivative financial instruments*

Derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Financial instruments** *(continued)*

##### **Financial guarantee issued**

A financial guarantee contract is 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. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

##### **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 asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

##### **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.

##### **The Group as lessor**

Rental income under operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

##### **The Group as lessee**

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.

### **3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

#### **Leases** *(continued)*

##### **The Group as lessee** *(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.

##### **Leasehold land and building**

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

#### **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.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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.

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.

#### **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.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Borrowing costs** *(continued)*

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.

#### **Equity-settled share-based payment transactions**

##### ***Share options granted to employees after 7th November, 2002 and vested on or after 1st April, 2005***

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.

##### ***Share options granted to employees on or before 7th November, 2002, or granted after 7th November, 2002 and vested before 1st April, 2005.***

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Scrip dividends**

Dividends paid in form of shares are accounted for in the consolidated financial statements under the reinvestment method. The amount subscribed for the shares is equal to the cash value of the dividend. Any excess of the scrip amount over the nominal value of the shares is taken into the share premium account.

### 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 exercised 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.

#### ***Taxation***

The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors of the Company determine the deferred tax assets based on the enacted or substantially enacted tax rates and laws and the best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. The directors of the Company will review the assumptions and profit projections by respective balance sheet dates. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a recognition or reversal takes place.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the bank and other borrowings disclosed in note 39 and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings as disclosed in consolidated statement of changes in equity.

The management of the Group review the capital structure periodically. As part of this review, the management of the Group consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

There are no changes on the Group's approach to capital management during the year.

## 6. FINANCIAL INSTRUMENTS

### **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 designated as at fair value through profit or loss, derivative financial instruments, amounts due from a minority shareholder, a jointly controlled entity, an investee company, related company, associates, deposits with banks or other financial institutions, creditors, amounts due to directors, related companies, associates, a jointly controlled entity and minority shareholders, financial liabilities designated as at fair value through profit or loss 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.

## 6. FINANCIAL INSTRUMENTS *(continued)*

### a. Categories of financial instruments

	<b>At 31st March,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
<b>Financial assets</b>		
Fair value through profit or loss		
Held for trading investments	<b>71,277</b>	50,764
Designated as fair value through profit or loss	<b>430,487</b>	854,013
Derivative financial instruments classified as held for trading	<b>–</b>	2,411
Available-for-sale investments	<b>165,903</b>	416,904
Loans and receivables (including cash and cash equivalents)	<b>890,890</b>	874,621
<b>Financial liabilities</b>		
Amortised cost	<b>3,228,351</b>	3,306,529
Fair value through profit or loss		
Designated as fair value through profit or loss	<b>430,123</b>	838,336
Derivative financial instruments classified as held for trading	<b>141,038</b>	1,925

### Capital risk

It is the Group's policy to maintain a strong capital base so as to safeguard the Group's ability to continue as a going concern and to sustain future development of the Group's business. The Group defines the owner's equity as the capital of the Group.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions.

The Group's overall strategy remains unchanged over the years.



## 6. FINANCIAL INSTRUMENTS *(continued)*

### a. Categories of financial instruments *(continued)*

#### **Interest rate risk**

The Group is exposed to cash flow interest rate risk primarily to the Group's floating rate loans receivable, other bank deposits and borrowings. The Group does not have an interest rate hedging policy. However, the 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. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short term.

#### ***Interest rate sensitivity analysis***

The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate loans receivable, other bank deposits and borrowings. The analysis is prepared assuming that the relevant assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. A 200 basis point increase or decrease is used for the following sensitivity analysis.

If interest rates had been increased/decreased by 200 basis points and all other variables were held constant, the Group's profit after taxation would decrease/increase by approximately HK\$35,070,000 (2007: HK\$29,026,000) and the interest capitalised in the Group's properties under development for sales, buildings under development and hotel properties under development would increase/decrease by approximately HK\$13,600,000 (2007: HK\$21,233,000).

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

## 6. FINANCIAL INSTRUMENTS *(continued)*

### a. Categories of financial instruments *(continued)*

#### Foreign currency risk

The group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuation arises. The Group's convertible notes also expose to such foreign currency risk. The Group currently does not use any derivatives contract to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities excluding the financial instruments at the respective balance sheet dates are as follow:

	<b>At 31st March,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
<b>Assets</b>		
United States Dollars	<b>171,049</b>	241,635
Renminbi	<b>4,985</b>	1,010
Japanese Yen	<b>2,986</b>	2,412
Australian Dollar	<b>646</b>	58
Euro	<b>296</b>	45
Singapore Dollars	<b>11</b>	39
<b>Liabilities</b>		
United States Dollars	<b>74,221</b>	378,954
Japanese Yen	-	54,185
British Pounds	-	7,642
Singapore Dollars	-	2,669
Denmark Dollars	-	2,445
Euro	<b>11,573</b>	3,178

## 6. FINANCIAL INSTRUMENTS *(continued)*

### a. Categories of financial instruments *(continued)*

#### Foreign currency risk *(continued)*

#### **Foreign currency sensitivity analysis**

The group entities have deposits with financial institutions and financial liabilities designated as at fair value through profit or loss which are denominated in foreign currency which are different from Hong Kong dollar, the functional currency of the certain group entities and the Group is exposed to foreign currency risk due to the change in Hong Kong dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in the HKD against the relevant foreign currencies, while all other variables are held constant. Since Hong Kong dollars are pegged to US dollars under the Linked Exchange Rate System, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between Hong Kong dollars and US dollars. The Group mainly exposes to the currencies other than US dollars. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currency (other than US dollars) and adjusts their translation at the year/period end for a 10% change in foreign currency rates.

In management's opinion, the sensitivity analysis is unrepresentative of the foreign currency risk as the year end exposure does not reflect the exposure during the year.

#### ***Increase (decrease) in profit for the year***

	<b>At 31st March,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
– if HKD weakens against foreign currencies	<b>(265)</b>	(6,656)
– if HKD strengthens against foreign currencies	<b>265</b>	6,656

## 6. FINANCIAL INSTRUMENTS *(continued)*

### a. Categories of financial instruments *(continued)*

#### Other price risk

The Group is exposed to equity price risk because the Group's available-for-sale investments, financial assets designated as at fair value through profit or loss, investments held for trading, derivative financial instruments and financial liabilities designated as at fair value through profit or loss are stated at fair value. Details of the above financial assets and liabilities are set out in respective notes.

In particular, the Group is exposed to market price risk arising from changes in the Company's own share price in relation to conversion options embedded in convertible bonds set out in note 37.

The following tables show the sensitivity to equity price risk on the available-for-sale investments and investments held for trading under HKAS 39 at each balance sheet date while all other variables were held constant. Sensitivity rate of 5% represents management's assessment of the reasonably possible change in equity price shares price.

#### **Available-for-sale investments**

*Increase (decrease) in other component of equity*

	<b>At 31st March,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
– as a result of increase in equity price	<b>8,295</b>	20,845
– as a result of decrease in equity price	<b>(8,295)</b>	(20,845)

## 6. FINANCIAL INSTRUMENTS *(continued)*

### a. Categories of financial instruments *(continued)*

#### Other price risk *(continued)*

#### Investments held for trading

*Increase (decrease) in profit for the year*

	At 31st March,	
	2008	2007
	HK\$'000	HK\$'000
– as a result of increase in equity price	3,564	2,538
– as a result of decrease in equity price	(3,564)	(2,538)

The following tables show the sensitivity to exposure to changes in fair value of the financial assets designated as at fair value through profit or loss and derivative financial instruments (asset) under HKAS 39 at each balance sheet date. Sensitivity rate of 5% represents management's assessment of the reasonably possible change in fair value.

*Increase (decrease) in profit for the year*

	At 31st March,	
	2008	2007
	HK\$'000	HK\$'000
– as a result of increase in fair value	21,524	42,821
– as a result of decrease in fair value	(21,524)	(42,821)

The following tables show the sensitivity to exposure to changes in fair value of the financial liabilities at fair value through profit or loss and derivative financial instruments (liability) under HKAS 39 at each balance sheet date. Sensitivity rate of 5% represents management's assessment of the reasonably possible change in fair value.

*Increase (decrease) in profit for the year*

	At 31st March,	
	2008	2007
	HK\$'000	HK\$'000
– as a result of increase in fair value	(28,558)	(42,013)
– as a result of decrease in fair value	28,558	42,013

## 6. FINANCIAL INSTRUMENTS *(continued)*

### a. Categories of financial instruments *(continued)*

#### **Credit risk management**

At each balance date, the Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets as stated in the consolidated balance sheets and the amount of contingent liabilities as disclosed in Note 51. 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.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. 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 credit risk for bank deposits and deposits with investment banks is limited because the counterparties are banks or financial institutions with high credit ratings.

#### **Liquidity risk**

The Group's liquidity position and its compliance with lending covenants is monitored closely by the management of the Company, to ensure that it maintain sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirement in the short and longer term. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

## Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

**6. FINANCIAL INSTRUMENTS** (continued)**a. Categories of financial instruments** (continued)**Liquidity risk** (continued)

	Weighted average effective interest rate %	0-180 days HK\$'000	181-365 days HK\$'000	One to three years HK\$'000	Over three years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
<b>At 31st March, 2008</b>							
Non-interest bearing	N/A	283,551	81,337	12,552	-	377,440	377,440
Fixed interest rate instruments	6.8	785	785	3,141	26,465	31,176	22,277
Variable interest rate instruments	3.15	799,240	308,330	965,084	1,070,377	3,143,031	2,828,634
Obligation under finance lease	4.7	369	957	437	154	1,917	1,821
Financial liabilities at fair value through profit or loss	N/A	-	-	443,460	-	443,460	430,123
Derivative financial instruments	N/A	26,566	600,642	-	-	627,208	141,038
		1,110,511	992,051	1,424,674	1,096,996	4,624,232	3,801,333

## 6. FINANCIAL INSTRUMENTS *(continued)*

### a. Categories of financial instruments *(continued)*

#### Liquidity risk *(continued)*

	Weighted average effective interest rate %	0-180 days HK\$'000	181-365 days HK\$'000	One to three years HK\$'000	Over three years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
<b>At 31st March, 2007</b>							
Non-interest bearing	N/A	542,789	65,036	12,552	-	620,377	620,377
Fixed interest rate instruments	7.05	1,519	1,519	6,074	54,215	63,327	43,079
Variable interest rate instruments	6.2	666,478	835,699	644,082	887,552	3,033,811	2,643,073
Obligation under finance lease	4.7	539	328	1,141	-	2,008	1,836
Financial liabilities at fair value through profit or loss	N/A	-	-	843,274	-	843,274	838,336
Derivative financial instruments	N/A	1,925	-	-	-	1,925	1,925
		1,213,250	902,582	1,507,123	941,767	4,564,722	4,148,626



## **6. FINANCIAL INSTRUMENTS** *(continued)*

### **b. Fair value of financial instruments**

The fair values of 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 designated at fair value through profit or loss are determined with reference to quoted 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 consolidated financial statements approximate their fair values.

