



Far East Consortium International Limited

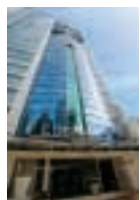
2006
Annual Report

Stock Code: 035

CENTRAL PARK
HOTEL

THE CONNEX
CONNEX SEAVIEW HOTEL

Looking ahead



The Group remains positive about the tourism industry in Hong Kong and will maintain its focus on the 3 – 4 star hotel business. It is our view that with the Central Government's austerity measures upon the superheated property sector over the past three years, we are in a stronger position to increase our land bank in China at competitive price in the foreseeable future.

Corporate Information

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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.

Dick Tat Sang CHIU, M.A.

Daniel Tat Jung CHIU

INDEPENDENT NON-EXECUTIVE DIRECTORS

David Kwok Kwei LO

Jian Yin JIANG

Kwok Wai CHAN

CHIEF OPERATING OFFICER

Denny Chi Hing CHAN

QUALIFIED ACCOUNTANT, CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Bill Kwai Pui MOK, 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

David Lo & Partners

Malaysia

Shearn Delamore & Co.

Australia

Freehills

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

PRINCIPAL BANKERS

Hong Kong

Bank of China (Hong Kong) Limited

Citic Ka Wah Bank Limited

Hang Seng Bank Limited

Liu Chong Hing Bank Limited

Nanyang Commercial Bank Limited

The Hongkong and Shanghai

Banking Corporation Limited

Wing Hang Bank Limited

Malaysia

Alliance Bank Malaysia Berhad

Southern Bank Berhad

Singapore

The Hongkong and Shanghai

Banking Corporation Limited

Australia

Australia and New Zealand Banking

Group Limited

Commonwealth Bank of Australia

China

Construction Bank of China

REGISTERED OFFICE

P.O. Box 1043, Ground Floor,

Caledonian House, Mary Street,

George Town,

Grand Cayman, Cayman Islands,

British West Indies

PRINCIPAL OFFICE

16/E, Far East Consortium Building,

121 Des Voeux Road Central,

Hong Kong

SHARE REGISTRAR

Standard Registrars Limited

26th Floor, Tesbury Centre,

28 Queen's Road East,

Wanchai,

Hong Kong

LISTING INFORMATION

Ordinary Shares (Code: 035)

Zero Coupon Convertible Bonds 2009

(Code: 2576 & 2508)

The Stock Exchange of Hong Kong

Limited

WEBSITE

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

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

Chairman's Statement

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Deacon Te Ken Chiu, Chairman

“We are pleased to see the recovery of Hong Kong economy contributed by the dynamic economic growth in the Mainland and the Central Government’s supportive policies which include the implementation of Closer Economic Partnership Arrangement (CEPA) and the relaxation of travel arrangement of individual mainland tourists. In addition to more tourists came to Hong Kong, these positive measures also stimulated local consumption and economic growth.”

Starting from April last year, Hong Kong has seen signs of improving employment conditions. There has been real growth in overall spendings and rentals have risen. Visitor arrivals to the territory showed a significant growth as compared to a year ago. The situation was no doubt favourable to the economy of Hong Kong. Based on the economists’ belief that consumer expenditure forms the basis of a society, I sincerely wish that Hong Kong residents would benefit as a whole. The performance of the Company was strengthened in light of the favorable market conditions and reported rather encouraging growth.

Looking ahead, the Board of Directors will focus on the following three aspects this year:

1. Continue to enhance the value of existing assets so as to ‘maximize usage’. We will continue to assess the present property developments in Shanghai, Guangzhou, Hong Kong and Malaysia etc..
2. Develop the vast area covering Beijing, Northeast and Northwest, including Chengdu, Chongqing and other parts of the hinterland. High-quality land will be identified for future development use.

Chairman's Statement

3. For hotel operations, the set policy will be pursued and the number of hotels will be increased from the current seven to ten. Exploration of opportunities in the major cities of China and Southeast Asia will continue in line with the overall development strategy with the aim of realizing the Group's further expansion into various parts of Asia.

I would like to take this opportunity to express my appreciation to our Deputy Chairman and Chief Executive Officer, Mr David Chiu for his valuable contribution and my gratitude to all the directors, the senior management and all members of staff for their effort and hard work during the year and each of our shareholders and business partners for their continued support to the Group.

Deacon Te Ken Chiu

Chairman

15th July, 2006

Deputy Chairman & Chief Executive Officer's Report

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David Chiu, Deputy Chairman & Chief Executive Officer

“Looking ahead, the Group remains positive about the tourism industry in Hong Kong and will maintain its focus on the 3 – 4 star hotel business. It is our view that with the Central Government’s austerity measures upon the superheated property sector over the past three years, we are in a stronger position to increase our land bank in China at competitive price in the foreseeable future.”

The Group will continue to focus on the two principal strategies that we formulated four years ago. Firstly, we are dedicated to developing affordable quality townhouses and low-rise condominiums for the middle class sector in China. Secondly, we will continue to develop 3 – 4 star hotels in Hong Kong to meet the growing influx of tourists arriving from both the Mainland and overseas, thus providing a steady recurring income to the company.

In the Mainland, the Central Government has recently announced several measures of cooling down the over-heated property market. Although there is every indication that the property market has slowed down and property prices have dropped by 20 – 30%, our California Gardens in Shanghai has not been affected as we are aiming at the middle class market. Since the launching of the first phase in 1998, we had sold about 3,000 units that we developed and according to present development plan, we will be developing another 5,000 units over the next few years. We will launch around 1,500 units by phases in the next 12 – 18 months. According to market indications, we believe we can sell all units at our targeted price within our targeted period.

We have increased our land bank by about 1,500 units in Guangzhou with a buildable area of about 800,000 square feet. Furthermore, we expect to finalize the negotiations of two other property development projects in two major cities in China in foreseeable future. The company will maintain its strategy to seek for new residential development projects preferably in major cities in China allowing to build at least 2,000 to 3,000 units for each development. With the maturity of

Deputy Chairman & Chief Executive Officer's Report

our development in Shanghai, we believe we have now developed a very strong middle management team to take on the challenge to build four to five projects in different cities in China simultaneously.

Our second strategy of developing 3 – 4 star hotels in Hong Kong has achieved a remarkable progress. We are proud to report that we have opened four hotels this year making a total of six hotels under the operation in Hong Kong. With the opening of our hotel in Tsuen Wan, we will be the owner of the largest number of 3 – 4 star hotels operating in Hong Kong with a total capacity of over 1,500 rooms. Our hotel division recorded average occupancy of over 90% with average room rate increased by 20 – 30% beyond our expectations. It has substantially improved our group's quality of earnings. During this year, we have also acquired two additional hotel sites in Tai Kok Tsui and Kennedy Town. These two hotels will be opened in about 18 – 30 months from now and will further add approximately 600 rooms to our hotel portfolio. The management is confident that the two sites acquired are ideal locations for 3 – 4 star hotel development and that we could still maintain our development cost per room at about HK\$1.0M.

As to our hotel development in Macau, the joint venture project together with The Venetian Group has been delayed due to the fine tuning of our overall development. Although we remain positive of the tourism industry in Macau in the long run, we must caution our shareholders of the fact that there are approximately 15,000 new rooms under construction which will come to the market in the next two years. Hence, we have to carefully plan and position our hotels to meet the foreseeable competition. Based on our present plan, we believe our project in Macau will further improve our net asset value per share in the future. As a profit contributor, we consider it more appropriate to be a long-term investment.

The disposal of our project in New York and the continuous successful launching of our two projects in Melbourne, Australia, have demonstrated our commitment to dispose of non-core assets. We expect the disposals of these overseas assets to bring in about HK\$1 billion to the company's cash flow over the next 12 – 18 months.

Looking ahead, the Group remains positive about the tourism industry in Hong Kong and will maintain its focus on the 3 – 4 star hotel business. It is our view that with the Central Government's austerity measures upon the superheated property sector over the past three years, we are in a stronger position to increase our land bank in China at competitive price in the foreseeable future.

David Chiu

Deputy Chairman & Chief Executive Officer

15th July, 2006

Profile of Directors and Senior Management

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1 Tan Sri Dato' David CHIU

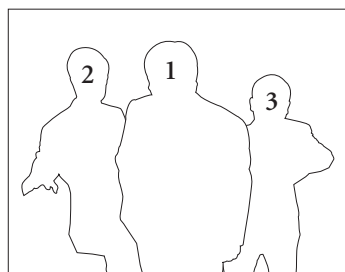
*Deputy Chairman &
Chief Executive Officer*

2 Mr. Denny Chi Hing CHAN

Chief Operating Officer

3 Mr. Bill Kwai Pui MOK

*Chief Financial Officer &
Company Secretary*



Executive Directors

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

Mr. Chiu is the founder of the Far East Group. He has been the Chairman of Far East Consortium Limited, the predecessor of the Company, since 1972. He is also the Chairman of Far East Technology 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, aged 81, is the husband of Madam Ching Lan Ju Chiu, the father of Messrs. Dick Tat Sang Chiu, David Chiu, Dennis Chiu and Daniel Tat Jung Chiu.

Profile of Directors and Senior Management

Tan Sri Dato' David CHIU, B.Sc.

(Deputy Chairman & Chief Executive Officer)

Tan Sri Dato' David Chiu, aged 52, 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' 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' Chiu is also the Chairman and substantial shareholder of Tokai Kanko Limited, which is listed on the Tokyo Stock Exchange. In regards of his devotion to the community services, Tan Sri Dato' Chiu is a trustee member of The Better Hong Kong Foundation and a committee member of Mid-Autumn Festival Celebration People & 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 and Madam Ching Lan Ju Chiu, the brother of Messrs. Dick Tat Sang Chiu, Dennis Chiu and Daniel Tat Jung Chiu.

Mr. Dennis CHIU, B.A.

Mr. Chiu, aged 47, was appointed as an Executive Director of 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 Technology 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 and Madam Ching Lan Ju Chiu, the brother of Messrs. Dick Tat Sang Chiu, David Chiu and Daniel Tat Jung Chiu.

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

Mr. Williams, aged 54, was appointed as a Director of the Company in 2000. He is responsible for all property development in Australia. He resides in Melbourne, Australia. He holds a Bachelor's degree in Civil Engineering from Melbourne University and before joining the Australian operations, 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 President of the St. Kilda Road Campaign Inc.

Profile of Directors and Senior Management

Non-executive Directors

Madam Ching Lan JU CHIU, J.P.

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

Mr. Dick Tat Sang CHIU, M.A.

Mr. Chiu, aged 55, was appointed as a Director of Far East Consortium Limited, the predecessor of the Company, in 1972. He is now a Non-executive Director of the Company and Far East Hotels and Entertainment Limited. He graduated from the University of Cambridge with an honour Master of Arts degree in Economics. He is the son of Mr. Deacon Te Ken Chiu and Madam Ching Lan Ju Chiu, the brother of Messrs. David Chiu, Dennis Chiu and Daniel Tat Jung Chiu.

Mr. Daniel Tat Jung CHIU

Mr. Chiu, aged 45, 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 Technology International Limited. He is the major shareholder and Vice Chairman of London-listing Fortune Oil PLC. He is the Chairman of Harrow International School. Mr. Chiu has extensive experience in China trade, petroleum trading and infrastructure investments. He also takes an active part in several kinds of projects in Hong Kong and the P.R.C.. He is the son of Mr. Deacon Te Ken Chiu and Madam Ching Lan Ju Chiu, the brother of Messrs. Dick Tat Sang Chiu, David Chiu and Dennis Chiu.

Profile of Directors and Senior Management

Independent Non-executive Directors

Mr. David Kwok Kwei LO

Mr. Lo, aged 47, holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984. He has been a member of The Law Society of Hong Kong since 1987. He has been practicing as a solicitor in Hong Kong for over 15 years and is a partner in David Lo & Partners. He joined the Board of Directors of the Company in 2000.

Mr. Jian Yin JIANG

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

Mr. Kwok Wai CHAN

Mr. Chan, aged 47, is a member of The Hong Kong Securities Institute and an associate member of CPA Australia. Mr. Chan is currently a Director of High Progress Consultants Limited and also an Independent Non-executive Director of Chinese Estates Holdings Limited, Junefield Department Store Group Limited, China Investments Holdings Limited, Tern Properties Company Limited and National Electronics Holdings Limited, the shares of all which are listed on the Main Board of the Stock Exchange.

Profile of Directors and Senior Management

Senior Management

Mr. Denny Chi Hing CHAN

(Chief Operating Officer)

Mr. Chan, aged 43, was promoted as the Group Chief Operating Officer, Hong Kong in March 2004. He is responsible for the Hong Kong, Macau and the Mainland based activities with emphasis on the commercial management, hotel and property development and investment, and project development. He is also responsible for the industrial and infrastructure businesses in the Mainland. He joined the Company in 1990 as the Group Chief Accountant and promoted as the Group Financial Controller in 2002. From 1990 to 2003, he was responsible for the Group's financial, treasury and accounting functions. He has extensive experience in accounting and auditing of Hong Kong listed companies. He is a director of various subsidiaries of the Group. He was also appointed as an Alternative Director of Far East Hotels and Entertainment Limited to Mr. Deacon Te Ken Chiu, the founder of the Far East Group, on 17th May, 2003.

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

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

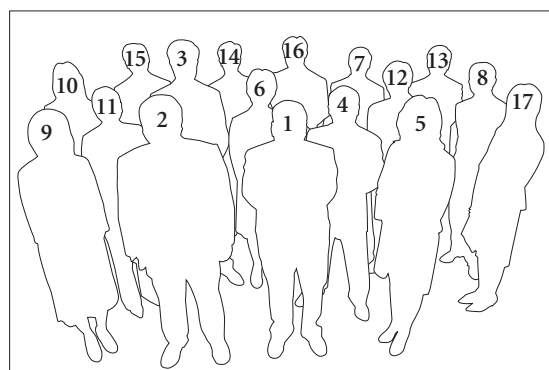
(Chief Financial Officer and Company Secretary)

Mr. Mok, aged 45, 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 major investment banks from the United States and Europe. Mr. Mok has extensive experience in investment and finance activities in Hong Kong and China.

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

Profile of Directors and Senior Management

- | | |
|--|---|
| <p>1 Mr. Deacon Chiu, J.P.
<i>Chairman</i></p> <p>2 Tan Sri Dato' David Chiu
<i>Deputy Chairman &
Chief Executive Officer</i></p> <p>3 Mr. Denny Chan
<i>Chief Operating Officer</i></p> <p>4 Mr. Bill Mok
<i>Chief Financial Officer &
Company Secretary</i></p> <p>5 Ms. Wendy Yung
<i>Personal Assistant of Chairman</i></p> <p>6 Ms. Maria Cheung
<i>Marketing Director</i></p> <p>7 Mr. Frankie Lai
<i>Director of Hotel Operation</i></p> <p>8 Mr. William Yu
<i>General Manager -
Business Development</i></p> <p>9 Ms. Magdalene Ho
<i>Personnel & Administration
Manager</i></p> | <p>10 Ms. Anita Chan
<i>General Manager -
Cosmopolitan Hotel &
Cosmo Hotel</i></p> <p>11 Ms. Rebecca Kwan
<i>General Manager -
Central Park Hotel &
Lan Kwai Fong Hotel</i></p> <p>12 Mr. Richard Kwong
<i>General Manager -
Dorsett Seaview Hotel &
Dorsett Olympic Hotel</i></p> <p>13 Mr. Kevin Au
<i>Project Manager</i></p> <p>14 Mr. K K Tang
<i>Project Manager</i></p> <p>15 Mr. Ricky Li
<i>Project Manager</i></p> <p>16 Mr. Roland Lau
<i>Project Manager</i></p> <p>17 Ms. Maggie Fan
<i>Public Relations Manager</i></p> |
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Five Year Financial Summary

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	For the year ended 31st March,				
	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000
RESULTS					
Revenue	691,590	796,057	819,859	559,710	1,140,899
(Loss) profit before taxation	(207,915)	(116,547)	213,733	446,485	418,078
Taxation	(4,343)	(17,809)	(61,326)	(36,814)	(85,867)
(Loss) profit for the year	(212,258)	(134,356)	152,407	409,671	332,211
Attributable to:					
– Equity holders of the Company	(204,130)	(124,202)	149,424	404,562	335,124
– Minority interests	(8,128)	(10,154)	2,983	5,109	(2,913)
	(212,258)	(134,356)	152,407	409,671	332,211
(Loss) earnings per share	(21 cents)	(13 cents)	14 cents	32 cents	24 cents
	At 31st March,				
	2002 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2005 HK\$'000 (Restated)	2006 HK\$'000
ASSETS AND LIABILITIES					
Total assets	4,318,107	4,753,071	4,924,709	6,234,848	7,140,308
Total liabilities	(1,856,739)	(2,394,821)	(2,239,690)	(3,014,603)	(3,568,525)
	2,461,368	2,358,250	2,685,019	3,220,245	3,571,783
Minority interests	(82,738)	(78,052)	(26,593)	(31,789)	(27,250)
Shareholders' funds	2,378,630	2,280,198	2,658,426	3,188,456	3,544,533

Note: No restatement of the consolidated financial statements for the years ended 31st March, 2002, 2003 and 2004 was made for the new and revised accounting standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005.

The above financial summary prior to 2004 has not been adjusted to take into account the effect on the adoption of Hong Kong Accounting Standard No. 40 and Statement of Standard Accounting Practice No. 12 (Revised) "Income taxes" issued by HKICPA as the directors considered that it is not practicable to do so.