## 7. REVENUE

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

	2008 HK\$'000	2007 HK\$'000
Sale of properties	1,333,679	334,902
Rental income and management fee income	74,904	59,315
Hotel operations	611,789	347,419
Hotel loan interest income	–	63,580
Interest income from financial instruments	135,912	60,441
Other operations	3,230	9,519
	<b>2,159,514</b>	<b>875,176</b>

## 8. 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
- Treasury management – investment and trading in securities
- Loan financing – loan financing for hotel operations which ceased in 2007

## Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*Business segments *(continued)*

## 2008

	Property development and investment HK\$'000	Hotel operations HK\$'000	Treasury management HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	1,408,583	611,789	135,912	3,230	–	2,159,514
Inter-segment sales	32,636	–	–	–	(32,636)	–
Total revenue	1,441,219	611,789	135,912	3,230	(32,636)	2,159,514
Inter-segment sales are charged at prevailing market rates.						
<b>RESULTS</b>						
Segment results	672,616	254,601	(180,875)	(33,056)	–	713,286
Discount on acquisition	–	66,140	–	–	–	66,140
Increase in fair value of financial liabilities at fair value through profit or loss						(25,817)
Share of results of associates	11,675	–	–	4,000	–	15,675
Share of result of a jointly controlled entity	–	–	–	(2,904)	–	(2,904)
Finance costs						(107,984)
Profit before taxation						658,396
Taxation						(215,016)
Profit for the year						443,380

## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

### Business segments *(continued)*

	Property development and investment	Hotel operations	Treasury management	Other operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>BALANCE SHEET</b>					
ASSETS					
Segment assets	4,248,632	4,083,051	741,360	132,050	9,205,093
Interests in associates	43,613	-	-	127,062	170,675
Interests in jointly controlled entities	-	-	-	70,942	70,942
Amounts due from associates	60,712	-	-	21,916	82,628
Amount due from a jointly controlled entity	-	-	-	13,135	13,135
Taxation recoverable					1,889
Unallocated corporate assets					41,599
Consolidated total assets					9,585,961
LIABILITIES					
Segment liabilities	560,944	98,229	146,623	18,255	824,051
Amounts due to associates	13,760	-	-	-	13,760
Amount due to a jointly controlled entity	-	-	-	12,552	12,552
Borrowings					3,260,578
Taxation payable					256,747
Deferred taxation					221,395
Unallocated corporate liabilities					44,734
Consolidated total liabilities					4,633,817
<b>OTHER INFORMATION</b>					
Allowance for bad and doubtful debts	-	3,460	-	-	3,460
Allowance for loans receivables	-	-	-	3,900	3,900
Capital additions	501,985	838,550	-	-	1,340,535
Depreciation and amortisation	5,270	65,714	-	-	70,984
Decrease in fair value of financial assets at fair value through profit or loss	-	-	154,391	-	154,391
Decrease in fair value in derivative financial instruments	-	-	139,105	-	139,105
Decrease in fair value of investments held for trading	-	-	48,061	-	48,061
Increase in fair value of investment properties	205,562	-	-	-	205,562



## 8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

### Business segments *(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			
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
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
<b>LIABILITIES</b>						
Segment liabilities	602,033	41,519	-	112,935	15,438	771,925
Amounts due to associates	11,787	-	-	-	98	11,885
Amounts due to 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
<b>OTHER INFORMATION</b>						
Allowance for bad and doubtful debt	-	-	-	-	36,193	36,193
Allowance for loans receivables	-	-	-	-	3,088	3,088
Allowance for amount due from an associate	-	-	-	-	51,923	51,923
Capital additions	71,649	1,076,393	-	-	-	1,148,042
Depreciation and amortisation	5,899	36,442	-	152	-	42,493
Doubtful loan receivable recovered	-	-	-	57,443	-	57,443
Decrease in fair value of financial assets at fair value through profit or loss	-	-	-	12,926	-	12,926
Decrease in fair value in derivative financial instruments	-	-	-	10,402	-	10,402
Decrease in fair value of investments held for trading	-	-	-	7,916	-	7,916
Increase in fair value of investment properties	59,841	-	-	-	-	59,841

## Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

**8. BUSINESS AND GEOGRAPHICAL SEGMENTS** *(continued)***Geographic segments**

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

	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
Other regions in the People's Republic of China ("PRC")	<b>882,547</b>	50,211
Hong Kong	<b>722,021</b>	456,753
Australia	<b>331,196</b>	302,167
Malaysia	<b>205,502</b>	50,703
Singapore	<b>18,248</b>	15,342
	<b>2,159,514</b>	875,176

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

	<b>Carrying amount of segment assets</b>		<b>Capital additions</b>	
	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
Hong Kong	<b>4,997,329</b>	5,333,212	<b>386,507</b>	721,211
Other regions in the PRC	<b>2,489,458</b>	1,629,578	<b>806,421</b>	599
Malaysia	<b>982,206</b>	723,874	<b>146,847</b>	301,299
Australia	<b>514,279</b>	558,846	<b>677</b>	53
Singapore	<b>444,044</b>	305,228	<b>4</b>	7
United States of America ("USA")	<b>140,912</b>	141,431	–	–
Others	<b>17,733</b>	20,187	<b>79</b>	4,199
	<b>9,585,961</b>	8,712,356	<b>1,340,535</b>	1,027,368

## 9. FINANCE COSTS

	2008 HK\$'000	2007 HK\$'000
Interest on:		
Bank loans and overdrafts		
– wholly repayable within five years	79,552	29,917
– not wholly repayable within five years	40,188	71,296
Other loans		
– wholly repayable within five years	21,937	18,071
– not wholly repayable within five years	266	1,416
Finance leases	66	23
Others	205	113
Total interest costs	142,214	120,836
Less: Amounts capitalised in respect of:		
– properties under development for sale	(25,006)	(41,763)
– buildings under development	(1,609)	–
– hotel properties under development	(7,615)	(6,953)
	107,984	72,120
Analysed into:		
Amount included in cost of sales	–	4,203
Amount included in finance costs	107,984	67,917
	107,984	72,120



## Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

## 10. TAXATION

	2008 HK\$'000	2007 HK\$'000
The taxation charges comprises:		
Current year:		
Hong Kong	29,764	64,473
Other jurisdictions	166,074	10,110
	<b>195,838</b>	74,583
Prior years (over) underprovision:		
Hong Kong	(7,590)	15,183
Other jurisdictions	(6,421)	46,317
	<b>(14,011)</b>	61,500
Deferred taxation (note 43)	<b>33,189</b>	21,311
	<b>215,016</b>	157,394

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.

Included in taxation is an amount provided by the Group in respect of Land Appreciation Tax ("LAT") of HK\$83,733,000 (2007: HK\$60,000,000). 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 fully in accordance with the requirements of SAT even though detailed implementation rules and procedures are not issued by the relevant local tax bureau.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No.63 of the President of the People's Republic of China. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will generally change the enterprise income tax rate from 33% to 25% for certain subsidiaries from 1st January, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

## 10. 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
<b>2008</b>						
Profit (loss) before taxation	(30,504)	380,491	105,218	88,762	114,429	658,396
Applicable income tax rate	17.5%	33%	27%	30%		
Tax at the applicable income tax rate	(5,338)	125,562	28,409	26,629	20,602	195,864
Tax effect of expenses not deductible for tax purpose	27,413	3,178	2,481	3,873	259	37,204
Tax effect of income not taxable for tax purpose	(2,022)	(4,182)	(18,696)	(22,251)	(207)	(47,358)
LAT	-	83,733	-	-	-	83,733
Tax effect of LAT	-	(27,632)	-	-	-	(27,632)
Tax effect of tax losses not recognised	29,152	245	-	-	-	29,397
Utilisation of tax loss not previously recognised	(6,800)	(10,930)	(11,890)	(8,251)	-	(37,871)
Tax effect of share of results of associates	(2,743)	-	-	-	-	(2,743)
(Over) underprovision in prior years	(7,590)	(5,720)	37	-	(738)	(14,011)
Others	895	(1,800)	(158)	-	(504)	(1,567)
Taxation charge for the year	32,967	162,454	183	-	19,412	215,016

## Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

## 10. 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
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 years	–	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 (credit) for the year	97,044	60,005	3,968	(455)	(3,168)	157,394

Details of the deferred taxation are set out in note 43.

## 11. PROFIT FOR THE YEAR

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Profit for the year has been arrived at after charging:		
Amortisation of investment in a jointly controlled entity	<b>2,904</b>	2,904
Amortisation of prepaid lease payments	<b>11,893</b>	6,609
Allowance for bad and doubtful debts	<b>3,460</b>	36,193
Allowance for loans receivable	<b>3,900</b>	3,088
Allowance for amount due from an associate	–	51,923
Auditor's remuneration	<b>5,661</b>	4,538
Cost of completed properties for sale recognised as an expense	<b>797,186</b>	290,150
Cost of inventories recognised as an expense	–	5,716
Depreciation:		
Owned assets	<b>58,872</b>	35,665
Assets held under finance leases	<b>219</b>	219
(Gain) loss on disposal of property, plant and equipment	<b>(31)</b>	16
Directors' remuneration and other staff costs	<b>105,378</b>	108,931
Share of taxation of associates (included in share of results of associates)	<b>2,716</b>	69
and after crediting:		
Dividend income from listed investments	<b>4,061</b>	4,307
Bank interest income	<b>7,093</b>	4,645
Net foreign exchange gains	<b>9,650</b>	4,187
Rental income, net of outgoings of HK\$16,979,000 (2007: HK\$11,908,000)	<b>50,120</b>	40,950

Of the consolidated profit for the year of HK\$443,380,000 (2006: HK\$536,429,000), a loss of HK\$42,329,000 (2006: HK\$51,026,000) has been dealt with in the financial statements of the Company.

## Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

## 12. 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, 2008

	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 Man Chan HK\$'000	Peter Man Kong Wong HK\$'000	Total HK\$'000
Fees	25	25	25	25	25	7	25	38	25	150	137	507
Other emoluments												
Salaries and other benefits	6,828	2,549	3,870	688	650	-	-	-	-	-	-	14,585
Contributions to retirement benefits schemes	-	12	-	50	-	-	-	-	-	-	-	62
Total emoluments	6,853	2,586	3,895	763	675	7	25	38	25	150	137	15,154

### 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 Man 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

No directors waived any emoluments in the year ended 31st March, 2008 and 2007.

## 12. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(continued)*

Of the five individuals with the highest emoluments in the Group, three (2007: three) were directors whose emoluments are included in the disclosures above. The remuneration of the remaining two (2007: two) individuals were as follows:

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>3,310</b>	1,693
Contributions to retirement benefits scheme	24	24
	<b>3,334</b>	1,717

The remuneration of each of the remaining two individuals were more than HK\$1,000,000 and less than HK\$2,000,000.

During the years ended 31st March, 2008 and 2007, 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.

## 13. DIVIDENDS

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Interim for current financial year, paid – HK5 cents (2007: HK4 cents) per share:		
Cash	<b>28,318</b>	30,193
Share alternative under scrip dividend scheme	<b>51,975</b>	28,003
	<b>80,293</b>	58,196
Final, paid for 2007 – HK8 cents (2007: Final, paid for 2006 – HK6 cents) per share:		
Cash	<b>66,573</b>	47,354
Share alternative under scrip dividend scheme	<b>59,923</b>	39,179
	<b>126,496</b>	86,533
	<b>206,789</b>	144,729

The final dividend in respect of 2008 of HK10 cents (2007: HK8 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, 2008

**14. 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:

	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
<b>Earnings:</b>		
Earnings for the purpose of basic earnings per shares	<b>432,905</b>	538,955
Effect of increase (decrease) in fair value of financial liabilities at fair value through profit or loss	<b>25,817</b>	(68,839)
Earnings for the purpose of diluted earnings per share	<b>458,722</b>	470,116
	<b>Number of shares '000</b>	Number of shares '000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,555,305</b>	1,450,102
Effect of dilutive potential ordinary shares		
– convertible bonds	<b>173,303</b>	245,051
– share options	<b>9,248</b>	10,433
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,737,856</b>	1,705,586

## 15. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1st April, 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
Exchange adjustments	49,946
Additions	309,709
Increase in fair value recognised in the consolidated income statement	205,562
At 31st March, 2008	1,936,939

The carrying amount of investment properties comprises:

	2008 HK\$'000	2007 HK\$'000
Land in Hong Kong:		
Long lease	252,186	204,485
Medium-term lease	857,191	835,746
Land outside Hong Kong:		
Freehold	50,206	45,731
Medium-term lease	341,525	–
Long lease	435,831	285,760
	<b>1,936,939</b>	1,371,722

The fair value of the investment properties in Hong Kong, the PRC, Malaysia and Singapore at 31st March, 2008 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 Ltd., independent qualified professional valuers not connected with the Group, respectively. DTZ Debenham Tie Leung Limited, are members of the Hong Kong Institute of Surveyors ("HKIS") and Raine & Horne International Zaki + Partners Sdn. Bhd. and Jones Lang LaSalle Property Consultants Pte Ltd. are members of Royal Institution of Chartered Surveyors. 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, 2008

## 16. 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
<b>COST</b>							
At 1st April, 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
Exchange adjustments	5,342	4,307	-	43,856	-	2,346	55,851
Additions	-	-	20,808	90,645	342,293	14,510	468,256
Acquired through business combinations	-	-	-	104,000	-	4,528	108,528
Reclassification	-	-	-	6,281	(6,281)	-	-
Disposals	-	-	-	-	-	(2,955)	(2,955)
At 31st March, 2008	188,119	88,957	107,317	1,926,548	359,751	113,208	2,783,900
<b>DEPRECIATION</b>							
At 1st April, 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
Exchange adjustments	-	1,859	-	12,190	-	1,453	15,502
Provided for the year	-	3,418	-	44,239	-	11,434	59,091
Eliminated on disposals	-	-	-	-	-	(2,516)	(2,516)
At 31st March, 2008	-	23,377	-	100,094	-	62,163	185,634
<b>CARRYING VALUES</b>							
At 31st March, 2008	188,119	65,580	107,317	1,826,454	359,751	51,045	2,598,266
At 31st March, 2007	182,777	66,550	86,509	1,638,101	23,739	42,987	2,040,663

## 16. 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	
Freehold land or land held under long lease	2%
Land held under medium-term lease	Shorter of lease terms or 50 years
Hotel properties	Shorter of lease terms or 50 years
Other assets	10%-20%

No depreciation is provided in respect of freehold land, buildings under development and hotel properties under development.

The Group's property interests shown above situated on:

	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
Land in Hong Kong:		
Long lease	<b>27,273</b>	45,084
Medium-term lease	<b>1,375,546</b>	1,306,416
Land outside Hong Kong:		
Freehold	<b>690,266</b>	586,105
Medium-term lease	<b>454,136</b>	60,071
	<b>2,547,221</b>	1,997,676

Included in the carrying value of others is an amount of HK\$2,294,000 (2007: HK\$2,584,000) in respect of assets held under finance leases.

**Notes to the Consolidated Financial Statements**

For the year ended 31st March, 2008

**17. PREPAID LEASE PAYMENTS**

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Long-term lease	<b>294,556</b>	–
Medium-term lease	<b>666,724</b>	680,842
Leasehold land outside Hong Kong:		
Medium-term lease	<b>174,172</b>	11,298
	<b>1,135,452</b>	692,140
Analysed for reporting purposes as:		
Current asset	<b>20,141</b>	11,904
Non-current asset	<b>1,115,311</b>	680,236
	<b>1,135,452</b>	692,140

**18. INTERESTS IN ASSOCIATES**

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Unlisted investments, at cost	<b>86,761</b>	86,761
Share of post-acquisition reserves, net of dividends received	<b>83,914</b>	78,333
	<b>170,675</b>	165,094

Details of the Group's principal associates at 31st March, 2008 and 2007 are set out in note 57.

Included in the cost of investments in associates is goodwill of HK\$10,601,000 (2007: HK\$10,601,000 arising on acquisitions of associates in prior years).

## 18. INTERESTS IN ASSOCIATES *(continued)*

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

	<b>At 31st March,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Total assets	<b>1,037,876</b>	1,067,163
Total liabilities	<b>(611,639)</b>	(671,236)
	<b>426,237</b>	395,927
Group's share of net assets	<b>117,347</b>	111,766
	<b>Year ended 31st March,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Revenue	<b>385,559</b>	404,036
Profit for the year	<b>64,913</b>	95,757
Group's share of results of associates for the year	<b>15,675</b>	28,970

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:

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Unrecognised share of losses of associates for the year	<b>23</b>	23
Accumulated unrecognised share of losses of associates	<b>50,153</b>	50,130

## Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

## 19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2008 HK\$'000	2007 HK\$'000
Unlisted investments, at cost less amortisation	39,256	42,160
Share of post-acquisition reserves net of dividends received	31,686	31,686
	<b>70,942</b>	<b>73,846</b>

Details of the Group's jointly controlled entities at 31st March, 2008 and 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 (note)	PRC	68%	Operation of highway
Dorvic Hotel F & B Limited	Hong Kong	60%	Restaurant operations

Note: The Group holds the majority of the 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.

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 (2007: HK\$2,904,000) is amortised over 21 years under the joint venture agreement and the Group did not share of profit of the joint venture project during the year (2007: share of profit of HK\$2,133,000).

## 19. 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:

	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
Non-current assets	<b>73,543</b>	69,864
Current assets	<b>46,439</b>	42,322
Current liabilities	<b>(7,930)</b>	(20,233)
Revenue	<b>29,441</b>	37,324
Expenses	<b>(22,524)</b>	(35,549)

## 20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31st March, 2008 comprise:

	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
Listed equity investments:		
In Hong Kong	<b>40,089</b>	91,834
Overseas	<b>29,271</b>	98,863
	<b>69,360</b>	190,697
Unlisted investments:		
Equity securities (Note)	<b>26</b>	26
Debt securities with fixed interest rates	<b>24,416</b>	70,166
Investment funds	<b>72,101</b>	156,015
	<b>96,543</b>	226,207
	<b>165,903</b>	416,904
Analysed for reporting purposes as:		
Non-current assets	<b>93,802</b>	245,289
Current assets	<b>72,101</b>	171,615
	<b>165,903</b>	416,904

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**20. AVAILABLE-FOR-SALE INVESTMENTS** *(continued)*

The listed equity investments are determined based on the quoted market bid prices available on the relevant exchange. The fair value of the debt securities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The interest in investment funds represents units in investment funds managed by investment fund managers. The fair value of the investment funds is based on the valuation provided by the investment fund managers with reference to the underlying assets of the funds.

Note: 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 cannot be measured reliably.

**21. INVESTMENTS HELD FOR TRADING**

	<b>2008</b> HK\$'000	2007 HK\$'000
Listed equity investments at fair value:		
In Hong Kong	<b>58,880</b>	24,428
Overseas	<b>12,397</b>	26,336
	<b>71,277</b>	50,764

The fair value is determined based on the quoted market bid price available on the relevant exchanges.

**22. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The amount represents unlisted equity-linked notes held by the Group with fixed coupon rate and fixed maturity period, ranging from six months to two years. As the notes contain terms related to certain underlying equities resulting in embedded derivatives, whose economics risk and characteristics are not closely related to the host debt contract, the notes are designated as financial assets at fair value through profit or loss and are measured at fair value. The fair value of the equity-linked notes are determined based on valuation provided by the counterparty financial institutions, which are determined using generally accepted pricing models based on the discounted cashflow analysis using prices or rates from observable current market transactions as inputs.

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.

## 23. AMOUNTS DUE FROM ASSOCIATES

	2008 HK\$'000	2007 HK\$'000
Unsecured and interest free advances to associates, net of allowance	82,628	80,873
Less: Amount due within one year shown as current assets	(407)	(2,331)
Amount due after one year	82,221	78,542

The amount is unsecured, interest-free and the repayment is not expected within the next twelve months from the respective balance sheet dates, except for HK\$407,000 (2007: HK\$2,331,000).

### Movement in the allowance for doubtful debt

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	–	16,000
Impairment losses recognised on receivable	–	51,923
Amounts written off as uncollectible	–	(67,923)
Balance at end of the year	–	–

In determining the recoverability of amounts due from associates for the prior financial year, the Group assessed the underlying assets of the associates. As the associates held were not able to generate positive cashflow in the future, and accordingly the impairment loss was recognised.

## 24. 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.

## 25. 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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**26. LOANS RECEIVABLE**

	2008 HK\$'000	2007 HK\$'000
Secured loans receivable at floating interest rates	3,264	8,502
Less: Amount due within one year shown as current assets	(1,154)	(1,022)
Amount due after one year	2,110	7,480

The loans receivable are secured by certain properties of the borrowers. The effective interest rate for both years on the Group's loans receivable is 6.59% (2007: 7.75%).

**Aging of loans receivable that are past due but not impaired**

	2008 HK\$'000	2007 HK\$'000
31-60 days	39	79
61-90 days	34	33
> 90 days	3,147	1,850
	3,220	1,962

**Movement in the allowance for doubtful debt**

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	19,914	181,303
Allowance for loans receivable	3,900	3,088
Amounts written off as uncollectible	-	(107,034)
Amounts recovered during the year	-	(57,443)
Balance at end of the year	23,814	19,914

In determining the recoverability of a loan receivable, the Group considers any change in the credit quality of the loans receivable from the date credit was initially granted up to the reporting date. The concentration of risk is limited due to the loan receivables are secured by certain properties of the borrowers, and the directors believe that there is no further credit provision required in excess of allowance for doubtful debts.

## 27. INVENTORIES

	<b>2008</b> HK\$'000	2007 HK\$'000
Raw materials	182	282
Finished goods	1,623	987
	<b>1,805</b>	1,269

## 28. PROPERTIES UNDER DEVELOPMENT FOR SALE

Included in properties under development for sale as at 31st March, 2008 are properties with a carrying value of HK\$657,774,000 (2007: HK\$662,564,000) that are not expected to be realised within twelve months from the balance sheet date.

## 29. DERIVATIVE FINANCIAL INSTRUMENTS

The amount mainly represents the fair value at 31st March, 2008 of forward accumulator contracts with the estimated forward amount of HK\$627,208,000 and maturity dates ranging from three months to one year. Based on the agreements, the Group is a party that has an obligation to purchase or sell listed equity securities at a series of predetermined prices, based on the price calculated with a pre-specified formula. The financial institutions can terminate the contracts when the market prices of the underlying equity securities are higher than a predetermined price. The fair value of investments are based on valuation provided by the counterparty financial institutions, which are determined using option pricing model as input.