Business and Financial Review

Management Discussion and Corporate Overview

The austerity measures imposed by the Central Government had softened the property markets in China over the last three years. These austerity measures should however enhance long-term healthy development in the property markets in China. Given the continuous economic growth and urbanization in China, we continue to believe the demand for middle-class quality housing to remain strong in the long run. In view of the weak sentiment in the property markets, we are now taking a proactive role in exploring and assessing good return investment opportunities to enlarge our land bank in the Mainland.



According to the visitor arrival statistics released by the Hong Kong Tourism Board, the cumulative visitor arrivals in 2005 was about 23.4 million, representing a 7.1% increase from previous year. With the implementation of the Closer Economic Partnership Arrangement (CEPA), more cities in the Mainland will be opened to allow more residents to come to Hong Kong. Benefiting from this favorable condition, the overall performance of the hotel industry remains strong with an average occupancy rate of 86% for all hotels in Hong Kong as a whole. Our hotels have outperformed the market by a substantial margin attributed to our efficient and experienced hotel management teams. With our dedication and commitment, the Group has opened four new hotels, totaling 600 rooms, in Hong Kong during the year. In addition, the Group is planning to open one hotel per year over the next three years. We are well-positioned to capture the increasing number of business and leisure travellers to Hong Kong with our expanding hotel portfolio. We expect the performance of the hotel division to remain strong with increasing gross profit contributions to the Group in the foreseeable future.

Senior Management of Hotels

From left to right:

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

Mr. Frankie Lai
Director of Hotel Operation

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

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

Business and Financial Review

The Group is in the stage of finalizing the documentation of its Macau project with the Venetian Group (Venetian) from Las Vegas, USA. According to the latest development plan, the Group will possibly form a 50:50 joint-venture company with Venetian to develop a site located in Cotai, Macau, with a total gross floor area of over 3 million square feet. The Macau project comprises of four to five hotels of different brands with a total of no less than 3,000 rooms, a shopping and entertainment complex of about one million square feet, and serviced apartment buildings of 360,000 square feet. In addition, the joint-venture company will also build a casino/theatre shell of approximately 200,000 square feet which will be sold to Venetian upon completion. The construction work is scheduled to commence in the fourth quarter of 2006. With significant economic growth in Macau, the Group believes that this project will enhance our long-term growth.

Business Review

1. Property Division

China

Because of the austerity measures announced by the Central Government and the change of accounting standards, most of the property development profits will be deferred to the financial year of 2007. An estimated profit of Rmb 54 million is expected to be booked upon the receipt of the occupancy permit in the fourth quarter of 2006.

Presently, we have over 2 million square feet of gross floor area under construction in California Gardens. When the construction is completed, we shall deliver about 1,500 residential units for sale over the next 12 to 18 months. Furthermore, according to the present development plan, California Gardens still has a balance of about 3,500 residential units to be developed over the next 3 to 4 years. The whole project is expected to be completed by 2010.

The Group is confident about the potential future growth in the Guangzhou property market and acquired a residential site in Huadiwan, Guangzhou in September 2005. According to our present plan, we will develop seven blocks of multi-storey residential buildings with a total gross floor area of approximately 800,000 square feet. Including this new property development project, the Group currently has three property development projects in Guangzhou with a total attributable gross floor area of over 1.4 million square feet. The construction and demolition works for these three projects have already begun and all of them are scheduled to be completed in the financial year of 2009.

Business and Financial Review

Presently, the Group is also finalizing the negotiations of another two property development projects in two different major cities in China which we expect to conclude in the foreseeable future.

California Gardens, Shanghai – a residential development with a land area of approximately 14.5 million square feet with an approved built-up area of approximately 12.4 million square feet. Upon full completion of the development, this project will boost a total of approximately 8,000 units of a mixture of residential and commercial properties with more than 97% are residential units. Since its first phase of development in the late 90's, a total of 2,800 units of residential development have been built with 100% sold. For the financial year ended 31st March, 2006, the company has engaged in the development of 1,430 residential and 190 commercial units. The commercial units will be ready for delivery in the fourth quarter of 2006 whilst the first batch of residential units will be ready by as early as the first quarter of 2007. The balance of approximately 3,500 units are scheduled for completion over the next 3 to 4 years with an average of 1,000 units a year. This project will be the major profit source of the Group till its completion in 2010.

New Time Plaza, Guangzhou – the Group owns 50% of the development. It comprises of an auxiliary building with about 86,000 square feet and a 28-storey residential tower. Due to the effect of the transportation network developed by the Government, the total gross floor area of the residential tower has been reduced from 290,000 square feet to approximately 230,000 square feet. Construction work for the residential tower is currently in progress and is expected to be completed by 2008.

Gantangyuan, Huadiwan, Guangzhou – the Group owns 100% of this development. It comprises of two 32-storey residential towers 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. The development is currently at its planning stage and construction is expected to start in late 2006 and is scheduled to be completed by 2008.



Project Team

*From left to right:
Mr. Kevin Au
Project Manager*

*Mr. Ricky Li
Project Manager*

*Mr. Roland Lau
Project Manager*

*Mr. K K Tang
Project Manager*

Business and Financial Review

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. The plot will be developed into a residential estate with a total gross floor area of approximately 800,000 square feet. Demolition and site clearance works are in progress. The development is expected to be completed in late 2008.

Hong Kong

Although the Group does not maintain a significant land bank in Hong Kong, we will continue to look for potential property development projects in the market. The additional landscaping and exterior finishing of our luxury residential complex, The Cove, had been completed and launched for sale.

Subsequent to year-end, the Group acquired a property project in Sai Kung. This project consists of 4 detached houses with a total gross floor area of approximately 12,000 square feet. The project is presently at its inception stage and the certificate of completion is expected to be obtained by February 2007.

Bakerview, Hung Hom – a 32-storey commercial-residential development with a total gross floor area of approximately 55,000 square feet comprises of 104 residential units, 26 car-parks and 2 floors of shopping units. The Group has withheld 35% of the unsold units 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. Building work on phase 1 has completed and the certificate of compliance was issued. As of the date of this report, approximately 75% of the units have been sold. Development for other phases will depend on obtaining approvals from relevant government authorities.

The Cove, Sai Kung – a 10-detached house development with a total gross floor area of approximately 12,000 square feet built on a site of 30,000 square feet. Construction has been completed in early 2005 and sales were launched in April 2006 upon the issuance of the certificate of compliance.

Tan Kwai Tsuen, Yuen Long – a 5-storey apartment development with 96 units with a total gross floor area of approximately 48,300 square feet. The Group is in the process of applying for land exchange and building plan submission.

Hung Shui Kiu, Yuen Long – a 7-storey residential development project with 72 units with a total gross floor area of approximately 38,000 square feet. The Group is currently in the process of applying for land exchange and building plan submission.

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

Business and Financial Review

Australia

Flinders Wharf, Melbourne – the Group owns 50% of this high-class residential development with 301 units with gross floor area of approximately 54,000 square meters. It is located opposite to the Melbourne Exhibition and Convention Centre and The Crown Casino. The construction commenced in February 2002 and was completed in November 2003. 100% of the project has been sold.

Royal Domain Tower, Melbourne – this is a 42-storey high-rise complex comprised of 133 units luxury residential apartments with gross floor area of approximately 65,000 square meters. Each of the luxurious standard apartment ranges over A\$1 million. The project is located along St. Kilda Road in the City overlooking the Melbourne Botanical Gardens. This will be one of the tallest and most prestigious residential buildings in Melbourne. The construction commenced in early 2003 and was completed in early 2006. Up to the end of the year, over 50% of the 133 units have been sold. The Group owns 90% interest of this project.

2. Hotel Division

During the year, the Group opened four new hotels, namely Central Park Hotel, Dorsett Olympic Hotel, Cosmo Hotel and Lan Kwai Fong Hotel, in Hong Kong. Our hotel portfolio has increased from 1,042 rooms to 1,629 rooms to the market, all four hotels have performed well above our expectations and the market average.

In order to capture more overseas business and leisure travellers and to enhance our profitability, we decided to add the HIP hotel line to our existing 3- and 4-star hotel portfolio. Cosmo Hotel is our first HIP hotel, and has been an immediate success since its opening in October 2005. Its occupancy has been over 90% on average since its opening. Lan Kwai Fong Hotel is our second HIP hotel. We expect this hotel to perform as well as Cosmo Hotel.



Senior Management of Cosmopolitan Hotel & Cosmo Hotel

*From left to right:
Mr. Kenneth Poon
Director of Sales*

*Mr. Eddie Liu
Assistant Financial Controller*

*Ms. Anita Chan
General Manager*

*Mr. Andrew Lee
Director of Rooms*

Business and Financial Review

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Senior Management of Dorsett Seaview Hotel
& Dorsett Olympic Hotel

From left to right:
Ms. Ava Tse

Director of Sales & Marketing

Mr. Richard Kwong
General Manager

Mr. Stevy Mok
Rooms Division Manager

Mr. Barry Lo
Resident Manager

We have another three new hotels in the pipeline. Dorsett Far East Hotel in Tsuen Wan with 243 rooms, is expected to open within the next two months. The newly acquired sites in Tai Kok Tsui and Kennedy Town are proposed for hotel developments. Both hotels will have no less than 250 rooms each and are expected to commence operation by early 2008 and early 2009. With the opening of the Dorsett Far East Hotel, we will be operating a total of 7 hotels, making us the largest 3-4 star hotel group in Hong Kong.

Hotels in Operation

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 walking distance to vibrant district of Tsim Sha Tsui.

Cosmopolitan Hotel, Wanchai, – the largest hotel of the Group with a total of 454 rooms. The hotel was converted from the “old” New China News Agency Building and commenced operation in late 2004. With its unique location right amidst the commercial district in Wanchai and the major shopping attractions in Causeway Bay, this 4-star hotel is perfect location for both business and leisure travellers.

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

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 districts such as the Ladies’ Market, the Goldfish Market, the Flower Market, and the Bird’s Street etc.

Cosmo Hotel, Wanchai – our first HIP hotel with 142 color-coded rooms. It is adjacent to “New China News Agency Building” and two buildings away from our Cosmopolitan Hotel. This hotel reflects hip and modern chic style that outgrows the traditional hotel model. Like Central Park Hotel, this hotel was also converted from an office building. The performance of this hotel has been excellent since its opening in October 2005.

Business and Financial Review

Lan Kwai Fong Hotel, Central – a HIP boutique hotel, uniquely designed in decor, modern in style with Chinese accents, was opened in March 2006. Its 162 bedrooms and individually designed suites are furnished with a distinctive touch of oriental style. The convenient location is perfect for the trendy dining, nightlife and entertainment area of Soho with only 5-minute walk from the Central District.

Hotels in Overseas

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

Dallas Grand Hotel, Dallas, USA – the Group is considering three different proposals for this hotel. The first proposal is to engage an international hotel management company to operate the hotel. The second proposal is to team up with a local property developer to redevelop the hotel into a residential building for lease or for sale. The last option is to sell the hotel without further investment. The Group will make a decision on the proposed directions shortly.

Hotels under Development

Dorsett Far East Hotel, Tsuen Wan – a hotel is converted from the “Far East Bank Building” and designed to be a 3-star hotel with a total of 243 rooms. It is scheduled to complete the refurbishment work (with 230 rooms) and commence operation in the third quarter of 2006.

Dorsett Kowloon Hotel, Tai Kok Tsui – a developing hotel project located one block away from our Dorsett Olympic Hotel. The existing industrial building is in its demolishing process. It is our plan to develop a 3-star hotel with a total of 299 rooms. It is scheduled to complete and commence operation by early 2008.

Dorsett Hong Kong Hotel, Kennedy Town – another developing hotel project, located at Davis Street. The existing residential blocks will be demolished and the area will be re-developed into a 3-4 star hotel with a total of 280 rooms. Currently, it is under planning and submission stages. The hotel is scheduled to open by early 2009.



*Senior Management of Central Park Hotel
& Lan Kwai Fong Hotel*

*From left to right:
Mr. Lawrence Tse
Front Office Manager*

*Ms. Rebecca Kwan
General Manager*

*Ms. Vanessa Chung
Director of Business Development*

*Ms. Lorraine Chan
Director of Sales & Marketing*

Business and Financial Review

Significant Events

Reference is made to our Annual Report 2005 in relation to the Riverside South Project ("Project"), in Manhattan in the United States, of which the Group held an indirect minority interest. The Group was informed that the selling of interests transaction in the Project for US\$1.76 billion to CRP/Extell Riverside L.P., an independent third party, was completed in November 2005. The manager of the Project is still working on the details of the Final Sale Model of the transaction.

In relation to the Compliant filed at the Supreme Court of the State of New York against investors of the Project, legal proceeding has been commenced in New York. The management will closely monitor its status and further announcements, if any, will be made by the Company in accordance with the Listing Rules.

Financial Review

For the year ended 31st March, 2006, the Group achieved a strong operating performance. Turnover of the Group reached HK\$1,140.9 million, up 104% from the last year. This increase was primarily driven by the expansion of our hotel portfolio and increased treasury investments despite the drop of our property sales.

Gross profit rose to HK\$353.7 million, a 94% increase as compared to last year. Such growth was mainly attributable to the increased number of hotels and their exceptional performance.

Without any one-off gain from substantial asset disposal during the year, the net profit was reported at HK\$332.2 million, dropped from HK\$409.7 million of last year. If the one-off gains, totalling HK\$238.5 million, were excluded from the final results of last year, the Group would have reported a net profit growth of 94% in this financial year.

In addition, both zero coupon convertible bonds were designated as "financial liabilities at fair value through profit or loss" under the newly adopted Hong Kong Accounting Standards. As a result, an increase of HK\$113.1 million in fair value of financial liabilities through profit or loss was charged to the Group's income statement.

Business and Financial Review

Financial Resources and Liquidity

Borrowings and charge on Group assets

	2006 HK\$'000	2005 HK\$'000
Bank loans	1,622,087	1,487,272
Bank overdrafts	285	2,898
Convertible bonds	—	765,134
Financial liabilities at fair value through profit or loss	914,969	—
Mortgage loans	348,440	142,348
Obligations under finance leases	1,068	726
Other loans	11,478	59,000
	2,898,327	2,457,378
Analysed as:		
Secured	1,971,880	1,606,078
Unsecured	926,447	851,300
	2,898,327	2,457,378

The above borrowings are repayable as follows:

On demand or within one year	1,915,531	1,380,402
Amount due after one year	982,796	1,076,976
	2,898,327	2,457,378

Zero Coupon Convertible Bonds

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

Presently, the Company has another zero coupon convertible bonds amounting to HK\$754 million remain outstanding at the balance sheet date. The primary purpose of the issue is to finance the upcoming development project in Macau. Based on the adjusted conversion price of HK\$3.16, the convertible bonds are convertible into approximately 239 million ordinary shares of the Company of HK\$0.1 each.

Business and Financial Review

Under HKAS32 and HKAS39, both zero coupon convertible bonds are designated as “financial liabilities at fair value through profit or loss”. At each subsequent balance sheet date, “financial liabilities at fair value through profit or loss” are measured at fair value with changes in the fair value recognised directly in the income statement of the Company in the period in which they arise. Accordingly, the balances of the US dollar denominated and Hong Kong dollar denominated convertible bonds are adjusted from HK\$9.6 million and HK\$754 million to HK\$9.7 million and HK\$905 million, respectively, at the balance sheet date. Such adjustments are recognised as a charge to the income statement resulting from the increase in the fair value of financial liabilities. In subsequent period up to maturity date of the convertible bonds, the increase or decrease in the fair value of such financial liabilities will be charged or credited to the income statement of the Company in the corresponding period.

Contingent Liabilities and Commitments

Contingent Liabilities

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

- (a) The Group has given guarantee to bankers to secure banking and other facilities made available to an investee company of HK\$154,322,000 (2005: HK\$102,536,000).
- (b) The Group has given a guarantee in respect of mortgage loans provided to the home buyers of a property project in China. At 31st March, 2006, the total amount of mortgages outstanding which are subject to these guarantees was HK\$2,769,000 (2005: HK\$115,539,000).
- (c) In previous year, a subsidiary of the Company (the “Subsidiary”) was sued by two consultants providing management, consulting and advisory service concerning business strategy and corporate finance activities of the Subsidiary. The two consultants entered into a consulting contract with the Subsidiary in 1999 in lieu of cash for service rendered. The two consultants alleges that the Subsidiary fraudulently misrepresented and concealed material facts regarding the proposed investment from them and claim compensation for damages amounting to approximately HK\$5,843,000. Moreover, the two consultants also allege that the Subsidiary owes them salaries, payment in lieu of notice for early termination of the contract and the reimbursement for expenses regarding the employment contract as the board of directors of the Subsidiary amounting to approximately HK\$5,865,000. A motion of dismiss the claim was filed in the United States court and the claim is still in progress. While the outcome of these proceedings cannot be estimated with certainty at this stage, based on independent legal advice obtained, the directors are of the opinion that the outcome of this case would not have a material adverse impact on the financial position of the Group.

Business and Financial Review

- (d) The State Administration of Taxation of the PRC issued a circular as Guo Shui Han [2004] No.938 on 2nd August, 2004 to strengthen the levy of land appreciation tax on property developers. In the opinion of the directors, after consulting its legal adviser and the tax bureau of the relevant city, land appreciation tax will not be levied in respect of properties already completed and full provision for land appreciation tax has not been made in the financial statements. The Group has not, however, been able to secure written confirmation of those individual city policies, and the directors consider that the chance that full land appreciation tax might be levied is less than probable in accordance with the rule of State Administration of Taxation. Should such levies take place, land appreciation tax would be approximately HK\$49 million.