## 30. DEBTORS, DEPOSITS AND PREPAYMENTS

The debtors, deposits and prepayments include trade debtors of HK\$49,202,000 (2007: HK\$56,191,000). The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade debtors, based on the invoice date, at the balance sheet dates:

	<b>2008</b> HK\$'000	2007 HK\$'000
0-60 days	42,069	48,081
61-90 days	1,454	2,062
Over 90 days	5,679	6,048
	<b>49,202</b>	56,191

Included in debtors, deposits and prepayments are amount due from a minority shareholder of HK\$107,000 (2007: HK\$681,000), which are unsecured, interest free and repayable on demand.

### 30. DEBTORS, DEPOSITS AND PREPAYMENTS *(continued)*

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. The Group does not hold any collateral over these balances.

#### Aging of trade receivables which are past due but not impaired

	2008 HK\$'000	2007 HK\$'000
61-90 days	1,434	350
Over 90 days	5,604	3,806
Total	7,038	4,156

#### Movement in the allowance for doubtful debt

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	69,165	33,275
Impairment losses recognised on receivable	3,460	36,193
Amounts written off as uncollectible	-	(303)
Balance at end of the year	72,625	69,165

### 31. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY AND A RELATED COMPANY

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

### 32. PLEDGED BANK DEPOSITS, DEPOSITS WITH FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH

Pledged bank deposits included in non-current assets comprised time deposits of HK\$3,165,000 in 2007 carried at fixed interest rate ranging from 0.02% to 5.2% with the maturity date ranging from 1 to 6 month and is pledged for bank borrowings repayable after one year.

Pledged bank deposit included in current asset comprise time deposits of HK\$107,339,000 (2007: HK\$98,656,000) carried at fixed interest rate ranging from 0.34% to 5.95% (2007: 0.02% to 5.21% with the maturity date ranging from 1 to 6 months and is pledged for bank borrowings repayable after one year.

### 32. PLEDGED BANK DEPOSITS, WITH FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH *(continued)*

Deposits with financial institutions at 31st March, 2008 comprised time deposits with the maturity date ranging from 1 to 6 month of HK\$36,296,000 (2007: HK\$154,891,000) carried at fixed interest rate ranging from 0.01% to 5.9% (2007: 2.25% to 5.2%).

Bank balances and cash at 31st March, 2008 comprised time deposits of HK\$16,500,000 (2007: HK\$148,990,000) carried fixed average interest rate ranging from 0.01% to 6.1% (2007: 2.5% to 5.14% and other deposits of HK\$391,824,000 (2007: HK\$115,034,000) carried at average floating market interest rate of 2.9% (2007: 2.5%).

### 33. CREDITORS AND ACCRUALS

The creditors and accruals include trade creditors of HK\$131,144,000 (2007: HK\$292,260,000).

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

	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
0-60 days	<b>21,804</b>	123,890
61-90 days	<b>670</b>	5,959
Over 90 days	<b>108,670</b>	162,411
	<b>131,144</b>	292,260

### 34. AMOUNTS DUE TO DIRECTORS

The amount is unsecured, interest-free and repayable on demand. Included in the amount as at 31st March, 2007, the amount HK\$3,726,000 was carried interest at 5% per annum and repayable on demand and fully repaid during the year.

### 35. AMOUNTS DUE TO RELATED COMPANIES

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

**Notes to the Consolidated Financial Statements**

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**36. AMOUNTS DUE TO ASSOCIATES AND MINORITY SHAREHOLDERS**

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

**37. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2008 HK\$'000	2007 HK\$'000
Convertible bonds denominated in:		
– Hong Kong dollars (note i)	428,175	836,388
– United States dollars (note ii)	1,948	1,948
Balance at end of the year	<b>430,123</b>	838,336

Notes:

- (i) 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 per share (subject to adjustment upon the occurrence of events stated in the Offering Circular dated 9th December, 2004, such as (1) share consolidation, subdivision or reclassification; (2) capitalization of profits or reserves; (3) distribution to the shareholders; (4) right issue of share; (5) right issues of other securities; (6) issue of shares at a consideration less than current market price; (7) issue of other securities arising from a conversion or other securities at a consideration less than current market price; (8) modification of conversion right; (9) other offers to shareholders or (10) other events that considered applicable), 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. As at 31st March, 2008, the conversion price is adjusted to HK\$2.96 per share. 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 HK\$ Bonds were disclosed in the Company's circular dated 10th November, 2004.

During the year, an aggregate principal amount of HK\$359,720,000 (2007: Nil) of the convertible bond were converted into ordinary shares of the Company. The fair value of the convertible bond outstanding at 31st March, 2008 which are denominated in Hong Kong dollars amounted to HK\$428,175,000 (2007: HK\$836,388,000).

### 37. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

- (ii) 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 (subject to adjustment upon the occurrence of events stated in the Offering Circular dated 25th April, 2004 such as (1) share consolidation, subdivision or reclassification; (2) capitalization of profits or reserves; (3) distribution to the shareholders; (4) right issue of share; (5) right issues of other securities; (6) issues of shares at a consideration less than current market price; (7) issue of other securities arising from a conversion or other securities at a consideration less than current market price; (8) modification of conversion right; (9) other offers to shareholders or (10) other events that considered applicable), 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, 2007 at 102.01% of their principal amount. As at 31st March, 2008, the conversion price is adjusted to HK\$2.00 per share. The Company may redeem all but not some of the US\$ Bonds, on or at any time after 13th April, 2007 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 US\$ Bonds were disclosed in the Company's circular dated 6th April, 2004.

No conversion rights were exercised by the holders of US\$ Bonds during the year. During the year ended 31st March, 2007, an aggregate principal amount of US\$1,000,000 (equivalent to approximately HK\$7,793,000) of convertible bonds were converted into ordinary shares of the Company.

The fair value of convertible bonds is based on the fair value of liability component and conversion option. The fair value of the liability component is based on discounted cash flow analysis using the Company's current borrowing rate and the fair value of conversion options is based on the black-scholes model.

The fair value of the financial liabilities at fair value through profit or loss is also affected by the change in the credit spread of the Group. The following table detailed the effect on fair value:

	At 31st March,	
	2008 HK\$'000	2007 HK\$'000
Cumulative changes in fair value attributable to changes in credit risk	1,640	15,520
Changes in fair value attributable to changes in credit risk recognised during the year	(13,880)	15,345
Difference between carrying amount and maturity amount:		
Convertible bonds at fair value	430,123	838,336
Amount payable at maturity	443,460	843,274
	13,337	4,938

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### 37. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The change in fair value attributable to change in credit risk is calculated with reference to change in credit rating of the Group assigned by an international financial institution. The credit rating is determined with reference to various factors, such as the Group's performance, maturity period of the convertible bonds and the market condition.

### 38. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Amounts payable under finance leases:				
Within one year	1,326	785	1,247	766
In the second to fifth year inclusive	591	1,071	574	1,070
	1,917	1,856	1,821	1,836
Less: Future finance charges	(96)	(20)	–	–
Present value of lease obligations	1,821	1,836	1,821	1,836
Less: Amount due within one year shown under current liabilities			(1,247)	(766)
Amount due after one year			574	1,070

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 is 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.

### 39. BANK AND OTHER BORROWINGS, SECURED

	2008 HK\$'000	2007 HK\$'000
The borrowings comprise:		
Bank loans	2,467,647	1,866,801
Mortgage loans	208,283	456,282
Other loans	152,704	313,408
	<b>2,828,634</b>	2,636,491

The Group's bank loans 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 3% to 7.25% (2007: 4.64% to 7.25%).

The other loans are unsecured and bear floating interest rate range from 1.07% to 10.75% (2007: 0.56% to 5.85%) per annum.

	2008 HK\$'000	2007 HK\$'000
The above borrowings are repayable as follows:		
On demand or within one year	1,018,476	1,233,225
More than one year, but not exceeding two years	547,251	307,130
More than two years, but not exceeding three years	309,175	224,646
More than three years, but not exceeding four years	224,670	107,052
More than four years, but not exceeding five years	95,273	206,583
More than five years	633,789	557,855
	<b>2,828,634</b>	2,636,491
Less: Amount due within one year shown under current liabilities	<b>(1,018,476)</b>	(1,233,225)
Amount due after one year	<b>1,810,158</b>	1,403,266



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## 40. SHARE CAPITAL

	Number of shares		Share capital	
	2008	2007	2008 HK\$'000	2007 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning and end of year	<b>2,000,000,000</b>	2,000,000,000	<b>200,000</b>	200,000
Issued and fully paid:				
At beginning of year	<b>1,467,608,319</b>	1,441,087,989	<b>146,761</b>	144,108
Issued pursuant to scrip dividend schemes	<b>31,566,990</b>	20,011,957	<b>3,157</b>	2,002
Issued upon conversion of convertible bonds	<b>117,286,643</b>	3,728,373	<b>11,728</b>	373
Issued upon exercise of share options	<b>8,950,000</b>	2,780,000	<b>895</b>	278
Repurchase of shares	<b>(6,000,000)</b>	–	<b>(600)</b>	–
At end of year	<b>1,619,411,952</b>	1,467,608,319	<b>161,941</b>	146,761

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

- On 28th September, 2007 and 29th February, 2008, the Company issued and allotted a total of 18,677,554 and 12,889,436 shares of HK\$0.1 each in the Company at HK\$3.21 and HK\$4.03 per share (2007: 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) to the shareholders who elected to receive shares in the Company for the 2007 final dividends and 2008 interim dividends pursuant to the scrip dividend scheme announced by the Company on 24th August, 2007 and 22nd January, 2008, respectively.
- During the year, the Company issued and allotted a total of 117,286,643 (2007: 3,728,373) shares of HK\$0.10 each in the Company upon the conversion of convertible bonds as referred to in note 37.
- During the year, 7,500,000 and 1,450,000 (2007: 2,780,000) 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 and HK\$3.29 per share respectively.

#### 40. SHARE CAPITAL *(continued)*

- (d) During the year, the Company via its subsidiary repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary share of HK\$0.01 each HK\$	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
December 2007	1,000,000	4.21	3.86	3,998,000
March 2008	5,000,000	3.00	2.38	13,706,000

The above share were cancelled upon repurchase and, accordingly the issued share capital of the Company was reduced by the nominal value of these shares and the premium paid on repurchase was charged to share premium.

All the shares issued during the two years ended 31st March, 2008 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 other than those disclosed in note (d) above.

#### 41. 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, 2008, the number of shares which remained outstanding under the Share Option Scheme was 18,550,000 (2007: 27,500,000), representing 1.15% (2007: 1.87%) 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.

## 41. SHARE OPTION SCHEME (continued)

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, are as follows:

### Options granted on 21st October, 2004

Option type	Vesting period	Exercisable period	Exercise price HK\$
Tranche 1	21.10.2004 to 31.10.2004	1.11.2004 to 31.12.2010	2.075
Tranche 2	21.10.2004 to 31.12.2005	1.1.2006 to 31.12.2010	2.075
Tranche 3	21.10.2004 to 31.12.2006	1.1.2007 to 31.12.2010	2.075
Tranche 4	21.10.2004 to 31.12.2007	1.1.2008 to 31.12.2010	2.075
Tranche 5	21.10.2004 to 31.12.2008	1.1.2009 to 31.12.2010	2.075

### Options granted on 25th August, 2006

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

## 41. SHARE OPTION SCHEME (continued)

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

Category of grantee	At 1.4.2006	Granted during the year	Exercised during the year	Forfeited during the year	At 31.3.2007	Exercised during the year	At 31.3.2008	Exercise period	Exercise price HK\$
Chi Hing Chan	600,000	-	(600,000)	-	-	-	-	01.11.2004 – 31.12.2010	2.075
	1,400,000	-	(400,000)	-	1,000,000	(1,000,000)	-	01.01.2006 – 31.12.2010	2.075
	1,600,000	-	-	-	1,600,000	(1,100,000)	500,000	01.01.2007 – 31.12.2010	2.075
	1,800,000	-	-	-	1,800,000	-	1,800,000	01.01.2008 – 31.12.2010	2.075
	2,000,000	-	-	-	2,000,000	-	2,000,000	01.01.2009 – 31.12.2010	2.075
	7,400,000	-	(1,000,000)	-	6,400,000	(2,100,000)	4,300,000		
Bill Kwai Pui Mok	1,200,000	-	-	-	1,200,000	(1,200,000)	-	01.04.2005 – 31.12.2010	2.075
	1,400,000	-	-	-	1,400,000	(1,400,000)	-	01.01.2006 – 31.12.2010	2.075
	1,600,000	-	-	-	1,600,000	(400,000)	1,200,000	01.01.2007 – 31.12.2010	2.075
	1,800,000	-	-	-	1,800,000	-	1,800,000	01.01.2008 – 31.12.2010	2.075
	2,000,000	-	-	-	2,000,000	-	2,000,000	01.01.2009 – 31.12.2010	2.075
	8,000,000	-	-	-	8,000,000	(3,000,000)	5,000,000		
Other employees in aggregate	500,000	-	(250,000)	-	250,000	-	250,000	01.11.2004 – 31.12.2010	2.075
	1,705,000	-	(830,000)	-	875,000	(450,000)	425,000	01.01.2006 – 31.12.2010	2.075
	-	450,000	-	-	450,000	(450,000)	-	01.01.2006 – 31.12.2010	3.290
	2,975,000	-	(700,000)	(200,000)	2,075,000	(1,000,000)	1,075,000	01.01.2007 – 31.12.2010	2.075
	-	525,000	-	-	525,000	(525,000)	-	01.01.2007 – 31.12.2010	3.290
	3,475,000	-	-	(250,000)	3,225,000	(950,000)	2,275,000	01.01.2008 – 31.12.2010	2.075
	-	600,000	-	-	600,000	(475,000)	125,000	01.01.2008 – 31.12.2010	3.290
	3,975,000	-	-	(300,000)	3,675,000	-	3,675,000	01.01.2009 – 31.12.2010	2.075
	-	675,000	-	-	675,000	-	675,000	01.01.2009 – 31.12.2010	3.290
	-	750,000	-	-	750,000	-	750,000	01.01.2010 – 31.12.2010	3.290
	12,630,000	3,000,000	(1,780,000)	(750,000)	13,100,000	(3,850,000)	9,250,000		
	28,030,000	3,000,000	(2,780,000)	(750,000)	27,500,000	(8,950,000)	18,550,000		
Weighted average exercise price	2.075	3.290	2.075	2.075	2.208	2.272	2.177		

The estimated fair value of the options granted during the year ended 31st March, 2007 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\$862,000 (2007: HK\$1,464,000) in relation to share options granted by the Company.

#### 41. SHARE OPTION SCHEME *(continued)*

The following assumptions were used to calculate the fair value of share options granted on 25th August, 2006:

	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>	<b>Tranche 4</b>	<b>Tranche 5</b>
Exercise price	3.290	3.290	3.290	3.290	3.290
Risk free rate	4.08%	4.08%	4.08%	4.08%	4.08%
Dividend yield	3.90%	3.90%	3.90%	3.90%	3.90%
Value of option at grant date	0.8969	0.9111	0.9693	1.0313	1.0528
Expected life of option	2.7	2.8	3.3	3.7	4.1
Volatility	45%	45%	45%	45%	45%

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 for exercising the options granted amounted to approximately HK\$20,333,000(2007: HK\$5,769,000).

The weighted average closing price of the Company's shares immediately before the date(s) on which the options were exercised is HK\$3.92 (2007: HK\$3.45).

## 42. AMOUNTS DUE TO A MINORITY SHAREHOLDER AND A JOINTLY CONTROLLED ENTITY

The amounts are unsecured and interest-free, except for an amount of HK\$22,277,000 (2007: HK\$43,079,000) due to a minority shareholder which bears interest at 7.05% (2007: 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.

## 43. DEFERRED TAXATION

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

	<b>Accelerated tax depreciation</b>	<b>Revaluation of investment properties</b>	<b>Fair value on of adjustments on business combination</b>	<b>Tax losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 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	42,116	136,414	42,500	(32,824)	188,206
Charge to consolidated income statement for the year	1,220	39,125	(1,036)	(6,120)	33,189
At 31st March, 2008	43,336	175,539	41,464	(38,944)	221,395

### 43. DEFERRED TAXATION *(continued)*

At 31st March, 2008, the Group has unused tax losses of HK\$753,129,000 (2007: HK\$662,893,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK\$177,165,000 (2007: HK\$143,856,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$575,964,000 (2007: HK\$519,037,000) 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\$152,028,000 (2007: HK\$149,322,000). 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.

### 44. JOINTLY CONTROLLED ASSETS

The Group has entered into joint venture agreements in the form of a 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:

	2008 HK\$'000	2007 HK\$'000
Properties under development for sale	153,211	36,799
Debtors, deposits and prepayments	3,459	597
Bank balances	8,975	6,227
Creditors and accruals	(2,632)	(11,554)
Bank borrowings	(150,118)	–
	<b>12,895</b>	32,069

## 45. ACQUISITION OF A SUBSIDIARY/BUSINESS

### (a) Acquisition of a subsidiary

The fair value of net assets acquired at 26th September, 2007 were as follows

	<b>Carrying amount</b>	<b>Fair value adjustment</b>	<b>Fair value of net assets</b>
	HK\$'000	HK\$'000	HK\$'000
<b>Net assets acquired:</b>			
Property, plant and equipment	108,528	–	108,528
Prepaid lease payments	12,403	15,869	28,272
Inventories	445	–	445
Debtors, deposits and prepayments	3,578	–	3,578
Bank balances and cash	2,861	–	2,861
Creditors and accruals	(4,584)	–	(4,584)
Shareholders' loans	(321,239)	–	(321,239)
	<u>(198,008)</u>	<u>15,869</u>	<u>(182,139)</u>
Assignment of shareholders' loans			<u>321,239</u>
			<u>139,100</u>
Discount on acquisition recognised in the consolidated income statement			<u>(66,140)</u>
<b>Satisfied by:</b>			
Cash consideration			<u>72,960</u>
<b>Net cash outflow arising on acquisition:</b>			
Cash consideration			(72,960)
Bank balances and cash acquired			2,861
			<u>(70,099)</u>



## **45. ACQUISITION OF A SUBSIDIARY/BUSINESS** *(continued)*

### **(a) Acquisition of a subsidiary** *(continued)*

In September 2007, the Group acquired the entire issued share capital of Merlin Labuan Sdn Bhd ("MLSB") which is engaged in hotel operation, at a consideration of HK\$72,960,000. The shareholders' loans were assigned to Eldonstead Investments Limited, a wholly owned subsidiary of the Group, pursuant to the Novation Agreement dated 26th September, 2007.

The acquisitions have been accounted for using the purchase method.

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

From the date of acquisition to 31st March, 2008, MLSB has contributed HK\$8,182,000 to the profit for the Group. If the acquisition had taken place on 1st April, 2007, the profit for the Group for the year would have been HK\$451,562,000 and total group revenue would have been HK\$2,181,928,000. 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, 2007, nor is it intended to be a projection of future results.

## 45. ACQUISITION OF A SUBSIDIARY/BUSINESS *(continued)*

### (a) Acquisition of a subsidiary *(continued)*

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. Concurrently, the shareholders' loans were assigned to Wanchope Limited, a wholly owned subsidiary of the Group, pursuant to the Novation Agreement dated 1st March, 2007. The acquisition has been accounted for using the purchase method.

The net assets acquired were as follows:

	<b>Carrying Amount</b>	<b>Fair value of net assets</b>
	HK\$'000	HK\$'000
<hr/>		
Net assets acquired:		
Property, plant and equipment	301,013	301,013
Inventories	595	595
Debtors, deposits and prepayments	8,927	8,927
Bank balances and cash	9,122	9,122
Creditors and accruals	(13,849)	(13,849)
Shareholders' loans	(283,176)	(283,176)
	<u>22,632</u>	<u>22,632</u>
Assignment of shareholders' loans		283,176
		<u>305,808</u>
Discount on acquisition recognised in the consolidated income statement		(44,208)
		<u>(44,208)</u>
Satisfied by:		
Cash consideration		261,600
		<u>261,600</u>
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
		<u>(252,478)</u>

## 45. ACQUISITION OF A SUBSIDIARY/BUSINESS (continued)

### (a) Acquisition of a subsidiary (continued)

The discount arising on acquisition represents excess of acquirer's interest in the net fair value of assets attributable by the distress sale by the seller.

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 revenue from continuing operations 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 business

Last year, the Group acquired a hotel operation for consideration of HK\$443,507,000. This acquisition was accounted for using the purchase method.

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

	Acquiree's 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)
Deferred taxation	–	(42,500)	(42,500)
	244,007	199,500	443,507
Satisfied by:			
Loan receivable			443,507
Net cash inflow arising on acquisition:			
Bank balances and cash acquired			555

## 45. ACQUISITION OF A SUBSIDIARY/BUSINESS *(continued)*

### (b) Acquisition of 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 for the year ended 31st March, 2007. 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.

## 46. DISPOSAL OF A SUBSIDIARY

Last year, 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
<hr style="border: 1px solid black;"/>	
Net assets disposed of:	
Available-for-sale investments	69,634
Bank balances and cash	6
	69,640
Gain on disposal of a subsidiary	225,200
	225,200
Total consideration satisfied by:	
Cash	294,840
	294,840
Net cash inflow arising on disposal:	
Cash consideration received	294,840
Bank balances and cash disposed of	(6)
	294,834

## 47. 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\$547,720 (2007: HK\$1,130,000).

As referred to in note 40, the Company issued shares for 2007 final dividends and 2008 interim dividends pursuant to scrip dividend scheme totalling HK\$111,898,000 (2007: HK\$67,182,000).

As referred to in note 37, an aggregate principal amount of HK\$359,720,000 (2007: HK\$7,793,000) of the US\$ Bonds were converted into ordinary shares of the Company.

## 48. 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\$4,989,610,000 (2007: HK\$4,205,899,000), HK\$107,338,000 (2007: HK\$101,821,000) and HK\$764,000 (2007: HK\$731,000) 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 to the extent of approximately HK\$4,358,882,000 (2007: HK\$3,854,548,000).

The Group's bank deposits of approximately HK\$3,165,000 in 2007 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 in prior year.

(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\$167,669,000 (2007: HK\$365,640,000) 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\$732,771,000 (2007: HK\$1,011,087,000), of which HK\$152,704,000 (2007: HK\$83,621,000) 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 (2007: HK\$119,995,000) to a financial institution to secure general credit facility granted to the investee company.