Capital Commitments

	2006 HK\$'000	2005 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Properties under development	475,256	1,064,600
Hotel properties	2,781	36,190
	478,037	1,100,790
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties under development	—	—
Hotel properties	8,400	—
	8,400	—
	486,437	1,100,790

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, 2006 was 82% (2005: 77%).

Current ratio

The current ratio as at 31st March, 2006 was 1.1 (2005: 1.5). The Group has maintained sufficient liquid assets to finance its operation.

Business and Financial Review

Exchange rate

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

Pledge of assets

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

- (a) The Group's properties, bank deposits and investments held for trading with an aggregate carrying amount of approximately HK\$3,399,431,000 (2005: HK\$2,074,641,000), HK\$55,102,000 (2005: HK\$3,901,000) and HK\$1,576,000 (2005: HK\$1,556,000) respectively, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and properties of associates and third parties were pledged to the Group's bankers and loan creditors to secure banking and loan facilities granted to the Group and an associate to the extent of approximately HK\$2,822,947,000 (2005: HK\$2,572,480,000) and HK\$5,000,000 (2005: HK\$5,000,000), respectively.

The Group's bank deposits of approximately HK\$2,765,000 (2005: HK\$3,000,000) were pledged to a Group's banker to secure a guarantee given by the banker in favour of subsidiary of the Company.

- (b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments, other financial assets and deposits with an aggregate carrying amount of approximately HK\$414,182,000 (2005: HK\$237,746,000) 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\$645,095,000 (2005: HK\$37,613,000), of which HK\$54,427,000 (2005: HK\$32,449,000) 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 (2005: HK\$119,995,000) to a financial institution to secure general credit facility granted to the investee company.

Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2006.

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, 2006 are set out in notes 54, 55 and 19 to the financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 41.

An interim dividend of HK3 cents per share amounting to HK\$42,926,000 was paid to the shareholders during the year. The directors recommend a final dividend for the year of HK6 cents per share to shareholders whose names appear on the Company's Register of Members on 25th August, 2006 amounting to HK\$86,500,000. 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 25th August, 2006; 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 25th August, 2006. 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, 2006. Dividends warrants or new shares certificates will be posted on or about 3rd October, 2006.

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 14.

Directors' Report

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INVESTMENT PROPERTIES

During the year, the Group disposed of investment properties with a carrying amount of HK\$10,689,000.

The Group revalued all of its investment properties at 31st March, 2006. The net increase in fair value of investment properties, which has been credited directly to income statement, amounted to HK\$414,740,000.

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

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$141,169,000 on hotel properties and hotel properties under development.

In addition, the Group transferred certain properties with carrying amount of approximately HK\$88,642,000 from property, plant and equipment to investment properties. Such properties were revalued on the date of transfer, resulting in a net surplus over the book value of approximately HK\$7,228,000, which has been credited to the asset revaluation reserve.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2006 are set out on pages 116 to 123 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 financial statements.

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

DISTRIBUTABLE RESERVES OF THE COMPANY

In the opinion of the directors, the reserves of the Company which are available for distribution to shareholders at 31st March, 2006, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, amounted to approximately HK\$737,659,000 (2005: HK\$972,698,000), representing the net of the distributable reserve of HK\$932,031,000 (2005: HK\$1,045,886,000) and accumulated losses of HK\$194,372,000 (2005: HK\$73,188,000).

Directors' Report

DIRECTORS

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

Executive Directors

Mr. Deacon Te Ken Chiu, *Chairman*

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

Mr. Dennis Chiu

Mr. Craig Grenfell Williams

Non-executive Directors

Madam Ching Lan Ju Chiu

Mr. Dick Tat Sang Chiu

Mr. Daniel Tat Jung Chiu

Independent Non-executive Directors

Mr. David Kwok Kwei Lo

Mr. Jian Yin Jiang

Mr. Kwok Wai Chan

(appointed on 18th November, 2005)

Datuk Kee Leong Chee

(retired on 19th August, 2005)

In accordance with the provisions of the Company's Articles of Association, Mr. Dick Tat Sang Chiu, Mr. Daniel Tat Jung Chiu and Mr. Kwok Wai Chan shall retire by rotation and, being eligible, offer themselves for re-election.

Under the second part of code provision A.4.2 of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, 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 forthcoming annual general meeting of the Company notwithstanding that he is not required to do so by the Company's Article 115(B).

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' Report

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DIRECTORS' INTERESTS IN SHARES

At 31st March, 2006, the interests and short positions of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("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' interests in shares and underlying shares of the Company:

Name of director	Nature of interests	Number of ordinary shares held			Percentage of issued share capital of the Company	
		Personal interests	Corporate interests	Beneficial interests in underlying shares	Total	
Deacon Te Ken Chiu	Long Position	10,534,984	115,641,256 ⁽ⁱ⁾	–	126,176,240	8.76%
David Chiu	Long Position	640,859	320,608,292 ⁽ⁱⁱ⁾	11,000,000 ⁽ⁱⁱⁱ⁾	332,249,151	23.06%
Dennis Chiu	Long Position	8,327	5,029,711 ^(iv)	–	5,038,038	0.35%
Ching Lan Ju Chiu	Long Position	1,314,032	–	–	1,314,032	0.09%
Dick Tat Sang Chiu	Long Position	837,990	–	–	837,990	0.06%
Daniel Tat Jung Chiu	Long Position	39,412	3,877,218 ^(v)	–	3,916,630	0.27%

Notes:

- (i) These shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.
- (ii) These shares are held by Sumptuous Assets Limited, a company controlled by Tan Sri Dato' David Chiu and includes the lending of 73,874,886 shares.
- (iii) These interests represent derivative interests pursuant to a derivative contract exercisable for the period from 12th April, 2005 to 12th April, 2006.
- (iv) These shares are held by Chiu Capital N.V., a company controlled by Mr. Dennis Chiu and First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.
- (v) These shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu and are entirely duplicated and included in the corporate interests of Mr. Dennis Chiu.

(b) Directors' interests 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%

Directors' Report

DIRECTORS' INTERESTS IN SHARES *(continued)*

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, 2006.

SHARE OPTION SCHEME

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

Particulars of the Company's share option scheme are set out in note 41 to the financial statements. The following table discloses movements in the Company's share options during the year:

Category of grantee	Date of grant	Exercise price HK\$	Number of options			Exercise period
			Outstanding at 1.4.2005	Exercised during the year	Outstanding at 31.3.2006	
<i>Senior management</i>						
Denny Chi Hing Chan	21.10.2004	2.075	1,200,000	(600,000)	600,000	01.11.2004 – 31.12.2010
			1,400,000	–	1,400,000	01.01.2006 – 31.12.2010
			1,600,000	–	1,600,000	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	(600,000)	7,400,000	
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	–	1,600,000	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	–	8,000,000	

Directors' Report

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SHARE OPTION SCHEME *(continued)*

Category of grantee	Date of grant	Exercise price HK\$	Number of options			Exercise period
			Outstanding at 1.4.2005	Exercised during the year	Outstanding at 31.3.2006	
Other employees in aggregate	21.10.2004	2.075	1,150,000	(650,000)	500,000	01.11.2004 – 31.12.2010
			100,000	(100,000)	–	01.01.2005 – 31.12.2010
			2,325,000	(620,000)	1,705,000	01.01.2006 – 31.12.2010
			2,975,000	–	2,975,000	01.01.2007 – 31.12.2010
			3,475,000	–	3,475,000	01.01.2008 – 31.12.2010
			3,975,000	–	3,975,000	01.01.2009 – 31.12.2010
			14,000,000	(1,370,000)	12,630,000	
		Total	30,000,000	(1,970,000)	28,030,000	

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 2006, 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:

	Nature of interests	No. of ordinary shares held		% of issued share capital
Deutsche Bank Aktiengesellschaft ("DBA")	Long Position	129,191,059	(i)	8.96%
	Short Position	115,848,359	(ii)	8.04%
PMA Capital Management Limited ("PMA")	Long Position	105,898,434	(iii)	7.35%
Penta Investment Advisers Limited ("Penta")	Long Position	88,294,000	(iv)	6.13%
Value Partners Limited ("Value Partners")	Long Position	72,868,000	(v)	5.06%

Directors' Report

SUBSTANTIAL SHAREHOLDERS *(continued)*

Note:

- (i) According to the notice to the Company from DBA, as at 31st March 2006, DBA held 34,921,598 shares as a beneficial owner; 13,000,000 shares were held as an investment manager through its wholly owned subsidiaries and 81,269,461 shares were held as security interests.

The above-mentioned long position includes derivative interests in 19,303,799 underlying shares.

- (ii) 89,673,113 shares were held as a beneficial owner and 26,175,246 shares were held as security interests.
- (iii) PMA held 105,898,434 shares as an investment manager, of which 73,544,305 shares represent derivatives interests in underlying shares.
- (iv) Penta held 88,294,000 shares as an investment manager. Penta was jointly controlled by Mr. Michael William Moore and Mr. John Zwaanstra.
- (v) Value Partners held 72,868,000 shares as an investment manager. Value Partners was controlled as to 32.77% by Mr. Cheah Cheng Hye.

Save as disclosed herein, the Company has not been notified of any other person (other than a director or chief executive 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 2006.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$2,415,000.

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 of Hong Kong Limited. The Company considers all of the Independent Non-executive Directors are independent.

Directors' Report

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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 a share option scheme as an incentive to directors and eligible participants, details of the scheme is set out in note 41 to the financial statements.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 35 to 39 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March, 2006.

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.

AUDITORS

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

On behalf of the Board
Tan Sri Dato' David Chiu
Deputy Chairman and Chief Executive Officer

15th July, 2006

Corporate Governance Report

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

The Company has applied the principles of the Code Provisions under the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31st March 2006, except for the deviations from the code provisions A.4.1 and A.4.2 of the Code described below.

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 forthcoming 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.

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 ten Directors, whose biographical details are set out in the section “Profile of Directors and Senior Management” on pages 8 to 13 of this Annual Report. Four of the Directors are executive, three are non-executive and three are independent non-executive. Please refer to the Report of Directors on page 27 for the composition of the Board.

Corporate Governance Report

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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 at least four 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 ensure that applicable rules and regulations regarding the meetings are observed.

The Board met on four occasions during the year ended 31st March, 2006. The attendance of individual Directors at the Board meetings is set out in the table below.

	Number of meetings attended	Attendance rate
Executive Directors		
Deacon Te Ken Chiu, <i>Chairman</i>	4/4	100%
David Chiu, <i>Deputy Chairman and Chief Executive Officer</i>	4/4	100%
Dennis Chiu	2/4	50%
Craig Grenfell Williams	2/4	50%
Non-executive Directors		
Ching Lan Ju Chiu	2/4	50%
Dick Tat Sang Chiu	2/4	50%
Daniel Tat Jung Chiu	2/4	50%
Independent Non-executive Directors		
David Kwok Kwei Lo	2/4	50%
Jian Yin Jiang	2/4	50%
Kwok Wai Chan ⁽¹⁾	1/4	25%
Kee Leong Chee ⁽²⁾	1/4	25%

Corporate Governance Report

Notes:

1. Mr. Kwok Wai Chan was appointed as an Independent Non-executive Director of the Company on 18th November, 2005.
2. Mr. Kee Leong Chee retired from the office of Independent Non-executive Director of the Company at the Annual General Meeting held 19th August, 2005.

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 of Corporate Governance Practices. 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. David Kwok Kwei Lo and Mr. Jian Yin Jiang.

The principal duties of the Audit Committee include monitoring the Group's financial reporting system, review of financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the group audit. Two meetings were held during the year ended 31st March, 2006, and the attendance record is set out as follows:

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

Notes:

1. Mr. Kwok Wai Chan was appointed as an Independent Non-executive Director of the Company on 18th November, 2005.
2. Mr. Kee Leong Chee retired from the office of Independent Non-executive Director of the Company at the Annual General Meeting held 19th August, 2005.

Corporate Governance Report

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 2005 and annual results for the year ended 31st March, 2006 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 on Corporate Governance Practices (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. David Kwok Kwei Lo and Mr. Kwok Wai Chan.

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.

The first meeting of the Remuneration Committee was held after the financial year end and the attendance record is set out as follows:

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

DIRECTORS’ AND AUDITORS’ ACKNOWLEDGEMENT

All directors acknowledge their responsibility for preparing the accounts for the year ended 31st March, 2006.

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, 2006.

AUDITORS’ REMUNERATION

The remuneration paid to the external auditors in respect of audit services for the year ended 31st March 2006 amounted to HK\$2,850,000.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

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

INTERNAL CONTROLS

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

COMMUNICATION WITH SHAREHOLDERS

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

Auditors' Report

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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 the "Group") on pages 41 to 115 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those consolidated financial statements 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.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the Company's directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our 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, 2006 and of its profit and cash flows for the year then ended 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
15th July, 2006

Consolidated Income Statement

For the year ended 31st March, 2006

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	Notes	2006 HK\$'000	2005 HK\$'000 (Restated)
Revenue	6	1,140,899	559,710
Cost of sales		(787,218)	(377,022)
Gross profit		353,681	182,688
Other income		15,025	47,207
Selling and distribution costs		(2,480)	(4,719)
Administrative expenses		(189,691)	(148,930)
Allowance for amount due from an associate		—	(16,000)
Increase in fair value of financial assets at fair value through profit or loss		2,067	—
Increase in fair value of financial liabilities at fair value through profit or loss		(113,160)	—
Decrease in fair value of derivative financial instruments		(19,665)	—
Increase in fair value of investments held for trading		1,898	—
Unrealised gain on trading securities		—	560
Profit on disposal of investment properties		—	201,362
Increase in fair value of investment properties		414,740	166,952
Profit on disposal of property, plant and equipment		225	37,182
Amortisation of goodwill arising on acquisition of associates		—	(582)
Release of negative goodwill		—	7,693
Profit on disposal of an associate		—	451
Share of results of associates		6,818	12,154
Share of results of jointly controlled entities		1,379	(792)
Finance costs	8	(52,759)	(38,741)
Profit before taxation		418,078	446,485
Taxation	9	(85,867)	(36,814)
Profit for the year	10	332,211	409,671
Attributable to:			
– Equity holders of the Company		335,124	404,562
– Minority interests		(2,913)	5,109
		332,211	409,671
Dividends	12		
– Interim, paid		42,926	41,766
– Final, paid for 2005 (Final, paid for 2004)		70,929	35,053
Earnings per share	13	HK cents	HK cents
– Basic		23.6	32.3
– Diluted		27.5	31.0

Consolidated Balance Sheet

42 At 31st March, 2006

	Notes	2006 HK\$'000	2005 HK\$'000 (Restated)
Non-current assets			
Investment properties	14	1,297,427	800,955
Property, plant and equipment	15	1,210,504	1,140,138
Prepaid lease payments	16	374,965	299,958
Negative goodwill	17	—	(23,081)
Interests in associates	18	141,694	144,286
Interests in jointly controlled entities	19	74,617	73,238
Investments in securities	20	—	452,805
Available-for-sale investments	22	598,758	—
Financial assets at fair value through profit or loss	23	99,783	—
Amounts due from associates	24	129,559	129,178
Amount due from an investee company	25	119,995	119,995
Amount due from a minority shareholder	25	563	563
Loans receivable	26	417,257	364,167
Pledged bank deposits	32, 48(a)	2,765	3,000
		4,467,887	3,505,202
Current assets			
Inventories	27	1,581	894
Completed properties for sale		181,046	197,210
Properties under development for sale	28	1,729,107	1,349,278
Investments in securities	20	—	446,494
Investments held for trading	21	7,724	—
Available-for-sale investments	22	103,611	—
Financial assets at fair value through profit or loss	23	171,697	—
Derivative financial instruments	29	5,319	—
Loans receivable	26	3,679	2,576
Debtors, deposits and prepayments	30	241,415	238,824
Prepaid lease payments	16	8,239	7,468
Amounts due from jointly controlled entities	31	9,652	2,936
Amounts due from associates	24	3,437	3,040
Taxation recoverable		7,995	9,257
Pledged bank deposits	32, 48	52,338	3,901
Deposits with investment banks	32	31,000	106,143
Bank balances and cash	32	114,581	361,625
		2,672,421	2,729,646

Consolidated Balance Sheet

At 31st March, 2006

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	Notes	2006 HK\$'000	2005 HK\$'000 (Restated)
Current liabilities			
Creditors and accruals	33	285,468	306,736
Customers' deposits received		14,492	19,078
Amounts due to directors	34	12,468	11,825
Amounts due to related companies	35	38,854	13,635
Amounts due to associates	36	23,479	24,785
Amount due to a minority shareholder	36	28,326	28,124
Financial liabilities at fair value through profit or loss	37	914,969	—
Derivative financial instruments	29	63,551	—
Taxation payable		33,124	56,130
Obligations under finance leases	38	352	268
Convertible bonds	42	—	765,134
Bank and other borrowings	39	999,925	612,102
Bank overdrafts, unsecured		285	2,898
		2,415,293	1,840,715
Net current assets		257,128	888,931
		4,725,015	4,394,133
Capital and reserves			
Share capital	40	144,108	141,426
Reserves		3,400,425	3,047,030
Equity attributable to equity holders of the Company		3,544,533	3,188,456
Minority interests		27,250	31,789
Total equity		3,571,783	3,220,245
Non-current liabilities			
Amounts due to a minority shareholder	43	35,240	35,964
Amount due to a jointly controlled entity	43	10,801	10,801
Deferred taxation	44	124,395	50,147
Obligations under finance leases	38	716	458
Bank and other borrowings	39	982,080	1,076,518
		1,153,232	1,173,888
		4,725,015	4,394,133