## 49. CAPITAL COMMITMENTS

	2008 HK\$'000	2007 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Properties under development for sale	719,850	1,136,198
Hotel properties	611,695	–
Others	14,164	4,329
	<b>1,345,709</b>	1,140,527
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties under development	–	426,090
Hotel properties	73,636	11,315
	<b>73,636</b>	437,405
	<b>1,419,345</b>	1,577,932

## 50. OPERATING LEASE ARRANGEMENTS

### The Group as lessor:

At the balance sheet date, investment properties and completed properties for sale with carrying amount of HK\$1,888,973,000 (2007: HK\$1,333,225,000) and HK\$97,290,000 (2007: HK\$98,672,000) respectively were let out under operating leases.

Gross rental income earned during the year is HK\$67,099,000 (2007: HK\$52,858,000), of which HK\$49,712,000 (2007: HK\$42,689,000) was derived from letting of investment properties. The property held has committed tenants for the next one to twelve years.

## 50. OPERATING LEASE ARRANGEMENTS (continued)

### The Group as lessor: (continued)

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

	2008 HK\$'000	2007 HK\$'000
Within one year	64,092	50,237
In the second to fifth years inclusive	100,669	26,042
More than fifth years	146,854	–
	<b>311,615</b>	76,279

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

### The Group as lessee:

Minimum lease payments paid under operating leases during the year.

	2008 HK\$'000	2007 HK\$'000
Premises	3,294	8,193
Motor vehicles	118	118
Other equipment	74	–
	<b>3,486</b>	8,311

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

	2008 HK\$'000	2007 HK\$'000
Premises and office equipment		
– within one year	713	12,001
– in the second to fifth years inclusive	87	636
	<b>800</b>	12,637

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

## 51. CONTINGENT LIABILITIES

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, 2008, the total amount of mortgages outstanding which are subject to these guarantees was HK\$354,419,000 (2007: HK\$40,406,060). 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.

## 52. RELATED PARTY TRANSACTIONS

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

Related party	Nature of transaction	2008 HK\$'000	2007 HK\$'000
Directors and their associates	Interest expenses	99	311
Associates	Dividend income	10,094	5,570
	Building management fee expenses	4,489	4,459
	Refund of management fee	–	12,500
Jointly controlled entities	Rental income	2,400	2,179
	Interest income	–	654

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:

	2008 HK\$'000	2007 HK\$'000
Short-term benefits	18,402	10,097
Post-employment benefits	86	36
	<b>18,488</b>	<b>10,133</b>

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



### **53. 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\$8,943,000 (2007: HK\$5,086,000).

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\$250,000 (2007: HK\$213,000).

### **54. POST BALANCE SHEET EVENT**

On 3rd June, 2008, a subsidiary of the Company entered into an agreement with an independent third party for the acquisition of a property in Shanghai at a consideration of HK\$317 million. The acquisition is not yet completed up to the date of approval of these consolidated financial statements.

## 55. BALANCE SHEET OF THE COMPANY

	<b>At 31st March,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
<b>Non-current asset</b>		
Investment in subsidiaries	<b>1,210,284</b>	1,210,284
<b>Current assets</b>		
Other debtors and deposits	<b>30,559</b>	2,000
Amounts due from subsidiaries	<b>1,793,262</b>	1,921,708
Cash at bank	<b>1,186</b>	9,297
	<b>1,825,007</b>	1,933,005
<b>Current liabilities</b>		
Other creditors and accruals	<b>2,811</b>	2,833
Financial liabilities at fair value through profit or loss	<b>430,123</b>	838,336
	<b>432,934</b>	841,169
<b>Net current assets</b>	<b>1,392,073</b>	1,091,836
	<b>2,602,357</b>	2,302,120
<b>Capital and reserve</b>		
Share capital	<b>161,941</b>	146,761
Reserves	<b>2,440,416</b>	2,155,359
	<b>2,602,357</b>	2,302,120

## Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

## 56. 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	Class of shares held	2008	2007		
Accord Rise Investments Limited	1	US\$1	Ordinary	Ordinary	100	100	Investment holdings	British Virgin Islands ("BVI")
Ample Bonus Limited	100	US\$1	Ordinary	Ordinary	100	100	Investment holdings	BVI
Far East Consortium (B.V.I.) Limited	50,000	US\$1	Ordinary	Ordinary	100	100	Investment holdings	BVI
Ondella International Limited	1	US\$1	Ordinary	Ordinary	100	100	Investment holdings	BVI

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	Class of shares held	2008	2007	
Accessway Profits Limited	1	US\$1	Ordinary	Ordinary	100	100	Investment holdings
Action Fulfilled Assets Limited	1	US\$1	Ordinary	Ordinary	100	100	Property investment
Amphion Investment Limited	2	HK\$1	Ordinary	Ordinary	100	100	Investment holdings
Annick Investment Limited	2	HK\$1	Ordinary	Ordinary	100	100	Property investment
Arvel Company Limited	10,000	HK\$1	Ordinary	Ordinary	100	100	Property investment
Asia Land Pty Limited (formerly known as FEC Property Services Pty Limited)	1	A\$1	Ordinary	Ordinary	100	100	Loan financing
Best Hoover Limited	1	HK\$1	Ordinary	Ordinary	100	100	Property investment
Bournemouth Estates Limited	2	HK\$10	Ordinary	Ordinary	100	100	Property development
Bradney Proprietary Limited	2	A\$1	Ordinary	Ordinary	100	100	Investment holdings
Billion Century Holdings Limited	1	HK\$1	Ordinary	Ordinary	100	–	Investment holdings
Capital Fortune Investment Limited	2	HK\$1	Ordinary	Ordinary	100	100	Property investment

## 56. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Issued share capital					
	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		Principal activities
				2008	2007	
Caragis Limited	1,000	HK\$1	Ordinary	100	100	Hotel operation
Charter Joy Limited	2	HK\$1	Ordinary	100	100	Hotel operation
Charter National International Limited	2	HK\$1	Ordinary	100	100	Property development
Cheong Sing Property Development Limited	500	HK\$100	Ordinary	100	100	Property development
China Web Incorporated	1	US\$1	Ordinary	100	100	Investment holdings
Ching Chu Property Management (Shanghai) Company Limited (i)	N/A	US\$9,000,000	N/A	100	100	Property management
Ching Chu (Shanghai) Real Estates Company Limited	N/A	US\$5,000,000	N/A	100	100	Property management
Chun Wah Holdings Limited	200	HK\$1	Ordinary	100	100	Property development
Cosmopolitan Hotel Limited	10,000	HK\$1	Ordinary	100	100	Hotel operation
Detheridge Estates Limited	2	HK\$1	Ordinary	100	100	Property development
Dorsett Hotel Management Services Limited	2	HK\$1	Ordinary	100	100	Hotel management
Dorsett Hotels & Resorts (H.K.) Limited	1,000,000	HK\$1	Ordinary	100	100	Investment holdings
Dorsett Regency Hotel (M) Sdn Bhd	5,000,000	M\$1	Ordinary	100	100	Hotel investment and operation
Double Advance Group Limited	1	US\$1	Ordinary	100	100	Investment holdings
Double Gaining Limited	1	HK\$1	Ordinary	100	–	Investment holdings
Dunball Limited	2	HK\$1	Ordinary	100	100	Property investment
Dunjoy Limited	2	HK\$1	Ordinary	100	100	Investment holdings
E-Cash Ventures Limited	1	US\$1	Ordinary	100	100	Investment holdings
Eldonstead Investment Limited	1	US\$1	Ordinary	100	100	Investment holdings
Elliott Investment Corporation	2	Nil	Ordinary	100	100	Investment holdings and share investment
Esmart Management Limited	2	HK\$1	Ordinary	100	100	Hotel management

## Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

## 56. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Issued share capital					
	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		Principal activities
				2008	2007	
Ever Liberty (M) Sdn Bhd	2	M\$1	Ordinary	100	100	Property investment
Everkent Development Limited	2	HK\$1	Ordinary	100	100	Property development
Excel Chinese International Limited	1	HK\$1	Ordinary	100	100	Property development
Far East Consortium China Infrastructure Company Limited	2	HK\$1	Ordinary	100	100	Investment holdings
Far East Consortium China Investments Limited	6,000	HK\$100	Ordinary	100	100	Property development and trading
Far East Consortium China Land Corporation Limited	1,000	HK\$100	Ordinary	100	100	Property development
Far East Consortium Holdings (Australia) Pty Limited	12 235	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	100 100	Investment holdings Investment holdings
Far East Consortium Limited	830,650,000	HK\$1	Ordinary	100	100	Investment holdings and property investment
Far East Consortium (B.V.I.) Limited	50,000	US\$1	Ordinary	100	100	Investment holdings
Far East Consortium Machinery Limited	2	HK\$1	Ordinary	100	100	Investment holdings
Far East Consortium (Malaysia) Limited	2	HK\$1	Ordinary	100	100	Investment holdings
Far East Consortium (Netherlands Antilles) N.V.	6,000	US\$1	Ordinary	100	100	Investment holdings
Far East Consortium Properties Pty Limited	12 225	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	100 100	Investment holdings and property investment
Far East Dorsett Hotel Management (Cheng Du) Co. Ltd.	N/A	US\$38,000,000	N/A	100	100	Property development

## 56. 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		
				2008	2007	
Far East Real Estate and Agency (H.K.) Limited	60,000	HK\$100	Ordinary	100	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	100 100	Investment holdings
Far East Rockman Investments Pty Limited	12 125	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	100 100	Investment holdings
Far East Supermarket Limited	500,000	HK\$1	Ordinary	100	100	Property investment
FEC Development (Malaysia) Sdn Bhd	2	M\$1	Ordinary	100	100	Investment holdings
FEC Financing Solutions Pty. Ltd.	1	A\$1	Ordinary	100	100	Investment holdings
FEC Strategic Investments (Netherlands) B.V.	120,000	DFL1	Ordinary	100	100	Investment holdings
Focus Venue Sdn Bhd	90	M\$1	Ordinary	90	90	Property development
Fortune Plus (M) Sdn Bhd	935,000	M\$1	Ordinary	100	100	Property investment
FECFW 1 Pty Ltd.	1	A\$1	Ordinary	100	100	Investment holdings
FECFW 2 Pty Ltd.	1	A\$1	Ordinary	100	100	Investment holdings
Full Benefit Limited	1	US\$1	Ordinary	100	100	Investment holdings
Garden Resort Development Limited	100	HK\$1	Ordinary	100	100	Property development
Grand Expert Limited	10,000	HK\$1	Ordinary	100	100	Hotel operation
Grandco Investment Limited	1	US\$1	Ordinary	100	100	Property investment
Guangzhou Pegasus Boiler Manufacture Company Limited (ii)	N/A	HK\$ 50,000,000	N/A	51	51	Operation of boiler factory

## Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

## 56. 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		
				2008	2007	
Hong Kong (SAR) Hotel Limited	10,000	HK\$1	Ordinary	100	100	Property development
Hong Kong Hotel REIT Finance Company Limited	1	HK\$1	Ordinary	100	–	Loan financing
Hamsher International Limited	29,805,065	US\$1	Ordinary	100	100	Hotel investment and operation
Havena Holdings Limited	1	US\$1	Ordinary	100	–	Investment holding
Henrik Investment Limited	2	HK\$1	Ordinary	100	100	Property investment
Hero Housing Limited	880	HK\$1,000	Ordinary	100	100	Property investment
Hong Kong Hotel Asset Management Limited	5,000,000	HK\$1	Ordinary	100	100	Investment holding
Hong Kong Hotel REIT Holdings Limited	100	US\$1	Ordinary	100	100	Investment holding
Kuala Lumpur Land Holdings Limited	100	£1	Ordinary	100	100	Investment holdings
Madison Lighters and Watches Company Limited	4	HK\$1	Ordinary	100	100	Investment holdings
Multi Yield (HK) Limited	1	HK\$1	Ordinary	100	100	Property development
New Time Plaza Development Limited	1,000	HK\$1	Ordinary	100	100	Investment holdings
New Union Investments (China) Limited	300	HK\$1	Ordinary	100	100	Investment holdings
N.T. Horizon Realty (Jordan) Limited	2	HK\$100	Ordinary	100	100	Property investment
The Hotel of Lan Kwai Fong Limited	10,000	HK\$1	Ordinary	100	100	Hotel operation

## 56. 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		
				2008	2007	
Oi Tak Enterprises Limited	1,000,000	HK\$1	Ordinary	75	75	Investment holdings
Pandix Limited	1	HK\$1	Ordinary	100	–	Property development
Panley Limited	1	HK\$1	Ordinary	100	–	Property development
Pansy Development Limited	2	HK\$1	Ordinary	100	100	Property investment
Peacock Management Services Limited	2	HK\$1	Ordinary	100	100	Administration services
Polyland Development Limited	2	HK\$1	Ordinary	100	100	Property investment
Ready Town Limited	2	HK\$1	Ordinary	100	100	Property and share investment
Regency Hotels Proprietary Limited	100	A\$1	Ordinary	100	100	Investment holdings
Rich Diamond Holdings Limited	10	US\$1	Ordinary	70	70	Investment holdings
Ridon Investment Limited	2	HK\$1	Ordinary	100	100	Investment holdings and share investment
Roseville Enterprises Limited	6,000	HK\$100	Ordinary	100	100	Property development
Royal Domain Plaza Pty Limited	2	A\$1	Ordinary	100	100	Property investment
Royal Domain Towers Pty Limited	2	A\$1	Ordinary	100	100	Property investment
Ruby Way Limited	2	HK\$1	Ordinary	100	100	Property development
Scarborough Development Limited	2	HK\$1	Ordinary	100	100	Property investment
Sea Wave Properties Limited	1,000,000	HK\$1	Ordinary	100	100	Investment holdings
Shanghai Chingchu Property Development Company Limited (ii)	N/A	US\$9,000,000	N/A	98.2	98.2	Developing, selling and leasing properties
Sheen Profit Industries Limited	2	HK\$1	Ordinary	100	100	Hotel operation
Singford Holdings Limited	1	US\$1	Ordinary	100	100	Treasury management
Southsino Development Limited	100	HK\$1	Ordinary	100	100	Property development
Star Bridge Development Limited	2	HK\$1	Ordinary	100	100	Property development



## Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

## 56. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of indirect subsidiary	Issued share capital					
	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		Principal activities
				2008	2007	
Stoneline Sdn Bhd	100	M\$1	Ordinary	100	100	Investment holdings
Subang Jaya Hotel Development Sdn Bhd	45,000,000	M\$1	Ordinary	100	100	Hotel operation
Tang City Holdings Pte Ltd	1,000,000	S\$1	Ordinary	100	100	Property investment
Tang City Parkway Pte Ltd	10	S\$1	Ordinary	100	100	Property investment
Tang City Properties Pte Ltd	2,600,000	S\$1	Ordinary	100	100	Property investment
Tang Development Pte Ltd	2	S\$1	Ordinary	100	100	Property investment
Teampearl Company Ltd	5,001	HK\$1	Class A	100	100	Property development
	4,999		Class B	100	100	
Tomarta Sdn Bhd	1,000,000	M\$1	Ordinary	100	100	Property trading
Top Trend Developments Limited	2	US\$1	Ordinary	100	100	Property development
Turbulent Limited	2	HK\$10	Ordinary	100	100	Investment holdings
Upperace Development Limited	1,000,000	HK\$1	Ordinary	100	100	Investment holdings
Vennex Limited	1	HK\$1	Ordinary	100	–	Property development
Vicsley Limited	1,000	HK\$1	Ordinary	100	100	Hotel operation
Victoria Land Pty Ltd.	12	A\$1	Ordinary	100	100	Management services
Vicco Development Limited	2	HK\$1	Ordinary	100	100	Investment holdings
Virgobee Limited	2	HK\$1	Ordinary	100	100	Property investment
Wanchope Limited	1	US\$1	Ordinary	100	100	Investment holdings
Win Chance Engineering Limited	2	HK\$1	Ordinary	100	100	Engineering
Wonder China Investments Limited	1	US\$1	Ordinary	100	100	Investment holdings
Wuhan Far East Dorsett Hotel Management Company Limited	N/A	US\$28,000,000	N/A	100	–	Hotel operation and property investment
Zhongshan Development Limited	1	US\$1	Ordinary	100	100	Investment holdings

(i) Foreign investment enterprise registered in the PRC

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

## 56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

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
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
China Web Incorporated	Cayman Islands	Hong Kong
Ching Chu Property Management (Shanghai) Company Limited	The PRC	The PRC
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 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 Limited	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

**Notes to the Consolidated Financial Statements**

For the year ended 31st March, 2008

**56. PARTICULARS OF PRINCIPAL SUBSIDIARIES** *(continued)*

<b>Name of indirect subsidiary</b>	<b>Place of incorporation</b>	<b>Place of operation</b>
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
Hamsher International Ltd.	British Virgin Islands	The U.S.A.
Kuala Lumpur Land Holdings Limited	Channel 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 Chingchu 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 Holdings Pte Ltd	Singapore	Singapore
Tang City Parkway Pte Ltd	Singapore	Singapore
Tang City Properties Pte Ltd	Singapore	Singapore
Tang Development Pte Ltd	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
Wonder China Investments Limited	British Virgin Islands	The PRC
Zhongshan Development Limited	British Virgin Islands	The PRC

## 57. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of indirect associate	Class of shares held	Issued share capital		Principal activities
		Proportion of nominal value of issued capital/registered capital held by the Group		
		2008	2007	
Bermuda Investments Limited	Ordinary	25	25	Property investment
Gold Coin (Hong Kong) Limited	Ordinary	26	26	Investment holdings
Gold Coin Feedmill (China) Limited	Ordinary	26	26	Operation of feedmill factory
Guangdong Xin Shi Dai Real Estate Limited	N/A	45	45	Property development
Kanic Property Management Limited	Ordinary	50	50	Building management
Liuzhou Universe Compressor Company Limited	N/A	25.2	25.24	Operation of compressor factory
Naples Investments Limited	Ordinary	50	50	Investment holdings
Omicron International Limited	Ordinary	30	30	Investment holdings
Peacock Estates Limited	Ordinary	25	25	Property investment
Philippine Dream Company, Inc.	Ordinary	25.2	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.

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
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 <sup>2</sup> )
<b>Hong Kong</b>			
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. Cosmo 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	100%	461
10. Cosmopolitan Kowloon Hotel	KTIL 162	100%	929

<b>Approximate gross floor area (m<sup>2</sup>)</b>	<b>Type</b>	<b>Stage of completion</b>	<b>Expected completion date</b>
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	Completed	Existing
5,563	H	Completed	Existing
6,237	H	Under construction	2008
6,920	H	Under construction	2009
11,147	H	Under construction	2010

## List of Major Properties Held by the Group

Name of property and location	Lot number	Group's interest	Site area (m <sup>2</sup> )
<b>Hong Kong</b>			
11. 27-31 Jervois Street Sheung Wan	IL871s.A., IL 872s.A., ML9B	100%	234
12. 90-100 Hill Road West Point	IL 1095	100%	537
13. 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%	–
14. Far East Consortium Building 204-206 Nathan Road Tsim Sha Tsui	KIL 10467 RP and KIL 10468 RP	100%	314
15. Flats 1A, 1C Tung Wai Garden 419G Queen's Road West Sai Ying Pun	RP of s.B of ML 205 RP	100%	–
16. 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%	–
17. 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%	–
19. 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%	–
19. 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%	–

<b>Approximate gross floor area (m<sup>2</sup>)</b>	<b>Type</b>	<b>Stage of completion</b>	<b>Expected completion date</b>
3,505	H	Under construction	2010
8,055	H	Planning stage	2010
2,474	O	Completed	Existing
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



## List of Major Properties Held by the Group

Name of property and location	Lot number	Group's interest	Site area (m <sup>2</sup> )
<b>Hong Kong</b>			
20. 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%	–
21. 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%	–
22. 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%	–
23. Dorsett Place 5B Chancery Lane Central	Lot No. 68 s. Ass5 RP	100%	147
24. 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
25. 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
26. No. 684 Clear Water Bay Road	Lot No. 236 in D.D. at Ah Kwung Wan,	100%	1,859
27. Route TWISK, Chuen Lung Tsuen Wan	IL 389	100%	13,500
28. Tan Kwai Tsuen, Yuen Long	Lot 3927 s.B in DD 124	100%	418

<b>Approximate gross floor area (m<sup>2</sup>)</b>	<b>Type</b>	<b>Stage of completion</b>	<b>Expected completion date</b>
1,684	C & S	Completed	Existing
1,475	C & S	Completed	Existing
57	S	Completed	Existing
1,259	R	Completed	Existing
5,444	S & R	Completed	Existing
4,682	R	Phase 1 completed	2010 (phase 2)
744	R	Under construction	2009
5,400	A	Under construction	2008 (phase 1)
4,497	R	Planning stage	2010

## List of Major Properties Held by the Group

Name of property and location	Lot number	Group's interest	Site area (m <sup>2</sup> )
<b>Hong Kong</b>			
29. 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
30. Various lots, Pak Kong Sai Kung	Lots 1134 RP, 1137 RP, 1138 & 1139 RP in DD 222	100%	3,524
31. Yau Kam Tau, Tsuen Wan	Lot 232 RP in DD 354	100%	5,940
32. Tai Hang Village, Tai Po	Lot 73 RP in DD7	100%	2,332
33. 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%	–
34. 287-293 Sai Yeung Choy Street North Shamshuipo	KIL 317	88%	468
<b>China</b>			
1. Chengdu Cosmopolitan Hotel 124-177 Yu Long West Street Chengdu, PRC	N/A	100%	5,866
2. Wuhan Cosmopolitan Hotel 118 Jiang Han Street Jiang An District, Wuhan	N/A	100%	5,409
3. Room 2603, Block 3 Dong-Jun Plaza 836 Dong Feng Road East Guangzhou, PRC	N/A	100%	–

<b>Approximate gross floor area (m<sup>2</sup>)</b>	<b>Type</b>	<b>Stage of completion</b>	<b>Expected completion date</b>
3,528	R	Planning stage	2008
Not yet determined	A	Planning stage	Vacant site
–	A	Planning stage	Vacant
3,121	R	Planning stage	Vacant
–	CP	Completed	Existing
4,074	C & R	Planning stage	2010
67,644	H	Under construction	2009
67,307	H	Under construction	2009
91	O	Completed	Existing