The consolidated financial statements on pages 41 to 115 were approved and authorised for issue by the Board of Directors on 15th July, 2006 and are signed on its behalf by:

Deacon Te Ken Chiu
Director

David Chiu
Director

Consolidated Statement of Changes in Equity

44 For the year ended 31st March, 2006

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital redemption reserve	Assets revaluation reserve	Special reserve	Other reserve	Exchange reserve	Investment revaluation reserve	Retained profits	Total	Minority interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2004											
– As originally stated	116,846	863,783	253	340,722	869,357	169,352	(102,513)	(39,963)	458,343	2,676,180	8,839
– Effect of changes in accounting policies (note 2A)	–	–	–	(340,722)	–	–	–	–	–	(340,722)	–
– Prior year adjustment (see note below)	–	–	–	–	–	–	–	–	(17,754)	(17,754)	17,754
– As restated	116,846	863,783	253	–	869,357	169,352	(102,513)	(39,963)	440,589	2,317,704	26,593
Revaluation increase	–	–	–	–	–	–	–	16,856	–	16,856	–
Exchange difference on translation of overseas operations	–	–	–	–	–	–	1,992	–	–	1,992	87
Net income recognised directly in equity	–	–	–	–	–	–	1,992	16,856	–	18,848	87
Profit for the year	–	–	–	–	–	–	–	–	404,562	404,562	5,109
Total recognised income and expense for the year	–	–	–	–	–	–	1,992	16,856	404,562	423,410	5,196
Shares issued pursuant to scrip dividend scheme	1,916	–	–	–	–	–	–	–	–	1,916	–
Credit arising on scrip dividend	–	37,942	–	–	–	–	–	–	–	37,942	–
Shares issued upon exercise of share options	50	987	–	–	–	–	–	–	–	1,037	–
Shares issued upon conversion of convertible bonds	22,614	460,664	–	–	–	–	–	–	–	483,278	–
Share issue expenses	–	(12)	–	–	–	–	–	–	–	(12)	–
Amortisation of deferred expenditure of convertible bonds	–	(2,814)	–	–	–	–	–	–	2,814	–	–
Dividends	–	–	–	–	–	–	–	(76,819)	(76,819)	–	(76,819)
At 31st March, 2005	141,426	1,360,550	253	–	869,357	169,352	(100,521)	(23,107)	771,146	3,188,456	31,789
At 1st April, 2005											
– As brought forward	141,426	1,360,550	253	–	869,357	169,352	(100,521)	(23,107)	771,146	3,188,456	31,789
– Effect of changes in accounting policies (note 2A)	–	–	–	–	–	–	–	–	(28,285)	(28,285)	–
– As restated	141,426	1,360,550	253	–	869,357	169,352	(100,521)	(23,107)	742,861	3,160,171	31,789
Revaluation increase	–	–	–	8,761	–	–	–	105,941	–	114,702	–
Deferred tax liability on asset revaluation	–	–	–	(1,533)	–	–	–	–	–	(1,533)	–
Exchange difference on translation of overseas operations	–	–	–	–	–	–	(23,709)	–	–	(23,709)	(1,626)
Net income (expense) recognised directly in equity	–	–	–	7,228	–	–	(23,709)	105,941	–	89,460	(1,626)
Profit (loss) for the year	–	–	–	–	–	–	–	–	335,124	335,124	(2,913)
Total recognised income and expense for the year	–	–	–	7,228	–	–	(23,709)	105,941	335,124	424,584	(4,539)
Shares issued pursuant to scrip dividend scheme	1,806	–	–	–	–	–	–	–	–	1,806	–
Credit arising on scrip dividend	–	53,189	–	–	–	–	–	–	–	53,189	–
Shares issued upon exercise of share options	197	3,891	–	–	–	–	–	–	–	4,088	–
Shares issued upon conversion of convertible bonds	679	14,126	–	–	–	–	–	–	–	14,805	–
Share issue expenses	–	(255)	–	–	–	–	–	–	–	(255)	–
Dividends	–	–	–	–	–	–	–	–	(113,855)	(113,855)	–
At 31st March, 2006	144,108	1,431,501	253	7,228	869,357	169,352	(124,230)	82,834	964,130	3,544,533	27,250

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

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

The retained profits of the Group include HK\$51,612,000 (2005: HK\$54,204,000) and HK\$26,649,000 (2005: HK\$25,270,000) retained by associates and jointly controlled entities of the Group respectively.

Note: Prior year adjustment represents the prior year adjustment made by the Group's subsidiary, Far East Consortium Holdings (Australia) Pty Limited, that is attributable to losses that should not have been shared by the minority shareholders in prior years. The correction of this error has resulted in a decrease in retained profits and increase in minority interests at 1st April, 2004 of HK\$17,754,000.

Consolidated Cash Flow Statement

For the year ended 31st March, 2006

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	2006 HK\$'000	2005 HK\$'000 (Restated)
Operating activities		
Profit before taxation	418,078	446,485
Adjustments for:		
Share of results of jointly controlled entities	(1,379)	792
Share of results of associates	(6,818)	(12,154)
Depreciation	20,987	11,670
Dividend from listed investments	(2,304)	(1,262)
Interest income	(133,634)	(75,630)
Interest expenses	57,795	41,020
Allowance for bad and doubtful debts	5,009	17,084
Allowance for amount due from an associate	—	16,000
Allowance for loans receivable	11,004	—
Increase in fair value of investment properties	(414,740)	(166,952)
Gain on disposal of an associate	—	(451)
Unrealised holding gain on trading securities	—	(560)
Increase in fair value of investments held for trading	(1,898)	—
Increase in fair value of financial assets through profit or loss	(2,067)	—
Increase in fair value of financial liabilities through profit or loss	113,160	—
Decrease in fair value of derivative financial instruments	19,665	—
Release of negative goodwill	—	(7,693)
Amortisation of goodwill arising on acquisition of associates	—	582
Amortisation of prepaid lease payments	5,223	2,009
Gain on disposal of property, plant and equipment	(225)	(37,182)
Gain on disposal of investment properties	—	(201,362)
Operating cash flows before movements in working capital	87,856	32,396
Decrease in completed properties for sale	16,164	28,944
Increase in properties under development for sale	(366,908)	(587,534)
(Increase) decrease in debtors, deposits and prepayments	(7,600)	153,982
Decrease (increase) in investments held for trading	15,214	(438,423)
(Increase) decrease in inventories	(687)	1,130
Increase in amounts due from associates	(397)	(4,334)
Increase in amount due from jointly controlled entities	(6,716)	(2,936)
(Decrease) increase in creditors and accruals	(21,267)	47,188
(Decrease) increase in customers' deposits received	(4,586)	2,909
Increase (decrease) in amounts due to related companies	25,219	(16,312)
Decrease in amounts due to associates	(1,306)	(8)
Increase in amount due to a minority shareholder	202	8,313
Effect on foreign exchange	—	(198)
Cash used in operations	(264,812)	(774,883)
Hong Kong Profits Tax paid	(2,530)	(919)
Tax paid for other jurisdictions	(32,366)	(29,825)
Tax refunded	—	4,284
Net cash used in operating activities	(299,708)	(801,343)

Consolidated Cash Flow Statement

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	2006 HK\$'000	2005 HK\$'000 (Restated)
Investing activities		
Purchase of property, plant and equipment	(166,336)	(132,124)
Purchase of investment properties	—	(2,015)
Purchase of subsidiaries, net of cash and cash equivalents acquired	—	(239,844)
Investment in a jointly controlled entity	—	(1,500)
Proceeds from disposal of an associate	—	3,306
Proceeds from disposal of investment properties	10,689	481,599
Proceeds from disposal of property, plant and equipment	470	144,153
Purchase of investments in securities	—	(327,628)
Purchase of available-for-sale investments	(525,534)	—
Purchase of derivative financial instruments	(3,498)	—
Purchase of finance assets at fair value through profit or loss	(281,938)	—
Proceeds from disposal of financial assets at fair value through profit or loss	277,350	—
Proceeds from disposal of available-for-sale investments	542,540	—
Proceed from disposal of derivative financial instruments	42,065	—
Increase in prepaid lease payments	(81,000)	(3,785)
Advance of loans receivable	(65,197)	(61,123)
Advance to associates	(381)	(4,482)
(Increase) decrease in pledged bank deposits	(48,202)	1,583
Dividend received from associates	9,410	6,577
Dividend received from listed investments	2,304	1,262
Interest received	133,634	75,630
Net cash used in investing activities	(153,624)	(58,391)
Financing activities		
Proceeds from issue of convertible bonds, net of issue expenses	—	1,240,991
Proceeds from issue of shares, net of issue expenses	3,833	1,025
New bank and other borrowings raised	839,446	646,449
Repayments of bank and other borrowings	(534,770)	(603,654)
Repayments of obligations under finance leases	(268)	(580)
Advance from a jointly controlled entity	—	3,067
Advance from a director	643	225
(Advance to) repayment from a minority shareholder	(724)	14,755
Dividends paid	(58,860)	(36,961)
Interest paid	(72,728)	(59,788)
Net cash from financing activities	176,572	1,205,529
Net (decrease) increase in cash and cash equivalents	(276,760)	345,795
Cash and cash equivalents brought forward	464,870	119,426
Effect of foreign exchange rate changes	(42,814)	(351)
Cash and cash equivalents carried forward	145,296	464,870
Analysis of the balances of cash and cash equivalents		
Deposits with investment banks	31,000	106,143
Bank balances and cash	114,581	361,625
Bank overdrafts	(285)	(2,898)
	145,296	464,870

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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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 register 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, securities investment and trading, and loan financing for hotel operations.

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

2. Adoption of New and Revised Hong Kong Financial Reporting Standards/ Changes in Accounting Policies

In the current year, the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS(s)”), Hong Kong Accounting Standards (“HKAS(s)”) and Interpretations (“INTs”) (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for accounting periods beginning on or after 1st January, 2005, except for HKAS 40 “Investment Properties” and HK-INT 21 “Income Tax – Recovery of Revalued Non-Depreciable Assets” which have been early adopted in 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates/ jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

Business combinations

In the current year, the Group has applied HKFRS 3 “Business Combinations” which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to 1st January, 2005 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3, under which the Group has discontinued amortising goodwill from 1st April, 2005 onwards and goodwill will be tested for impairment at least annually in the financial period in which the acquisition takes place. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. Comparative figures have not been restated (See Note 2A for the financial impact).

Notes to the Consolidated Financial Statements

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2. Adoption of New and Revised Hong Kong Financial Reporting Standards/ Changes in Accounting Policies *(continued)*

Business combinations *(continued)*

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1st January, 2005 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1st April, 2005 amounting to HK\$23,081,000 which was previously presented as a deduction from assets, with a corresponding increase to retained profits.

Share-based payment

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares, or in exchange for other assets equivalent in value to a given number of shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1st April, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 and had vested before 1st April, 2005 in accordance with the relevant transitional provisions. As all outstanding share options of the Group were granted and vested before 1st April, 2005, the application of HKFRS 2 has had no financial impact on the results of the Group for current or prior years.

Owner-occupied leasehold interest in land

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

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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2. Adoption of New and Revised Hong Kong Financial Reporting Standards/ Changes in Accounting Policies *(continued)*

Hotel properties

Previously, the Group's self-operated hotel properties were accounted for using the revaluation model, being revalued amounts less accumulated depreciation and impairment losses, and were included in property, plant and equipment. HKAS 17 "Leases" requires payments made for acquisition of leasehold land interests to be accounted for as operating leases, and be measured at cost and amortised over the lease term on a straight-line basis. Certain payments for acquisition of leasehold land interests of the Group's hotel properties cannot be separated reliably from the building element. In order to carry the leasehold land interests at cost less amortisation, the directors change its accounting policy in respect of the Group's hotel properties from the revaluation model to the cost model. This change in accounting policy has been applied retrospectively and comparative figures have been adjusted accordingly (See note 2A for the financial impact)

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible bonds denominated in United States dollars and Hong Kong dollars

Previously, two convertible bonds denominated in United States dollars and Hong Kong dollars were classified as liabilities and recorded at the proceeds received, net of premium payable on redemption and direct issue costs, on the balance sheet. Such convertible bonds contain a liability component and an embedded conversion option, which are required to be accounted for separately in accordance with HKAS 39. On 1st April, 2005, the Group designated such convertible bonds as a whole as "financial liabilities at fair value through profit or loss" in accordance with the transitional provisions in HKAS 39 (see Note 2A for the financial impact).

Classification and measurement of financial assets and financial liabilities

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

Notes to the Consolidated Financial Statements

2. Adoption of New and Revised Hong Kong Financial Reporting Standards/ Changes in Accounting Policies *(continued)*

Financial instruments *(continued)*

Classification and measurement of financial assets and financial liabilities (continued)

By 31st March, 2005, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice (“SSAP”) 24 “Investments in Securities”. Under SSAP 24, investments in debt or equity securities are classified as “trading securities” and “non-trading securities” as appropriate. Both “trading securities” and “non-trading securities” are measured at fair value. Unrealised gains or losses of “trading securities” are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of “non-trading securities” are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit and loss for that period. From 1st April, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” are measured at amortised cost using the effective interest method after initial recognition.

On 1st April, 2005, the Group designated all equity-linked notes with carrying amount of HK\$340,836,000 which was previously classified as “non-trading securities” under SSAP 24 as “financial assets at fair value through profit or loss”. As a result of this change in accounting policy, an increase in fair value of such equity-linked notes for the current year amounting to HK\$2,067,000 has been recognised in the income statement. The cumulative unrealised gains or losses of such equity-linked notes previously reported in equity at 1st April, 2005 continue to be held in equity. On subsequent decognition or impairment of the investment, the unrealised gain or loss remaining in equity will be transferred to profit or loss. All the other financial assets were reclassified and measured in accordance with HKAS 39 on 1st April, 2005. Comparative figures have not been restated.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onward, the Group has classified and measured its financial assets and liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets of fair value through profit or loss”, “available-for-sale financial assets”, loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “other financial liabilities”. Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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2. Adoption of New and Revised Hong Kong Financial Reporting Standards/ Changes in Accounting Policies *(continued)*

Derivatives

From 1st January, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, 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. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. 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.

2A. Summary of the Effects of the Changes in Accounting Policies

The effects of the changes in the accounting policies described above are summarised as follows:

(a) Effects on the results for the current and prior year:

	2006 HK\$'000	2005 HK\$'000
Non-amortisation of goodwill	582	—
Decrease in release of negative goodwill	(7,693)	—
Increase in fair value of financial assets at fair value through profit or loss	2,067	—
Increase in fair value of financial liabilities at fair value through profit or loss	(113,160)	—
Gain on disposal of property, plant and equipment	—	4,092
Net changes in fair value of derivative financial instruments	(58,232)	—
Non-amortisation of deferred expenditure on convertible bonds	2,814	—
Non-amortisation of premium of convertible bonds	4,460	—
(Decrease) increase in profit for the year	(169,162)	4,092

Notes to the Consolidated Financial Statements

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2A. Summary of the Effects of the Changes in Accounting Policies *(continued)*

(a) Effects on the results for the current and prior year: *(continued)*

Analysis by line item presented according to the classification in the income statement:

	2006 HK\$'000	2005 HK\$'000
Decrease in amortisation of goodwill arising on acquisition of associates	582	—
Decrease in release of negative goodwill	(7,693)	—
Increase in fair value of financial assets at fair value through profit or loss	2,067	—
Increase in fair value of financial liabilities at fair value profit or loss	(113,160)	—
Decrease in share of results of associates	(1,431)	(4,240)
Net changes in fair value of derivative financial instruments	(58,232)	—
Increase in profit on disposal of property, plant and equipment	—	4,092
Decrease in taxation	1,431	4,240
Decrease in amortisation of deferred expenditure on convertible bonds	2,814	—
Decrease in amortisation of premium of convertible bonds	4,460	—
(Decrease) increase in profit for the year	(169,162)	4,092

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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2A. Summary of the Effects of the Changes in Accounting Policies (continued)

(b) Effects on the balance sheet as at 31st March, 2005 and 1st April, 2005:

	As at 31.3.2005 (originally stated) HK\$'000	Adoption of new standards Effect of HKAS 17 HK\$'000	Change in accounting policy of hotel properties Reclassification HK\$'000		As at 31.3.2005 (restated) HK\$'000	As at Effect of HKAS 39 HK\$'000	Effect of HKFRS 3 HK\$'000	1.4.2005 (restated) HK\$'000
Property, plant and equipment	2,176,703	(284,083)	(752,482)	–	1,140,138	–	–	1,140,138
Properties under development	125,430	(23,343)	–	(102,087)	–	–	–	–
Prepaid lease payments	–	307,426	–	–	307,426	–	–	307,426
Negative goodwill	(23,081)	–	–	–	(23,081)	–	23,081	–
Investments in securities	899,299	–	–	–	899,299	(899,299)	–	–
Available-for-sale investments	–	–	–	–	–	537,423	–	537,423
Financial assets at fair value through profit or loss	–	–	–	–	–	340,836	–	340,836
Properties under development for sales	1,247,191	–	–	102,087	1,349,278	–	–	1,349,278
Investments held for trading	–	–	–	–	–	21,040	–	21,040
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(816,500)	–	(816,500)
Convertible bonds	(765,134)	–	–	–	(765,134)	765,134	–	–
Deferred taxation	(208,115)	–	157,968	–	(50,147)	–	–	(50,147)
Total effects on assets and liabilities	3,452,293	–	(594,514)	–	2,857,779	(51,366)	23,081	2,829,494
Retained profits	788,900	–	–	–	788,900	(51,366)	23,081	760,615
Assets revaluation reserve	594,514	–	(594,514)	–	–	–	–	–
Minority interests	–	–	–	14,035	14,035	–	–	14,035
Total effects on equity	1,383,414	–	(594,514)	14,035	802,935	(51,366)	23,081	774,650
Minority interests	14,035	–	–	(14,035)	–	–	–	–

Notes to the Consolidated Financial Statements

54 For the year ended 31st March, 2006

2A. Summary of the Effects of the Changes in Accounting Policies *(continued)*

(c) Effects on equity as at 1st April, 2004:

	As originally stated HK\$'000	Effect of HKAS 1 HK\$'000	Change in accounting policy of hotel properties HK\$'000	As restated HK\$'000
Assets revaluation reserve	340,722	–	(340,722)	–
Minority interests	–	8,839	–	8,839
Total effects on equity	340,722	8,839	(340,722)	8,839

2B. Potential Impact Arising on the New and Revised Accounting Standards not yet Effective

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group except for HKAS 39 and HKFRS 4 (Amendments) Financial guarantee contracts for which the directors are still in the process of assessing the impact.

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

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

² Effective for annual periods beginning on or after 1st January, 2006

³ Effective for annual periods beginning on or after 1st December, 2005

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

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

⁶ Effective for annual periods beginning on or after 1st June, 2006

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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3. Significant Accounting Policies

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

The consolidated financial statements have been prepared in accordance with 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 its subsidiaries.

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

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

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

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

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

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

Goodwill arising on acquisition with agreement dated before 1st January, 2005 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity.

For previously capitalised goodwill arising on acquisitions, the Group has discontinued amortisation from 1st April, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Notes to the Consolidated Financial Statements

56 For the year ended 31st March, 2006

3. Significant Accounting Policies *(continued)*

Goodwill *(continued)*

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

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

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate or a jointly controlled entity is included in the cost of the investment of the relevant associate or jointly controlled entity.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which an agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly controlled entity is included as income in the determination of the investor's share of results of the associate or jointly controlled entity in the period in which the investment is acquired.

As explained in note 2 above, all negative goodwill as at 1st April, 2005 has been derecognised with a corresponding adjustment to the Group's retained profits.

Revenue recognition

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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3. Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Revenue from pre-completion contracts for the sale of development properties entered into before 1st January, 2005 was recognised over the period from the execution of a binding sale agreement to the completion of the development on the basis of development costs incurred for work performed to date as a proportion of estimated total development costs.

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 an 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.

Interests in associates

The results and assets and liabilities of associates are incorporated in these 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.

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

Notes to the Consolidated Financial Statements

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3. Significant Accounting Policies *(continued)*

Interests in jointly controlled entities

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

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

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

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 any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and 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.

Investment properties

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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3. Significant Accounting Policies *(continued)*

Property, plant and equipment

Property, plant and equipment other than building 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 building under development over their estimated useful lives and after taking into accounting 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 income statement in the year in which the item is derecognised.

Building under development for own use

Buildings under development held for own use are classified as non-current assets and 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 long term purposes.

Prepaid lease payments

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

Completed properties for sale

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

Notes to the Consolidated Financial Statements

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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.

Impairment

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

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

Inventories

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

Foreign currencies

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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3. Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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.

Notes to the Consolidated Financial Statements

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3. Significant Accounting Policies *(continued)*

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.

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

Borrowing costs

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

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

Retirement benefits schemes

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Financial instruments

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

Financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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3. Significant Accounting Policies *(continued)*

Financial assets *(continued)*

Loans and receivables

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Available-for-sale financial assets

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

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.

Notes to the Consolidated Financial Statements

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3. Significant Accounting Policies *(continued)*

Financial liabilities and equity

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial liabilities 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.

Other financial liabilities

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

Convertible bonds

Convertible bonds are regarded as compound instruments, consisting of a liability component and an equity component, or in the case that the conversion options are not settled by the exchange of a fixed amount for fixed number of equity instrument, the accounting standard requires the issuer to recognise the compound financial instrument in the form of financial liability with embedded derivatives. Derivatives embedded in a financial instrument are treated as separated derivatives when their economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. The Group, however, has elected to designate its convertible bonds with embedded derivatives as a whole as financial liabilities at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, the entire 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.

Transaction costs that are directly attributable to the issue of the convertible bonds designated as financial liabilities at fair value through profit or loss are recognised immediately in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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3. Significant Accounting Policies *(continued)*

Financial liabilities and equity *(continued)*

Equity instruments

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

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 assets, the difference between the carrying amount of the financial asset and the sum of the consideration received and cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimating 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.

Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions and underlying assumptions adopted for capitalization of the income derived from the existing tenancies with due provision for the reversionary income potential of the property interests.

Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with the relevant accounting policies. Where an indication of impairment is noted, the recoverable amounts of property, plant and equipment will be estimated based on value-in-use calculations or scrap value. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted and estimated market value of the scraps.

Notes to the Consolidated Financial Statements

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4. Key Sources of Estimation Uncertainty *(continued)*

Estimated allowances for bad and doubtful debts

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

5. Financial Risk Management Objectives and Policies

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

Cash flow interest rate risk

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group's credit risks primarily attributable to its debtors, loans receivables, amounts due from associates, an investee company, a minority shareholder and jointly controlled entities. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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5. Financial Risk Management Objectives and Policies *(continued)*

Price risk

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

6. Revenue

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

	2006 HK\$'000	2005 HK\$'000
Sale of financial instruments	456,755	13,590
Sale of properties	270,081	318,501
Hotel operations	204,041	59,108
Rental income and management fee income	51,515	68,609
Interest income from financial instruments	68,862	12,623
Loan interest income	70,178	61,560
Other operations	19,467	25,719
	1,140,899	559,710

7. Business and Geographical Segments

Business segments

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

Principal activities are as follows:

Property development and investment – properties development, letting and sale

Hotel operations – hotel operations and management

Loan financing – loan financing for hotel operation

Treasury management – investment and trading in securities

Notes to the Consolidated Financial Statements

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7. Business and Geographical Segments (continued)

Business segments (continued)

2006

	Property development and investment HK\$'000	Hotel Operations HK\$'000	Loan financing HK\$'000	Treasury management HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	321,595	204,041	70,178	525,617	19,468	–	1,140,899
Inter-segment sales	35,517	–	–	–	–	(35,517)	–
Total revenue	357,112	204,041	70,178	525,617	19,468	(35,517)	1,140,899
Inter-segment sales are charged at prevailing market rates							
RESULTS							
Segment results	379,005	83,673	67,851	63,020	(17,974)		575,575
Increase in fair value of financial liabilities at fair value through profit or loss							(113,160)
Profit on disposal of property, plants and equipments	225	–	–	–	–		225
Share of results of associates	5,741	–	–	–	1,077		6,818
Share of results of jointly controlled entities	–	–	–	–	1,379		1,379
Finance costs							(52,759)
Profit before taxation							418,078
Taxation							(85,867)
Profit for the year							332,211

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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7. Business and Geographical Segments *(continued)*

Business segments *(continued)*2006 *(continued)*

	Property development and investment HK\$'000	Hotel Operations HK\$'000	Loan financing HK\$'000	Treasury management HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
BALANCE SHEET						
ASSETS						
Segment assets	1,595,596	1,426,508	408,744	575,114	2,895,720	6,901,682
Interests in associates						141,694
Interests in jointly controlled entities						74,617
Taxation recoverable						7,995
Unallocated corporate assets						14,320
Consolidated total assets						7,140,308
LIABILITIES						
Segment liabilities	245,617	25,940	59,943	92,090	63,487	487,077
Borrowings						2,898,327
Taxation payable						33,124
Deferred taxation						124,395
Unallocated corporate liabilities						25,602
Consolidated total liabilities						3,568,525
OTHER INFORMATION						
Capital additions	16,500	233,395	—	—	63	249,958
Depreciation and amortisation	5,816	20,084	—	—	309	26,209

Notes to the Consolidated Financial Statements

70 For the year ended 31st March, 2006

7. Business and Geographical Segments (continued)

Business segments (continued)

2005 (continued)

	Property development and investment HK\$'000	Hotel Operations HK\$'000	Loan financing HK\$'000	Treasury management HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	387,110	59,108	61,560	26,213	25,719	–	559,710
Inter-segment sales	33,090	–	–	–	–	(33,090)	–
Total revenue	420,200	59,108	61,560	26,213	25,719	(33,090)	559,710
Inter-segment sales are charged at prevailing market rates.							
RESULTS							
Segment results	155,005	2,083	59,281	7,363	20,026		243,758
Profit on disposal of investment properties	201,362	–	–	–	–		201,362
Profit on disposal of property, plant and equipment	–	37,754	–	–	(572)		37,182
Allowance for amount due from an associate	–	–	–	–	(16,000)		(16,000)
Amortisation of goodwill arising on acquisition of associates	–	–	–	–	(582)		(582)
Amortisation of negative goodwill	7,693	–	–	–	–		7,693
Gain on disposal of an associate	–	–	–	–	451		451
Share of results of associates	21,240	–	–	–	(9,086)		12,154
Share of results of jointly controlled entities	–	–	–	–	(792)		(792)
Finance costs							(38,741)
Profit before taxation							446,485
Taxation							(36,814)
Profit for the year							409,671

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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7. Business and Geographical Segments *(continued)*

Business segments *(continued)*

2005 *(continued)*

	Property development and investment HK\$'000	Hotel Operations HK\$'000	Loan financing HK\$'000	Treasury management HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
BALANCE SHEET						
ASSETS						
Segment assets	4,191,273	769,054	340,623	421,065	272,227	5,994,242
Interests in associates						144,286
Interests in jointly controlled entities						73,238
Taxation recoverable						9,257
Unallocated corporate assets						13,825
Consolidated total assets						6,234,848
LIABILITIES						
Segment liabilities	307,771	23,860	35,048	34,292	5,310	406,281
Borrowings						2,457,378
Taxation payable						56,130
Deferred taxation						50,147
Unallocated corporate liabilities						44,667
Consolidated total liabilities						3,014,603
OTHER INFORMATION						
Capital additions	5,564	190,809	–	–	99	196,472
Depreciation and amortisation	6,936	6,123	–	–	620	13,679

Notes to the Consolidated Financial Statements

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7. Business and Geographical Segments (continued)

Geographic segments

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

	2006 HK\$'000	2005 HK\$'000
Hong Kong	838,000	224,986
Australia	227,189	206,440
Malaysia	37,507	34,694
Other regions in the People's Republic of China ("PRC")	24,728	80,454
Singapore	13,475	13,136
	1,140,899	559,710

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

	Carrying amount of segment assets		Capital additions	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong	4,288,834	3,787,864	236,750	195,740
Malaysia	406,113	387,099	240	419
Other regions in the PRC	809,469	553,351	105	159
Australia	882,238	752,876	864	99
United States of America ("USA")	207,913	210,628	—	—
Singapore	258,999	253,106	17	55
Others	70,431	72,400	11,982	—
	6,923,997	6,017,324	249,958	196,472

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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8. Finance Costs

	2006 HK\$'000	2005 HK\$'000
Borrowing costs on:		
Bank loans and overdrafts		
– wholly repayable within five years	30,762	33,602
– not wholly repayable within five years	36,501	24,733
Other loans		
– wholly repayable within five years	2,679	1,496
– not wholly repayable within five years	2,635	459
Finance leases	26	32
Amortisation of deferred expenditure on convertible bonds	–	2,814
Premium payable on redemption of convertible bonds	–	4,460
Others	125	910
Total borrowing costs	72,728	68,506
Less: Amounts capitalised in respect of:		
– properties under development for sale	(12,921)	(20,361)
– buildings under development	(2,012)	(7,125)
	57,795	41,020
Analysed into:		
Amount included in cost of sales	5,036	2,279
Amount included in finance costs	52,759	38,741
	57,795	41,020

Notes to the Consolidated Financial Statements

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9. Taxation

	2006 HK\$'000	2005 HK\$'000
The taxation charges (credit) comprises:		
Current year:		
Hong Kong	11,872	—
Other jurisdictions	263	857
	12,135	857
Prior years underprovision:		
Hong Kong	553	6,823
Other regions in the PRC	464	(171)
	1,017	6,652
Deferred taxation (note 44)	72,715	29,305
	85,867	36,814

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

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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9. Taxation (continued)

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

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9. Taxation (continued)

	Hong Kong HK\$'000	Other regions in the PRC HK\$'000	Malaysia HK\$'000	Australia HK\$'000	Others HK\$'000	Total HK\$'000
2005						
Profit (loss) before taxation	410,572	16,982	20,318	18,195	(19,582)	446,485
Applicable income tax rate	17.5%	33%	28%	30%		
Tax at the applicable income tax rate	71,850	5,604	5,689	5,459	(7,362)	81,240
Tax effect of expenses not deductible for tax purpose	28,823	12,510	(526)	6,171	10,513	57,491
Tax effect of income not taxable for tax purpose	(64,627)	(10,993)	(2,960)	(7,072)	(3,236)	(88,888)
Tax effect of tax losses not recognised	7,756	328	—	—	25	8,109
Utilisation of tax losses not previously recognised	(7,864)	(6,556)	(3,203)	(3,413)	—	(21,036)
Tax effect of share of results of associates	(2,127)	—	—	—	—	(2,127)
Under(over)provision in prior year	2,818	—	(179)	—	48	2,687
Effect of difference tax rates of subsidiaries operating in other jurisdictions	—	—	—	(448)	—	(448)
Others	(506)	(893)	1,004	55	126	(214)
Taxation charge (credit) for the year	36,123	—	(175)	752	114	36,814

Details of the deferred taxation are set out in note 44.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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10. Profit for the year

	2006 HK\$'000	2005 HK\$'000 (Restated)
Profit for the year has been arrived at after charging:		
Amortisation of investment in a jointly controlled entity	2,904	2,904
Amortisation of prepaid lease payments	5,223	2,009
Allowance for amount due from an associate	—	16,000
Allowance for bad and doubtful debts	5,009	17,084
Allowance for loans receivable	11,004	—
Auditors' remuneration	2,850	2,071
Cost of completed properties for sale recognised as an expense	258,856	292,418
Cost of inventories recognised as an expense	14,659	21,285
Depreciation:		
Owned assets	20,768	11,418
Assets held under finance leases	219	252
Directors' remuneration and other staff costs	57,102	40,930
Operating lease rentals in respect of motor vehicles	—	18
Share of taxation of associates (included in share of results of associates)	1,431	4,240
and after crediting:		
Dividend income from listed investments	2,304	1,262
Interest income	64,772	63,007
Net foreign exchange gains	484	7,378
Rental income, net of outgoings of HK\$10,342,000 (2005: HK\$19,685,000)	36,019	40,488

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11. Directors' and Five Highest Paid Employees' Remuneration

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

For the year ended 31st March, 2006

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

For the year ended 31st March, 2005

	Deacon Te Ken Chiu	David Chiu	Craig Grenfell Williams	Dennis Chiu	Ching Lan Ju Chiu	Dick Tat Sang Chiu	Daniel Tat Jung Chiu	David Kwok Kwei Lo	Jian Yin Jiang	Kee Leong Chee	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees	25	25	25	25	25	25	25	25	17	25	242
Other emoluments											
Salaries and other benefits	2,040	2,280	1,220	–	500	–	–	–	–	–	6,040
Contributions to retirement benefits scheme	–	12	–	–	5	–	–	–	–	–	17
Total emoluments	2,065	2,317	1,245	25	530	25	25	25	17	25	6,299

No directors waived any emoluments in the year ended 31st March, 2006 and 2005.

Notes:

- Mr. Kwok Wai Chan was appointed as a director of the Company on 18th November, 2005.
- Datuk Kee Leong Chee retired as a director of the Company on 19th August, 2005.