## List of Major Properties Held by the Group

Name of property and location	Lot number	Group's interest	Site area (m <sup>2</sup> )
<b>China</b>			
4. Room 2604, Block 3 Dong-Jun Plaza 836 Dong Feng Road East Guangzhou, PRC	N/A	100%	–
5. New Time Plaza JianSheHengMaLu Yue Xiu District, Guangzhou	N/A	50%	3,000
6. Gan Tang Yuan Huadidadao East Li Wan District, Guangzhou	N/A	100%	8,000
7. Hua Di Jia Yuen 10 Miaoqianjie North, Chajiao Li Wan District, Guangzhou	N/A	100%	24,359
<b>Overseas</b>			
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. Grand Dorsett Labuan Hotel 462, Jalan Merdeka, 87029 Labuan F.T. Malaysia	Lot TL No. 207531888, Town of Labuan, Federal Territory of Labuan	100%	6,071
4. 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
5. Mukim of Kerling District of Hulu Selangor Selangor Darul Ehsan Malaysia	Lots 600 and 619	100%	422,907

<b>Approximate gross floor area (m<sup>2</sup>)</b>	<b>Type</b>	<b>Stage of completion</b>	<b>Expected completion date</b>
91	O	Completed	Existing
20,000	C & R	Under construction	2009
43,000	C & R	Planning stage	2010
83,700	R	Planning stage	2010
27,753	H	Completed	Existing
57,879	H	Completed	Existing
21,565	H	Completed	Existing
4,685	R	Completed	Existing
–	A	Planning stage	Vacant

## List of Major Properties Held by the Group

	<b>Name of property and location</b>	<b>Lot number</b>	<b>Group's interest</b>	<b>Site area (m<sup>2</sup>)</b>
<b>Overseas</b>				
6.	No. 100, Eu Tong Sen Street Pearl's Centre Singapore	Lot U871W	100%	–
7.	100A Eu Tong Sen Street Yang Tze Building Singapore	Lot U865L	100%	–
8.	Parkway Centre 1 Marine Parade Central Singapore	Various lots of Mukim 26	100%	–
9.	Dallas Grand Hotel 1914 Commerce Street Dallas, Texas, USA	N/A	100%	6,849
10.	1954 Commerce Street Dallas, Texas, USA	N/A	100%	2,322

<b>Approximate gross floor area (m<sup>2</sup>)</b>	<b>Type</b>	<b>Stage of completion</b>	<b>Expected completion date</b>
14,044	CP	Completed	Existing
8,007	O & S	Completed	Existing
4,756	C	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	Location	No. of rooms	Type	Date of Commencement
	1 Central Park Hotel 麗栢酒店	Central	142	Boutique hotel	Apr, 2005
	2 Cosmopolitan Hotel 麗都酒店	Wanchai	454	4-star hotel	Dec, 2004
	3 Cosmo Hotel 麗悅酒店	Wanchai	142	Boutique hotel	Oct, 2005
	4 Dorsett Far East Hotel 遠東帝豪酒店	Tsuen Wan	240	3-star hotel	Oct, 2006
	5 Dorsett Olympic Hotel 帝豪奧運酒店	Tai Kok Tsui	141	3-star hotel	Apr, 2005
	6 Dorsett Seaview Hotel 帝豪海景酒店	Yau Ma Tei	268	3-star hotel	Dec, 2000
	7 Lan Kwai Fong Hotel 蘭桂坊酒店	Central	162	Boutique hotel	Mar, 2006
	Hotels under Development	Location	No. of rooms	Type	Estimated Completion Date
	8 Cosmo Kowloon Hotel 麗悅九龍酒店	Tai Kok Tsui	285	4-star hotel	4th Quarter, 2008
	9 Cosmo Kwai Chung Hotel 麗悅葵涌酒店	Kwai Chung	634	4-star hotel	1st Quarter, 2010
	10 Cosmopolitan Kowloon Hotel 麗都九龍酒店	Kwun Tong	391	4-star hotel	3rd Quarter, 2010
	11 Dorsett Hong Kong Hotel 帝豪香港酒店	Kennedy Town	218	4-star hotel	3rd Quarter, 2009
	12 Hotel on Hill Hotel 山道之酒店	West Point	149	Boutique hotel	4th Quarter, 2010
	13 Hotel on Jervois Street 蘇杭街之酒店	Sheung Wan	55	Boutique hotel	1st Quarter, 2010

### Hong Kong 香港



### Malaysia 馬來西亞



**1 Dorsett Regency Hotel** 320 rooms, in operation  
320 間房間 · 營業中



**2 Sheraton Subang Hotel** 502 rooms, in operation  
502 間房間 · 營業中



**3 Dorsett Penang Hotel\*** 276 rooms, in operation  
276 間房間 · 營業中



**4 Grand Dorsett Labuan Hotel** 178 rooms, in operation  
178 間房間 · 營業中

\*The hotel is operated by the Group through a hotel management contract.

# China Projects 中國業務



## Shanghai 上海



**Shanghai Cosmopolitan Hotel\***  
上海麗悅酒店  
(Hotel under development, 250 rooms)  
(發展中酒店物業·250間房間)



## Guangzhou 廣州



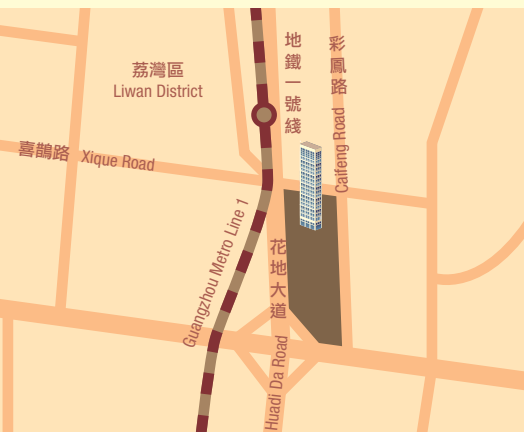
**Gantangyuan**  
廣州甘棠苑  
(Under development)  
(發展中物業)



**Huadijiayuan**  
廣州花地家園  
(Under development)  
(發展中物業)



**New Time Plaza**  
廣州新時代大廈  
(Under development)  
(發展中物業)



# China Projects 中國業務



1 **M7 Shanghai University Station** (in progress)  
M7 地鐵上海大學站 (在建中)



2 **M7 Jing Qiu Road Station** (in progress)  
M7 地鐵錦秋路站 (在建中)



3 **Yong Jing Court**  
雍景苑



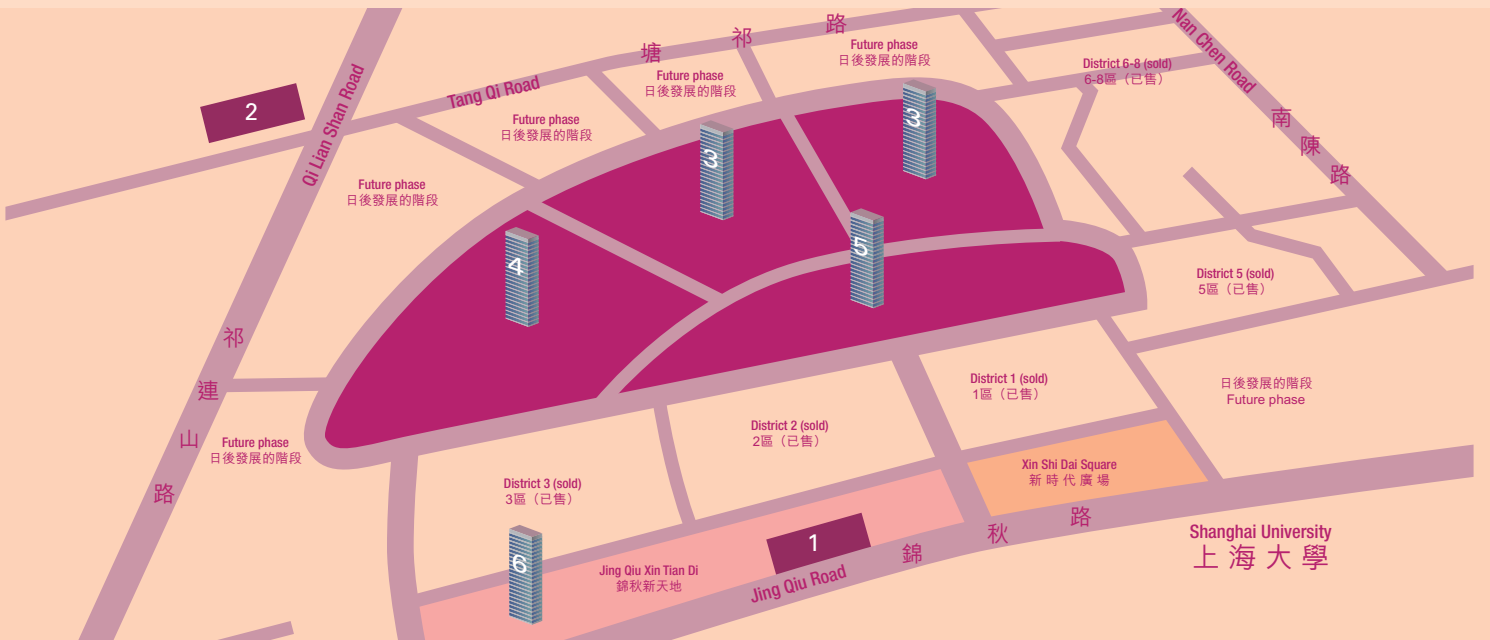
4 **Jin He Ya Court**  
錦和雅苑



5 **Di Jing Court**  
帝景苑



6 **Jing Qiu Xin Tian Di**  
錦秋新天地



## Chengdu 成都



**Chengdu Cosmopolitan Hotel**  
成都麗悅酒店  
(Hotel under development, 588 rooms)  
(發展中酒店物業 · 588 間房間)

## Wuhan 武漢

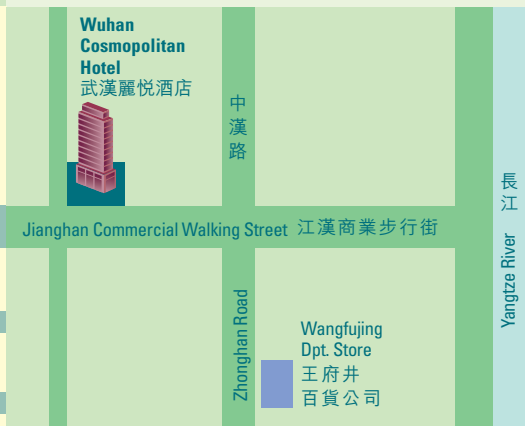
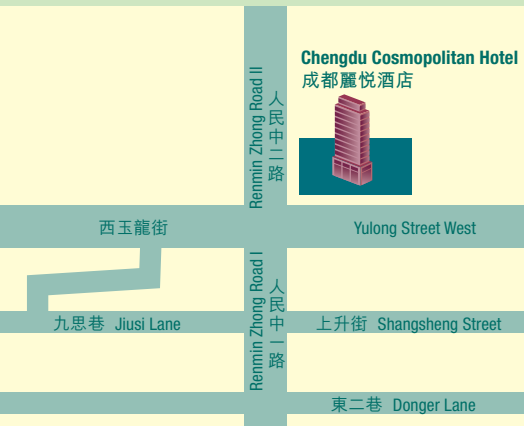


**Wuhan Cosmopolitan Hotel**  
武漢麗悅酒店  
(Hotel under development, 400 rooms)  
(發展中酒店物業 · 400 間房間)

## Zhejiang 浙江



**Zhuji Cosmopolitan Hotel\***  
諸暨麗悅酒店  
(Hotel under development, 300 rooms)  
(發展中酒店物業 · 300 間房間)



\*Acquired after year-end