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For the year ended 31st March, 2006

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11. Directors' and Five Highest Paid Employees' remuneration (continued)

Of the five individuals with the highest emoluments in the Group, three (2005: three) were directors whose emoluments are included in the disclosures above. The remuneration of the remaining two (2005: two) individuals were as follows:

	2006 HK\$'000	2005 HK\$'000
Salaries and other benefits	1,526	1,548
Contributions to retirement benefits scheme	24	23
	1,550	1,571

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

During the years ended 31st March, 2006 and 2005, no emolument was paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Dividends

	2006 HK\$'000	2005 HK\$'000
Interim, paid – HK3 cents (2005: HK3 cents) per share:		
Cash	18,418	23,112
Share alternative under scrip dividend scheme	24,508	18,654
	42,926	41,766
Final, paid for 2005 – HK5 cents (Final, paid for 2004: HK3 cents) per share:		
Cash	40,442	13,849
Share alternative under scrip dividend scheme	30,487	21,204
	70,929	35,053
	113,855	76,819

The final dividend in respect of 2006 of HK6 cents (2005: HK5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

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13. Earnings Per Share

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

	2006 HK\$'000	2005 HK\$'000 (Restated)
Earnings:		
Earnings for the purpose of basic earnings per shares	335,124	404,562
Effect of dilutive potential ordinary shares		
– amortisation of deferred expenditure on convertible bonds	–	2,322
– premium on redemption of convertible bonds	–	3,679
Effect of increase in fair value of financial liabilities at fair value through profit or loss	113,160	–
Earnings for the purpose of diluted earnings per share	448,284	410,563

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For the year ended 31st March, 2006

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13. Earnings Per Share (continued)

	Number of shares '000	Number of shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,419,558	1,251,268
Effect of dilutive potential ordinary shares		
– convertible bonds	201,312	66,815
– share options	11,894	7,103
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,632,764	1,325,186

Impact of changes in accounting policies

Changes in Group's accounting policies during the year are described in detail in note 2. To the extent that changes have had an impact on results reported for 2006 and 2005, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006 HK cents	2005 HK cents	2006 HK cents	2005 HK cents
Figures before changes in accounting policies	35.5	32.0	31.4	30.7
Effect on changes in accounting policies (note 2A)	(11.9)	0.3	(3.9)	0.3
Figures after changes in accounting policies	23.6	32.3	27.5	31.0

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14. Investment Properties

	HK\$'000
FAIR VALUE	
At 1st April, 2004	1,064,481
Exchange adjustments	2,744
Acquired on acquisition of subsidiaries	239,875
Additions	2,015
Disposals	(280,237)
Transfer to property, plant and equipment	(394,875)
Increase in fair value recognised in the consolidated income statement	166,952
At 31st March, 2005	800,955
Exchange adjustments	3,779
Disposals	(10,689)
Transfer from hotel properties under development (note 15)	88,642
Increase in fair value recognised in the consolidated income statement	414,740
At 31st March, 2006	1,297,427

The carrying amount of investment properties comprises:

	2006 HK\$'000	2005 HK\$'000
Land in Hong Kong:		
Long lease	205,270	165,650
Medium-term lease	814,746	362,831
Land outside Hong Kong:		
Freehold	40,786	40,940
Long lease	236,625	231,534
	1,297,427	800,955

The fair value of the investment properties in Hong Kong, Malaysia and Singapore at 31st March, 2006 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 LaSalle Property Consultants Pte. Limited, independent qualified professional valuers not connected with the Group, respectively. DTZ Debenham Tie Leung Limited, Raine & Horne International Zaki + Partners Sdn. Bhd., and Jones LaSalle Property Consultants Pte. Limited are members of the Hong Kong Institute of Surveyors ("HKIS") and Royal Institution of Chartered Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

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For the year ended 31st March, 2006

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15. Property, Plant and Equipment

	Freehold land HK\$'000	Buildings HK\$'000	Buildings under development HK\$'000	Hotel properties HK\$'000	Hotel properties under development HK\$'000	Others HK\$'000	Total HK\$'000
COST							
At 1st April, 2004							
As originally stated	125,596	88,138	4,128	985,625	17,944	57,070	1,278,501
Effect of changes in accounting policies	–	(16,109)	–	(558,766)	–	–	(574,875)
As restated	125,596	72,029	4,128	426,859	17,944	57,070	703,626
Exchange adjustments	–	(706)	–	(1,601)	–	(227)	(2,534)
Additions	–	99	1,976	76,946	52,266	7,686	138,973
Transfer from investment properties	–	–	–	117,958	276,918	–	394,876
Transfer from properties under development	–	–	–	74,712	–	–	74,712
Disposals	–	–	–	(110,483)	–	(3,971)	(114,454)
At 31st March, 2005	125,596	71,422	6,104	584,391	347,128	60,558	1,195,199
Exchange adjustments	–	2,117	–	1,042	–	692	3,851
Additions	–	–	12,977	42,669	98,500	14,812	168,958
Transfer to investment properties	–	–	–	–	(79,881)	–	(79,881)
Reclassification	–	–	–	259,770	(259,770)	–	–
Disposals	–	(303)	–	–	–	(818)	(1,121)
At 31st March, 2006	125,596	73,236	19,081	887,872	105,977	75,244	1,287,006
DEPRECIATION AND IMPAIRMENT LOSS							
At 1st April, 2004							
As originally stated	–	8,530	–	–	–	40,515	49,045
Effect of changes in accounting policies	–	(1,684)	–	–	–	–	(1,684)
As restated	–	6,846	–	–	–	40,515	47,361
Exchange adjustments	–	(133)	–	–	–	(446)	(579)
Provided for the year	–	3,812	–	3,933	–	3,925	11,670
Eliminated on disposals	–	–	–	–	–	(3,391)	(3,391)
At 31st March, 2005	–	10,525	–	3,933	–	40,603	55,061
Exchange adjustments	–	435	–	358	–	537	1,330
Provided for the year	–	3,162	–	13,280	–	4,545	20,987
Eliminated on disposals	–	(58)	–	–	–	(818)	(876)
At 31st March, 2006	–	14,064	–	17,571	–	44,867	76,502
CARRYING VALUES							
At 31st March, 2006	125,596	59,172	19,081	870,301	105,977	30,377	1,210,504
At 31st March, 2005	125,596	60,897	6,104	580,458	347,128	19,955	1,140,138

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15. Property, Plant and Equipment (continued)

During the year, hotel properties under development with carrying amounts of HK\$88,642,000 were transferred to investment properties at fair value. The resulting revaluation increase at the date of transfer amounting to HK\$8,761,000 has been credited to the assets revaluation reserve.

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

Buildings on land held under:

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

No depreciation is provided in respect of freehold land.

Included in hotel properties under development is interest capitalised of HK\$2,014,000 (2005: HK\$4,750,000)

The Group's property interests shown above comprises:

	2006 HK\$'000	2005 HK\$'000
Land in Hong Kong:		
Long lease	13,843	13,885
Medium-term lease	834,358	788,243
Land outside Hong Kong:		
Freehold	274,686	274,585
Medium-term lease	57,240	43,470
	1,180,127	1,120,183

Included in the carrying value of others is an amount of HK\$653,000 (2005: HK\$871,000) in respect of assets held under finance leases.

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16. Prepaid Lease Payments

	2006 HK\$'000	2005 HK\$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	370,933	294,182
Leasehold land outside Hong Kong:		
Medium-term lease	12,271	13,244
	383,204	307,426
Analysed for reporting purposes as:		
Current asset	8,239	7,468
Non-current asset	374,965	299,958
	383,204	307,426

17. Negative Goodwill

	HK\$'000
GROSS AMOUNT	
At 1st April, 2004 and 31st March, 2005	38,467
RELEASED TO INCOME	
At 1st April, 2004	7,693
Released for the year	7,693
At 31st March, 2005	15,386
At 31st March, 2005	23,081
Derecognition upon the application of HKFRS 3	(23,081)
At 31st March, 2006	—

As explained in note 2, all negative goodwill arising on acquisition prior to 1st January, 2005 was derecognised as a result of the application of HKFRS 3.

Notes to the Consolidated Financial Statements

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18. Interests in Associates

	2006 HK\$'000	2005 HK\$'000
Unlisted investments, at cost	86,761	86,761
Share of post-acquisition reserves, net of dividends received	54,933	57,525
	141,694	144,286

Details of the Group's principal associates at 31st March, 2006 are set out in note 55.

Included in the cost of investments in associates is goodwill of HK\$10,601,000 (2005: HK\$10,601,000) arising on acquisitions of associates in prior years. The movement of the goodwill on acquisition of associates is set out below:

	HK\$'000
COST	
At 1st April, 2004 and 31st March, 2005	11,765
Elimination of accumulated amortisation upon the application of HKFRS 3 (note 2A)	(1,164)
At 31st March, 2006	10,601
AMORTISATION	
At 1st April, 2004	582
Charge for the year	582
At 31st March, 2005	1,164
Elimination of accumulated amortisation upon the application of HKFRS 3 (note 2A)	(1,164)
At 31st March, 2006	—
CARRYING VALUE	
At 31st March, 2006	10,601
At 31st March, 2005	10,601

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18. Interests in Associates *(continued)*

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

	2006 HK\$'000	2005 HK\$'000
Total assets	961,860	943,588
Total liabilities	(646,525)	(623,025)
	315,335	320,563
Group's share of net assets	131,093	133,685
Revenue	347,935	349,095
Profit for the year	34,759	91,966
Group's share of results of associates for the year	6,818	12,154

The results of Gold Coin (Hong Kong) Limited ("GCL") and Guangdong XinShiDai Real Estate Limited ("XSDREL") incorporated into the Group's financial statements are derived from their financial statements made up to 31st December, 2005. This was the financial reporting date established when the associates were incorporated, and the directors of the associates do not consider any change to their current financial reporting date. For the purpose of applying equity method of accounting, the financial statements of GCL and XSDREL for the year ended 31st December, 2005 have been used as the directors of the Company consider there is no adjustment required to be made as there have not been any material transactions between that date to 31st March, 2006.

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:

	2006 HK\$'000	2005 HK\$'000
Unrecognised share of losses of associates for the year	24	136
Accumulated unrecognised share of losses of associates	50,101	50,077

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19. Interests in Jointly Controlled Entities

	2006 HK\$'000	2005 HK\$'000
Unlisted investments, at cost	45,064	47,968
Share of post-acquisition reserves net of dividends received	29,553	25,270
	74,617	73,238

Details of the Group's jointly controlled entities at 31st March, 2006 are as follows:

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

Note: Under the respective joint venture agreements, the above entities are jointly controlled by the Group with other shareholders. Accordingly, these two entities are classified as jointly controlled entities.

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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:

	2006 HK\$'000	2005 HK\$'000
Total assets	134,604	131,094
Total liabilities	(6,151)	(6,779)
Group's share of net assets	128,453	124,315
Revenue	8,206	11,705
Expenses	(3,168)	(9,220)
Profit for the year	5,038	2,485
Group's share of results of jointly controlled entities for the year	4,283	2,112

Note: Under a joint venture agreement, the Group is required to make 68% of total capital contribution in Shangqiu Yongyuan Development Company Limited, an equity joint venture company in the PRC established for the construction and operation of highway, for a term of 21 years commencing from 31st July, 1997. Upon the completion of the construction work, the Group is entitled to 85% of the profits earned until it has recovered dividends to an amount equivalent to all its contributions. Thereafter, the Group is entitled to 25% of the profits whereas the PRC joint venture partner is entitled to the remaining 75% until it has effectively recovered dividends equivalent to all its contributions for the agreed valuation of the relevant highway. The Group's entitlement to a share of profits is then in proportion to its contribution. At the end of the 21 years, the joint venture will be dissolved and the Group's interest in the joint venture will be surrendered to the PRC party for no consideration. Therefore, the investment cost of the interest in the jointly controlled entity of HK\$2,904,000 (2005: HK\$2,904,000) is amortised over 21 years under the joint venture agreement and the Group's share of profit of the joint venture project during the year is being HK\$4,282,530 (2005: HK\$2,112,000).

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20. INVESTMENTS IN SECURITIES

Investments in securities as at 31st March, 2005 are set out below. Upon the application of HKAS 39 on 1st April, 2005, investments in securities were reclassified to appropriate categories under HKAS 39 (see note 2A for details).

	Trading securities HK\$'000	Other securities HK\$'000	Total HK\$'000
Equity securities:			
Listed – Hong Kong	13,784	64,819	78,603
Listed – Overseas	7,256	102,403	109,659
Unlisted	–	69,549	69,549
	21,040	236,771	257,811
Debt securities:			
Unlisted	–	83,094	83,094
Equity-linked notes:			
Unlisted	–	340,836	340,836
Quoted fund:			
Unlisted	–	217,558	217,558
	21,040	878,259	899,299
Market value of listed securities	21,040	167,222	188,262
Carrying amount analysed for reporting purposes as:			
Non-current	–	452,805	452,805
Current	21,040	425,454	446,494
	21,040	878,259	899,299

21. Investments Held for Trading

The amounts represent equity securities listed in Hong Kong held by the Group and measured at fair value at 31st March, 2006.

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22. Available-for-sale Investments

Available-for-sale investments as at 31st March, 2006 comprise:

	HK\$'000
Listed equity investments:	
In Hong Kong	164,947
Overseas	304,782
	469,729
Unlisted investments:	
Equity securities (Note)	69,194
Debt securities with fixed interest rates	93,400
Quoted fund	70,046
	232,640
	702,369
Analysed for reporting purposes as:	
Non-current assets	598,758
Current assets	103,611
	702,369

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

Note: The amount represents an 5% equity investment in the contributed capital of Hudson Waterfront Associates, L. P. ("Hudson"), a limited partnership established in the USA. Hudson is an investment vehicle principally engaged in the property development and investment in the New York City, USA.

23. Financial Assets at Fair Value through Profit or Loss

The amount represents unlisted equity-linked notes held by the Group measured at fair value as at 31st March, 2006.

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24. Amounts due from Associates

	2006 HK\$'000	2005 HK\$'000
Unsecured and interest free advances to associates, net of allowance	132,996	132,218
Less: Amount due within one year shown as current assets	(3,437)	(3,040)
Amount due after one year	129,559	129,178

In the opinion of the directors, the carrying amounts due from associates approximate their fair value.

25. Amounts due from an Investee Company and a Minority Shareholder

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

In the opinion of the directors, the carrying amounts due to investee company and minority shareholder approximate their fair value.

26. Loans Receivable

	2006 HK\$'000	2005 HK\$'000
Secured loans receivable bear interest at commercial rates	420,936	366,743
Less: Amount due within one year shown as current assets	(3,679)	(2,576)
Amount due after one year	417,257	364,167

The loans receivables are secured by certain properties of the borrowers. The effective interest rate for both years on the Group's loans receivable is 14.38% (2005: 12.88%) except for the loans receivable amounting to HK\$12,192,000 (2005: HK\$28,177,000) which bear interest at 7.63% (2005: 5.88%). In the opinion of the directors, the carrying amount of loans receivable approximates its fair value.

27. Inventories

	2006 HK\$'000	2005 HK\$'000
Raw materials	392	345
Work in progress	612	346
Finished goods	577	203
	1,581	894

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28. Property under Development for Sale

Included in property under development for sales as at 31st March, 2006 is carrying value of HK\$876,264,000 (2005: HK\$254,453,000) which represents the carrying value of the properties expected to be completed and available for sale after more than twelve months from the balance sheet date.

29. Derivative Financial Instruments

The amount represents call/put options on overseas listed equity securities held by the Group measured at fair value at 31st March, 2006.

30. Debtors, Deposits and Prepayments

The debtors, deposits and prepayments include trade debtors of HK\$26,624,000 (2005: HK\$43,300,000). The Group allows an average credit period of 60 days to its trade customers.

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

	2006 HK\$'000	2005 HK\$'000
0 – 60 days	24,094	34,236
61 – 90 days	931	287
Over 90 days	1,599	8,777
	26,624	43,300

Included in debtors, deposits and prepayments is amount due from a minority shareholder of HK\$41,658,000 (2005: HK\$45,877,000) which is unsecured, interest free and repayable on demand.

In the opinion of the directors, the carrying amount of debtors approximates its fair value.

31. Amount due from a Jointly Controlled Entity

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

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32. Pledged Bank Deposits, Deposits with Investment Banks and Bank Balances and Cash

Pledged bank deposits at 31st March, 2006 comprised time deposits of HK\$2,765,000 (2005: HK\$3,000,000) carried at fixed interest rate ranging from 0.7% to 4.49% (2005: 0.05% to 2.46%). Deposits with investment banks at 31st March, 2006 comprised time deposits of HK\$31,000,000 (2005: HK\$106,143,000) carried fixed interest rate ranging from of 2.83% to 8.6% (2005: 6% to 6.75%).

Bank balances and cash at 31st March, 2006 comprised time deposits of HK\$96,635,000 (2005: HK\$158,119,000) carried fixed average interest rate of 1.35% to 4.58% (2005: 1.23% to 2.29%) and other deposits of HK\$17,946,000 (2005: HK\$203,506,000) carried at average market interest rate of 0.3% (2005: 0.1%).

In the opinion of the directors, the carrying amounts of pledged bank deposits with investment banks and bank balances and cash approximate their fair value.

33. Creditors and Accruals

The creditors and accruals include trade creditors of HK\$109,911,000 (2005: HK\$76,931,000).

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

	2006 HK\$'000	2005 HK\$'000
0 – 60 days	87,724	52,344
61 – 90 days	995	867
Over 90 days	21,192	23,720
	109,911	76,931

In the opinion of the directors, the carrying amount of creditors approximates its fair value.

34. Amounts due to Directors

The amounts are unsecured, interest free except for an amount of HK\$7,797,000 (2005: HK\$7,797,000) which carries interest at 5% (2005: 5%) per annum and repayable on demand.

35. Amounts due to Related Companies

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

In the opinion of the directors, the carrying amounts due to related companies approximate their fair value.

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36. Amounts due to Associates and Minority Shareholders

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

In the opinion of the directors, the carrying amounts due to associates and minority shareholders approximate their fair value.

37. Financial Liabilities at Fair Value through Profit or Loss

The amount represents two convertible bonds denominated in United States dollars and Hong Kong dollars respectively as at 31st March, 2006.

Convertible bonds denominated in United States dollars

In April 2004, the Company issued zero coupon convertible bonds with a principal amount of US\$66,989,000 (the "US\$ Bonds"). The holders of the US\$ Bonds are entitled to convert the convertible bonds into ordinary shares of the Company at an initial conversion price of HK\$2.25 (subsequently adjusted to HK\$2.13) per share during the period from 13th May, 2004 to 14th March, 2009, or to require the Company to redeem all or some of the US\$ Bonds on 13th April, 2006 at 102.01% of their principal amount. The Company may redeem all but not some of the US\$ Bonds, on or at any time after 13th April, 2006 and prior to 13th April, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the US\$ Bonds will be redeemed at 105.10% of their principal amount on 13th April, 2009. The US\$ Bonds are listed on the Stock Exchange. Details of the issue of the Bonds were disclosed in the Company's circular dated 6th April, 2004.

During the year, an aggregate principal amount of US\$1,900,000 (2005: US\$63,839,000) (equivalent to approximately HK\$14,805,000 (2005: HK\$497,453,000)) of the convertible bonds were converted into ordinary shares of the Company.

Convertible bonds denominated in Hong Kong dollars

In December 2004, the Company issued zero coupon convertible bonds with a principal amount of HK\$754,000,000 (the "HK\$ Bonds"). The holders of the HK\$ Bonds are entitled to convert the convertible bonds into ordinary shares of the Company at an initial conversion price of HK\$4.10 (subsequently adjusted to HK\$3.16) per share, during the period from 11th January, 2005 to 10th November, 2009, or to require the Company to redeem all or some of the HK\$ Bonds on 10th December, 2006 at 104.58% of their principal amount. The Company may redeem all but not some of the HK\$ Bonds on or at any time after 10th June, 2005 and prior to 10th December, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the HK\$ Bonds will be redeemed at 111.84% of their principal amount of 10th December, 2009. The HK\$ Bonds are listed on the Stock Exchange. Details of the issue of the Bonds were disclosed in the Company's circular dated 10th November, 2004.

During the two years ended 31st March, 2006, no conversion rights were exercised by the holders of the HK\$ Bonds.

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38. Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	374	295	352	268
In the second to fifth year inclusive	735	499	716	458
	1,109	794	1,068	726
Less: Future finance charges	(41)	(68)	—	—
Present value of lease obligations	1,068	726	1,068	726
Less: Amount due within one year shown under current liabilities			(352)	(268)
Amount due after one year			716	458

It is the Group's policy to lease certain of its motor vehicles, fixtures and equipment under finance leases. The average lease terms is range from 2 to 3 years. The average effective borrowing rates is range from 5% to 8% per annum during the year. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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39. Bank and Other Borrowings

	2006 HK\$'000	2005 HK\$'000
The borrowings comprise:		
Bank loans	1,622,087	1,487,272
Mortgage loans	348,440	142,348
Other loans	11,478	59,000
	1,982,005	1,688,620
Analysed as:		
Secured	1,970,527	1,602,454
Unsecured	11,478	86,166
	1,982,005	1,688,620

The Group's bank borrowings are principally 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 2.75% to 7% (2005: 1% to 4.9%).

The other loans are unsecured and bear fixed interest at 5% (2005: 5%) per annum.

	2006 HK\$'000	2005 HK\$'000
The above borrowings are repayable as follows:		
On demand or within one year	999,925	612,102
More than one year, but not exceeding two years	189,767	197,337
More than two years, but not exceeding three years	97,424	273,209
More than three years, but not exceeding four years	170,824	100,609
More than four years, but not exceeding five years	288,577	140,359
More than five years	235,488	365,004
	1,982,005	1,688,620
Less: Amount due within one year shown under current liabilities	(999,925)	(612,102)
Amount due after one year	982,080	1,076,518

In the opinion of the directors, the carrying amount of bank and other borrowings approximates its fair value.

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40. Share Capital

	Number of shares		Share capital	
	2006	2005	2006 HK\$'000	2005 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning of year	2,000,000,000	1,500,000,000	200,000	150,000
Increase on 12th October, 2004	—	500,000,000	—	50,000
At end of year	2,000,000,000	2,000,000,000	200,000	200,000
Issued and fully paid:				
At beginning of year	1,414,262,017	1,168,457,601	141,426	116,846
Issued pursuant to scrip dividend schemes	18,064,519	19,165,231	1,806	1,916
Issued upon conversion of convertible bonds	6,791,453	226,139,185	679	22,614
Issued upon exercise of share options	1,970,000	500,000	197	50
At end of year	1,441,087,989	1,414,262,017	144,108	141,426

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

- On 14th September, 2005 and 6th March, 2006, the Company issued and allotted a total of 9,153,769 and 8,910,750 shares of HK\$0.10 each in the Company at HK\$3.33 and HK\$2.75 per share (2005: 12,864,461 and 6,300,770 shares of HK\$0.10 each in the Company at HK\$1.648 and HK\$2.96 per share) to the shareholders who elected to receive shares in the Company for the 2005 final dividends and 2006 interim dividends pursuant to the scrip dividend scheme announced by the Company on 30th September, 2004 and 21st February, 2005, respectively.
- During the year, the Company issued and allotted a total of 6,791,453 shares of HK\$0.10 each in the Company upon the conversion of convertible bonds as referred to in note 37.
- During the year, 1,970,000 shares of HK\$0.10 each in the Company were issued upon the exercise of share options at a subscription price of HK\$2.075 per share.

All the shares issued during the two years ended 31st March, 2006 rank pari passu in all respects with the existing shares.

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

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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, 2006, the number of shares in respect of which remained outstanding under the Share Option Scheme was 28,030,000 (2005: 30,000,000), representing 1.95% (2005: 2.12%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

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41. Share Option Scheme (continued)

Details of the share options, which were granted and vested on 21st October, 2004 with exercise price of HK\$2.075 per share, and movements of such holdings during the year are as follows:

Category of grantee	Number of options						Exercise period
	At 1.4.2004	Granted	Exercised	At 31.3.2005	Exercised during the year	At 31.3.2006	
Senior management							
Denny	–	1,200,000	–	1,200,000	(600,000)	600,000	01.11.2004 – 31.12.2010
Chi Hing Chan	–	1,400,000	–	1,400,000	–	1,400,000	01.01.2006 – 31.12.2010
	–	1,600,000	–	1,600,000	–	1,600,000	01.01.2007 – 31.12.2010
	–	1,800,000	–	1,800,000	–	1,800,000	01.01.2008 – 31.12.2010
	–	2,000,000	–	2,000,000	–	2,000,000	01.01.2009 – 31.12.2010
	–	8,000,000	–	8,000,000	(600,000)	7,400,000	
Bill Kwai Pui Mok	–	1,200,000	–	1,200,000	–	1,200,000	01.04.2005 – 31.12.2010
	–	1,400,000	–	1,400,000	–	1,400,000	01.01.2006 – 31.12.2010
	–	1,600,000	–	1,600,000	–	1,600,000	01.01.2007 – 31.12.2010
	–	1,800,000	–	1,800,000	–	1,800,000	01.01.2008 – 31.12.2010
	–	2,000,000	–	2,000,000	–	2,000,000	01.01.2009 – 31.12.2010
	–	8,000,000	–	8,000,000	–	8,000,000	
Other employees in aggregate	–	1,650,000	(500,000)	1,150,000	(650,000)	500,000	01.11.2004 – 31.12.2010
	–	100,000	–	100,000	(100,000)	–	01.01.2005 – 31.12.2010
	–	2,325,000	–	2,325,000	(620,000)	1,705,000	01.01.2006 – 31.12.2010
	–	2,975,000	–	2,975,000	–	2,975,000	01.01.2007 – 31.12.2010
	–	3,475,000	–	3,475,000	–	3,475,000	01.01.2008 – 31.12.2010
	–	3,975,000	–	3,975,000	–	3,975,000	01.01.2009 – 31.12.2010
	–	14,500,000	(500,000)	14,000,000	(1,370,000)	12,630,000	
	–	30,500,000	(500,000)	30,000,000	(1,970,000)	28,030,000	

Total consideration received by the Group during the year for taking up the options granted amounted to approximately HK\$4,088,000 (2005: HK\$1,037,000).

The weighted average closing price of the Company's shares immediately before the date(s) on which the options were exercised is HK\$3.24.

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42. Convertible Bonds

	2006 HK\$'000	2005 HK\$'000
Convertible bonds denominated in:		
– Hong Kong dollars (note)	–	740,754
– United States dollars (note)	–	24,380
	–	765,134

Note: Pursuant to the application of HKAS 39, two convertible bonds denominated in United States dollars and Hong Kong dollars respectively were designated as financial liabilities at fair value through profit or loss as referred to in note 37 since 1st April, 2005.

43. Amounts due to a Minority Shareholder and a Jointly Controlled Entity

The amounts are unsecured and interest free, except for an amount of HK\$35,240,000 (2005: HK\$35,964,000) due to a minority shareholder which bears interest at 7.05% (2005: 6.55%) and matures in November 2013. The minority shareholder and jointly controlled entity have confirmed that the amounts will not be demanded for repayment within next twelve months from the balance sheet date and, accordingly, the amounts are shown as non-current. In the opinion of the directors, the carrying amounts due to minority shareholder and jointly controlled entity approximate their fair value.

44. Deferred Taxation

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

	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st April, 2004, as originally stated	11,264	117,432	(27,718)	100,978
Effects of changes in accounting policies (Note 2A)	–	(80,136)	–	(80,136)
At 1st April, 2004, as restated	11,264	37,296	(27,718)	20,842
Charge (credit) to income statement for the year	27,412	20,766	(18,873)	29,305
At 31st March, 2005	38,676	58,062	(46,591)	50,147
Charge (credit) to income statement for the year	3,108	71,091	(1,484)	72,715
Charge to equity for the year	–	1,533	–	1,533
At 31st March, 2006	41,784	130,686	(48,075)	124,395

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44. Deferred Taxation *(continued)*

At 31st March, 2006, the Group has unused tax losses of HK\$336,677,000 (2005: HK\$306,501,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$235,462,000 (2005: HK\$224,351,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses 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\$67,345,000 (2005: HK\$65,596,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

45. Jointly Controlled Assets

The Group has entered into a joint venture agreement in the form of a jointly controlled asset to develop a multi-storey building. The Group has a 50% interest in the joint venture.

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

	2006 HK\$'000	2005 HK\$'000
Properties under development for sale	986	38,138
Debtors, deposits and prepayments	27	1,325
Bank balances	5,974	1,377
Creditors and accruals	(22)	(232)
	6,965	40,608

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46. Acquisition of Subsidiaries

In February 2005, the Group acquired 100% of the issued capital of, and shareholders' loans to, Caragis Limited, Vicsley Limited, and Grand Expert Limited, respectively, for an aggregate cash consideration of HK\$239,844,000.

	2005 HK\$'000
The net assets of the subsidiaries at the date of acquisition were as follows:	
Net asset acquired:	
Investment properties	239,875
Debtors, deposits and prepayments	767
Creditors and accruals	(798)
Bank loans	(89,122)
Shareholders' loans	(201,294)
	(50,572)
Assignment of shareholders' loans and bank loans	290,416
	239,844
Satisfied by:	
Cash consideration	239,844
Net cash outflow arising on acquisition:	
Cash consideration	(239,844)
	(239,844)

The subsidiaries acquired in prior year do not have any material impact on the Group's results for the prior year.

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\$610,000 (2005: HK\$1,088,000).

As referred to in note 40, the Company issued shares for 2005 final dividends and 2006 interim dividends pursuant to scrip dividend scheme totalling HK\$54,996,000 (2005: HK\$39,858,000).

As referred to in note 37, an aggregate principal amount of HK\$14,805,000 (2005: HK\$497,453,000) of the US\$ Bonds were converted into ordinary shares of the Company.

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48. Pledge of Assets

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

- (a) The Group's properties, bank deposits and investments held for trading with an aggregate carrying amount of approximately HK\$3,399,431,000 (2005: HK\$2,074,641,000), HK\$55,102,000 (2005: HK\$3,901,000) and HK\$1,576,000 (2005: HK\$1,556,000) respectively, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and properties of associates and third parties were pledged to the Group's bankers and loan creditors to secure banking and loan facilities granted to the Group and an associate to the extent of approximately HK\$2,822,947,000 (2005: HK\$2,572,480,000) and HK\$5,000,000 (2005: HK\$5,000,000), respectively.

The Group's bank deposits of approximately HK\$2,765,000 (2005: HK\$3,000,000) were pledged to a Group's banker to secure a guarantee given by the banker in favour of subsidiary of the Company.

- (b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments, other financial assets and deposits with an aggregate carrying amount of approximately HK\$414,182,000 (2005: HK\$237,746,000) 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\$645,095,000 (2005: HK\$37,613,000), of which HK\$54,427,000 (2005: HK\$32,449,000) 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 (2005: HK\$119,995,000) to a financial institution to secure general credit facility granted to the investee company.

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49. Capital Commitments

	2006 HK\$'000	2005 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Properties under development	475,256	1,064,600
Hotel properties	2,781	36,190
	478,037	1,100,790
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties under development	—	—
Hotel properties	8,400	—
	8,400	—
	486,437	1,100,790

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\$1,111,016,000 (2005: HK\$800,955,000) and HK\$95,503,000 (2005: HK\$11,765,000) respectively were let out under operating leases.

Gross rental income earned during the year is HK\$46,361,000 (2005: HK\$60,173,000), of which HK\$38,176,000 (2005: HK\$53,196,000) was derived from letting of investment properties. The property held has committed tenants for the next one to three years.

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

	2006 HK\$'000	2005 HK\$'000
Within one year	28,564	38,852
In the second to fifth years inclusive	14,869	49,506
Over five years	—	2,968
	43,433	91,326

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

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50. Operating Lease Arrangements (continued)

The Group as lessee:

Minimum lease payments paid under operating leases during the year are:

	2006 HK\$'000	2005 HK\$'000
Premises	6,754	5,078
Motor vehicles	—	18
	6,754	5,096

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

	2006 HK\$'000	2005 HK\$'000
Premises		
– within one year	5,921	859
– in the second to fifth years inclusive	9,545	450
	15,466	1,309
Motor vehicles:		
– within one year	—	18
	15,466	1,327

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

51. Contingent Liabilities

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

- The Group has given guarantee to bankers to secure banking and other facilities made available to an investee company of HK\$154,322,000 (2005: HK\$102,536,000).
- 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, 2006, the total amount of mortgages outstanding which are subject to these guarantees was HK\$2,769,000 (2005: HK\$115,539,000).

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51. Contingent Liabilities *(continued)*

- (c) In previous year, a subsidiary of the Company (the "Subsidiary") was sued by two consultants providing management, consulting and advisory service concerning business strategy and corporate finance activities of the Subsidiary. The two consultants entered into a consulting contract with the Subsidiary in 1999 in lieu of cash for service rendered. The two consultants alleges that the Subsidiary fraudulently misrepresented and concealed material facts regarding the proposed investment from them and claim compensation for damages amounting to approximately HK\$5,843,000. Moreover, the two consultants also allege that the Subsidiary owes them salaries, payment in lieu of notice for early termination of the contract and the reimbursement for expenses regarding the employment contract as the board of directors of the Subsidiary amounting to approximately HK\$5,865,000. A motion of dismiss the claim was filed in the United States court and the claim is still in progress. While the outcome of these proceedings cannot be estimated with certainty at this stage, based on independent legal advice obtained, the directors are of the opinion that the outcome of this case would not have a material adverse impact on the financial position of the Group.
- (d) The State Administration of Taxation of the PRC issued a circular as Guo Shui Han [2004] No.938 on 2nd August, 2004 to strengthen the levy of land appreciation tax on property developers. In the opinion of the directors, after consulting its legal adviser and the tax bureau of the relevant city, land appreciation tax will not be levied in respect of properties already completed and full provision for land appreciation tax has not been made in the financial statements. The Group has not, however, been able to secure written confirmation of those individual city policies, and the directors consider that the chance that full land appreciation tax might be levied is less than probable in accordance with the rule of State Administration of Taxation. Should such levies take place, land appreciation tax would be approximately HK\$49 million.

52. Related Party Transactions

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

Related party	Nature of transaction	2006 HK\$'000	2005 HK\$'000
Directors and their associates	Interest expenses	371	371
Associates	Dividend income	9,410	6,577
	Building management fee expenses	3,855	2,699
Jointly controlled entities	Rental income	1,964	—

During the year ended 31st March, 2005, the Group recognised compensation income amounting to approximately HK\$28 million from a minority shareholder of a subsidiary for termination of the tenancy of factory building entered into between the Group and the minority shareholder.

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 balance sheet and relevant notes to the financial statements.

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52. Related Party Transactions *(continued)*

Compensation of key management personnel

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

	2006 HK\$'000	2005 HK\$'000
Short-term benefits	8,941	8,305
Post-employment benefits	48	52
	8,989	8,357

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 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 income statement during the year amounted to HK\$2,353,000 (2005: HK\$2,102,000).

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.

54. Particulars of Principal Subsidiaries

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

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54. Particulars of Principal Subsidiaries *(continued)*

Name of indirect subsidiary	Number of Shares	Issued share capital		Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
		Par value per share/ registered capital	Class of shares held		
Accessway Profits Limited	1	US\$1	Ordinary	100	Investment holdings
Action Fulfilled Assets Limited	1	US\$1	Ordinary	100	Property investment
Amphion Investment Limited	2	HK\$1	Ordinary	100	Investment holdings
Annick Investment Limited	2	HK\$1	Ordinary	100	Property investment
Arvel Company Limited	10,000	HK\$1	Ordinary	100	Property investment
Asia Land Pty Limited	1	A\$1	Ordinary	100	Loan financing
Bournemouth Estates Limited	2	HK\$10	Ordinary	100	Property development
Bradney Proprietary Limited	2	A\$1	Ordinary	100	Investment holdings
Capital Fortune Investment Limited	10,000	HK\$1	Ordinary	100	Property investment
Caragis Limited	2	HK\$1	Ordinary	100	Hotel investment and operation
Cathay General Inc.	1	Nil	Common	100	Investment holdings and share investment
Charter Joy Limited	2	HK\$1	Ordinary	100	Property development
Charter National International Limited	2	HK\$1	Ordinary	100	Property development
Cheong Sing Property Development Limited	500	HK\$100	Ordinary	100	Property development
Ching Chu Property Management (Shanghai) Company Limited (i)	N/A	US\$9,000,000	N/A	100	Property management
Chun Wah Holdings Limited	200	HK\$1	Ordinary	100	Property development
Cosmopolitan Hotel Limited	2	HK\$1	Ordinary	100	Hotel investment and operation
Detheridge Estates Limited	2	HK\$1	Ordinary	100	Property development
Dorsett Hotel Management Services Limited	2	HK\$1	Ordinary	100	Hotel management
Dorsett Hotels & Resorts (H.K.) Limited	1,000,000	HK\$1	Ordinary	100	Investment holdings
Dorsett Regency Hotel (M) Sdn. Bhd.	5,000,000	M\$1	Ordinary	100	Hotel investment and operation
Dunball Limited	2	HK\$1	Ordinary	100	Property investment
Dunjoy Limited	2	HK\$1	Ordinary	100	Investment holdings
E-Cash Ventures Limited	1	US\$1	Ordinary	100	Investment holdings
Esmart Management Limited	2	HK\$1	Ordinary	100	Hotel management
Everkent Development Limited	2	HK\$1	Ordinary	100	Property development

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54. Particulars of Principal Subsidiaries (continued)

Name of indirect subsidiary	Number of Shares	Issued share capital		Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
		Par value per share/ registered capital	Class of shares held		
Far East Consortium China Infrastructure Company Limited	2	HK\$1	Ordinary	100	Investment holdings
Far East Consortium China Investments Limited	6,000	HK\$100	Ordinary	100	Investment holdings
Far East Consortium China Land Corporation Limited	1,000	HK\$100	Ordinary	100	Property development
Far East Consortium Holdings (Australia) Pty Limited	12 235	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	Investment holdings
Far East Consortium Limited	830,650,000	HK\$1	Ordinary	100	Investment holdings and property investment
Far East Consortium Machinery Limited	2	HK\$1	Ordinary	100	Investment holdings
Far East Consortium (Malaysia) Limited	2	HK\$1	Ordinary	100	Investment holdings
Far East Consortium (Netherlands Antilles) N.V.	6,000	US\$1	Ordinary	100	Investment holdings
Far East Consortium Properties Pty Limited	12 225	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	Investment holdings and property investment
Far East Consortium Property & Marketing Service Pty Limited	1	A\$1	Ordinary	100	Property development
Far East Development (Macau) Limited	N/A	MOP25,000	N/A	100	Property development
Far East Real Estate and Agency (H.K.) Limited	60,000	HK\$100	Ordinary	100	Investment holdings and loan financing
Far East Rockman Hotels (Australia) Pty Limited	12 375	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	Investment holdings
Far East Rockman Investments Pty Limited	12 125	A\$1 A\$0.01	Ordinary Redeemable preference	100 100	Investment holdings
Far East Supermarket Limited	500,000	HK\$1	Ordinary	100	Property investment
FEC Development (Malaysia) Sdn. Bhd.	2	M\$1	Ordinary	100	Investment holdings
FEC Financing Solutions Pty. Limited	1	A\$1	Ordinary	100	Investment holdings

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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54. Particulars of Principal Subsidiaries (continued)

Name of indirect subsidiary	Number of Shares	Issued share capital		Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
		Par value per share/ registered capital	Class of shares held		
FEC Properties Limited	1	US\$1	Ordinary	100	Property investment
FEC Strategic Investments (Netherlands) B.V.	120,000	DFL1	Ordinary	100	Investment holdings
FEH Strategic Investment Pte Limited	10	S\$1	Ordinary	100	Property investment
Focus Venue Sdn. Bhd.	90	M\$1	Ordinary	90	Property investment
Fortune Plus (M) Sdn. Bhd.	935,000	M\$1	Ordinary	100	Property investment
FECFW 1 Pty Limited	1	A\$1	Ordinary	100	Investment holdings
FECFW 2 Pty Limited	1	A\$1	Ordinary	100	Investment holdings
Gain Wealth International Limited	1	HK\$1	Ordinary	100	Property Investment
Garden Resort Development Limited	100	HK\$1	Ordinary	100	Property development
Grand Expert Limited	2	HK\$1	Ordinary	100	Hotel investment and operation
Grandco Investment Limited	1	US\$1	Ordinary	100	Property investment
Group Power Developments Limited	1	HK\$1	Ordinary	100	Property Investment
Guangzhou Pegasus Boiler Manufacture Company Limited (ii)	N/A	HK\$ 50,000,000	N/A	51	Operation of boiler factory
Hamsher International Limited	29,805,065	US\$1	Ordinary	100	Hotel investment and operation
Henrik Investment Limited	2	HK\$1	Ordinary	100	Property investment
Hero Housing Limited	880	HK\$1,000	Ordinary	100	Property investment
Kuala Lumpur Land Holdings Limited	100	£1	Ordinary	100	Investment holdings
Madison Lighters and Watches Company Limited	4	HK\$1	Ordinary	100	Investment holdings
New Emprie Assets Limited	1	US\$1	Ordinary	100	Property Investment
New Time Plaza Development Limited	1,000	HK\$1	Ordinary	100	Investment holdings
New Union Investments (China) Limited	300	HK\$1	Ordinary	100	Investment holdings
N.T. Horizon Realty (Jordan) Limited	2	HK\$100	Ordinary	100	Property investment
The Hotel of Lan Kwai Fong Limited (formerly known as Ocean Leader Development Limited)	2	HK\$1	Ordinary	100	Hotel investment and operation
Oi Tak Enterprises Limited	1,000,000	HK\$1	Ordinary	75	Investment holdings
Pansy Development Limited	2	HK\$1	Ordinary	100	Property investment

Notes to the Consolidated Financial Statements

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54. Particulars of Principal Subsidiaries (continued)

Name of indirect subsidiary	Number of Shares	Issued share capital		Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
		Par value per share/ registered capital	Class of shares held		
Peacock Management Services Limited	2	HK\$1	Ordinary	100	Administration services
People Assets Limited	1	US\$1	Ordinary	100	Property Investment
Polyland Development Limited	2	HK\$1	Ordinary	100	Property investment
Regency Hotels Proprietary Limited	100	A\$1	Ordinary	100	Investment holdings
Rich Diamond Holdings Limited	10	US\$1	Ordinary	70	Investment holdings
Ridon Investment Limited	2	HK\$1	Ordinary	100	Investment holdings and share investment
Roseville Enterprises Limited	6,000	HK\$100	Ordinary	100	Property investment
Royal Domain Plaza Pty. Limited	2	A\$1	Ordinary	100	Property investment
Royal Domain Towers Pty. Limited	2	A\$1	Ordinary	100	Property investment
Ruby Way Limited	2	HK\$1	Ordinary	100	Property investment
Scarborough Development Limited	2	HK\$1	Ordinary	100	Property investment
Shanghai Chingchu Property Development Company Limited (ii)	N/A	US\$9,000,000	N/A	98.2	Property development
Sheen Profit Industries Limited	2	HK\$1	Ordinary	100	Hotel investment and operation
Shelborn Enterprises, Inc.	10	US\$1	Ordinary	100	Investment holdings
Singford Holdings Limited	1	US\$1	Ordinary	100	Treasury management
Smartland Assets Limited	1	US\$1	Ordinary	100	Investment holding
Sovereign Land Company Limited	2	HK\$100	Ordinary	100	Property investment
Southsino Development Limited	100	HK\$1	Ordinary	100	Property development
Star Bridge Development Limited	2	HK\$1	Ordinary	100	Property investment
Tang City Parkway Pte Limited	10	S\$1	Ordinary	100	Property investment
Tang City Properties Pte Limited	100,000	S\$1	Ordinary	90	Investment holdings
Teampearl Company Limited	5,001	HK\$1	Class A	100	Property development
	4,999		Class B	100	
Top Trend Developments Limited	2	US\$1	Ordinary	100	Investment holdings
Turbulent Limited	2	HK\$10	Ordinary	100	Investment holdings
Uppercase Development Limited	1,000,000	HK\$1	Ordinary	100	Investment holdings
Vicsley Limited	2	HK\$1	Ordinary	100	Hotel investment and operation
Victoria Land Pty. Limited	12	A\$1	Ordinary	100	Management services
Vicco Development Limited	2	HK\$1	Ordinary	100	Investment holdings
Virgobee Limited	2	HK\$1	Ordinary	100	Property investment

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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54. Particulars of Principal Subsidiaries (continued)

Name of indirect subsidiary	Number of Shares	Issued share capital		Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
		Par value per share/ registered capital	Class of shares held		
Waldorf Development Pte Limited	2	S\$1	Ordinary	100	Property investment
Waldorf Holdings Pte Limited	1,000,000	S\$1	Ordinary	100	Property investment
Win Chance Engineering Limited	2	HK\$1	Ordinary	100	Engineering
Wonder China Investments Limited	1	US\$1	Ordinary	100	Investment holdings
Worldlead Assets Limited	1	US\$1	Ordinary	100	Property Investment
Zhongshan Development Limited	2	US\$1	Ordinary	100	Investment holdings

(i) Foreign investment enterprise registered in the PRC

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

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

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.

54. Particulars of Principal Subsidiaries (continued)

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 Limited	Australia	Australia
Bradney Proprietary Limited	Australia	Australia
Cathay General Inc.	Republic of Liberia	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
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

Notes to the Consolidated Financial Statements

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54. Particulars of Principal Subsidiaries (continued)

Name of indirect subsidiary	Place of incorporation	Place of operation
Far East Consortium Property & Marketing Service Pty Limited	Australia	Australia
Far East Development (Macau) Limited	Macau	Macau
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
FECFW 1 Pty Limited	Australia	Australia
FECFW 2 Pty Limited	Australia	Australia
FEH Strategic Investment Pte Limited	Singapore	Singapore
Focus Venue Sdn. Bhd.	Malaysia	Malaysia
Fortune Plus (M) Sdn. Bhd.	Malaysia	Malaysia
Gain Wealth International Limited	Hong Kong	Macau
Grandco Investment Limited	British Virgin Islands	The U.S.A.
Group Power Developments Limited	British Virgin Islands	Macau
Guangzhou Pegasus Boiler Manufacture Company Limited	The PRC	The PRC
Hamsher International Limited	British Virgin Islands	The U.S.A.
Kuala Lumpur Land Holdings Limited	Channel Islands	Malaysia
New Empire Assets Limited	British Virgin Islands	Macau
People Assets Limited	British Virgin Islands	Macau
Regency Hotels Proprietary Limited	Australia	Australia
Rich Diamond Holdings Limited	British Virgin Islands	The Philippines
Royal Domain Plaza Pty. Limited	Australia	Australia
Royal Domain Towers Pty. Limited	Australia	Australia
Shanghai Chingchu Property Development Company Limited	The PRC	The PRC
Shelborn Enterprises, Inc.	British Virgin Islands	The U.S.A.
Singford Holdings Limited	British Virgin Islands	Hong Kong
Smartland Assets Limited	British Virgin Islands	Singapore
Tang City Parkway Pte. Limited	Singapore	Singapore
Tang City Properties Pte. Limited	Singapore	Singapore
Top Trend Developments Limited	British Virgin Islands	China
Victoria Land Pty. Limited	Australia	Australia
Waldorf Development Pte Limited	Singapore	Singapore
Waldorf Holdings Pte Limited	Singapore	Singapore
Wonder China Investments Limited	British Virgin Islands	The PRC
Worldlead Assets Limited	British Virgin Islands	Macau
Zhongshan Development Limited	British Virgin Islands	The PRC

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

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55. Particulars of Principal Associates

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

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

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

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Name of property and location	Lot number	Group's interest	Site area (m ²)
Hong Kong			
1. Cosmopolitan Hotel No. 387 Queen's Road East Wanchai	IL 1578RP	100%	1,093
2. Central Park Hotel No. 263 Hollywood Road	IL568 s.A. RP. and IL 8412	100%	317
3. Dorsett Olympic Hotel 46-48 Anchor Street, Tai Kok Tsui	KIL 6374	100%	357
4. Cosmo Hotel No. 375 Queen's Road East Wanchai	IL 1578 s.Ass1	100%	380
5. Lan Kwai Fong Hotel 1 Kau U Fong 3-9 Aberdeen Street and 1 Gough Street, Central	IL 1747, 8852	100%	377
6. Dorsett Far East Hotel 135-143 Castle Peak Road Tsuen Wan	Lot 2158 in DD 449	100%	632
7. Dorsett Kowloon Hotel 35-43 Ivy Street Tai Kok Tsui	KIL 8050	100%	513
8. Dorsett Hong Kong Hotel 12-22 Davis Street Hong Kong	IL 905 S.A. SS.7 S.A to S.A SS.7 S.D, S.A. SS.7 RP & S.A SS12	100%	461.4
9. 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%	—
10. Far East Consortium Building 204-206 Nathan Road Tsim Sha Tsui	KIL 10467 RP and KIL 10468 RP	100%	314
11. Flats 1A, 1C Tung Wai Garden 419G Queen's Road West Sai Ying Pun	RP of s.B of ML 205 RP	100%	—

List of Major Properties Held by the Group

Approximate gross floor area (m ²)	Type	Stage of completion	Expected completion date
16,988	H	Completed	Existing
4,745	H	Completed	Existing
3,210	H	Completed	Existing
5,546	H	Completed	Existing
5,853	H	Completed	Existing
9,077	H	Under renovation	2006
6,259	H	Under construction	2008
6,921	H	Under planning	2009
2,474	O	Completed	Existing
3,579	S & O	Completed	Existing
92	R	Completed	Existing

List of Major Properties Held by the Group

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	Name of property and location	Lot number	Group's interest	Site area (m ²)
	Hong Kong			
12.	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%	—
13.	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%	—
14.	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%	—
15.	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%	—
16.	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%	—
17.	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%	—
18.	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%	—
19.	Route TWISK, Chuen Lung Tsuen Wan	Various lots in DD 360, DD 433 and DD 435	100%	35,215
20.	Various lots, Pak Kong Sai Kung	Lots 1134 RP, 1137 RP, 1138 & 1139 RP in DD 222	100%	3,524

List of Major Properties Held by the Group

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Approximate gross floor area (m ²)	Type	Stage of completion	Expected completion date
620	R & CP	Completed	Existing
3,908	SA	Completed	Existing
1,318	S, R & C	Completed	Existing
570	C	Completed	Existing
1,684	C & S	Completed	Existing
1,475	C & S	Completed	Existing
57	S	Completed	Existing
Not yet determined	A	Planning stage	Vacant site
Not yet determined	A	Planning stage	Vacant site

List of Major Properties Held by the Group

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Name of property and location	Lot number	Group's interest	Site area (m ²)
Hong Kong			
21. Dorsett Place 5B Chancery Lane Central	Lot No. 68 s. Ass5 RP	100%	147
22. Bakerview, 66 Baker Street Hung Hom	HHIL 235 s.B, s.C, s.D, s.E, s.Iss1, s.Iss2 and s.Iss3	100%	604
23. Chuk Kok, Sai Kung	Lot 14 in DD 231	100%	2,790
24. Sheung Yeung Sai Kung	Lots 84, 85, 86, 89, 91, 92, 94, 95A, 99, 116RP, 137, 139, 141RP, 213, 221RP, 224RP, 229, 230, 231A, 231RP, 233, 234, 236, 258, 263RP and 746 in DD 225	100%	7,136
25. Tan Kwai Tsuen, Yuen Long	Lot 3927 s.B in DD 124	100%	4,850
26. Yau Kam Tau, Tsuen Wan	Lot 232 RP in DD 354	100%	5,940
27. Tai Hang Village, Tai Po	Lot 73 RP in DD7	100%	2,332
28. Hung Shui Kiu Yuen Long	Lot 2959, 2960, (Portion) 2969 S.B SS.3, 2972 R.P. & 2973 RP av1 in DD 124	100%	2,800
29. 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%	—

List of Major Properties Held by the Group

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Approximate gross floor area (m ²)	Type	Stage of completion	Expected completion date
1,259	R	Completed	Existing
5,444	S & R	Completed	Existing
1,116	R	Completed	Existing
4,682	R	Under construction	2006
4,850	R	Planning stage	2008
—	A	Planning stage	Vacant
3,121	R	Planning stage	Vacant
3,528	R	Planning stage	2008
—	CP	Completed	Existing

List of Major Properties Held by the Group

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Name of property and location		Lot number	Group's interest	Site area (m ²)
Overseas				
1.	Dorsett Regency Hotel 172, Jalan Imbi Kuala Lumpur Malaysia	Lots 471 and 472 Section 67, Town of Kuala Lumpur, Wilayah Persekutuan	100%	1,270
2.	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
3.	Mukim of Kerling District of Hulu Selangor Selangor Darul Ehsan Malaysia	Lots 600 and 619	100%	422,907
4.	No. 100, Eu Tong Sen Street Pearl's Centre Singapore	Lot U871W	100%	—
5.	100A Eu Tong Sen Street Yang Tze Building Singapore	Lot U865L	100%	—
6.	Parkway Centre 1 Marine Parade Central Singapore	Various lots of Mukim 26	100%	—
7.	Room 2603, Block 3 Dong-Jun Plaza 836 Dong Feng Road East Guangzhou, PRC	N/A	100%	—
8.	Room 2604, Block 3 Dong-Jun Plaza 836 Dong Feng Road East Guangzhou, PRC	N/A	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

List of Major Properties Held by the Group

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Approximate gross floor area (m ²)	Type	Stage of completion	Expected completion date
27,753	H	Completed	Existing
4,685.09	R	Completed	Existing
—	A	Planning stage	Vacant
14,044	CP	Completed	Existing
8,007	O & S	Completed	Existing
4,756	C	Completed	Existing
91	O	Completed	Existing
91	O	Completed	Existing
—	H	Completed	Existing
11,918	C	Completed	Existing

O – Office
SA – Shopping Arcade
C – Commercial

S – Shops
R – Residential
A – Agricultural

H – Hotel
CP – Car Park

Hotel Portfolio

酒店組合



China Project – California Garden, Shanghai

中國業務 — 上海錦秋加州花園

