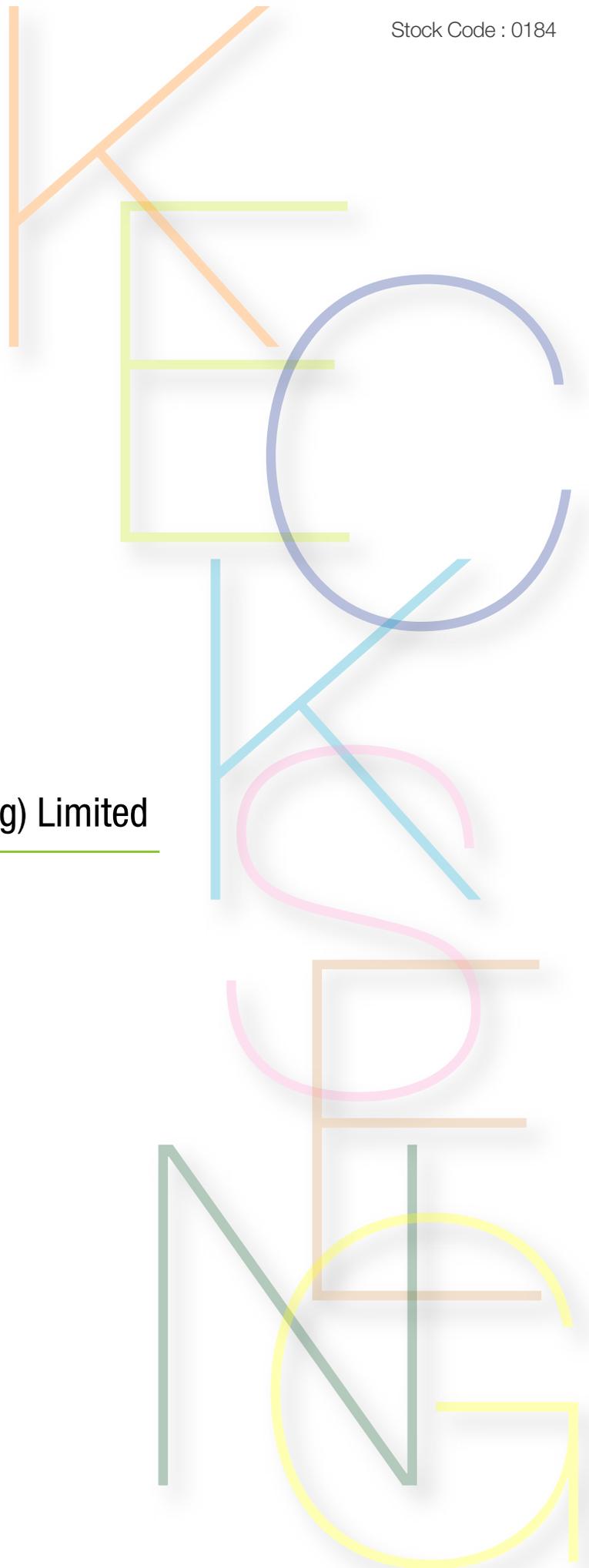




**KECK SENG**  
Investments (Hong Kong) Limited

annual report 2006



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**FINANCIAL HIGHLIGHTS***For the year ended 31 December 2006*

	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>	+/(-)%
Total Assets	<b>2,377,540</b>	2,269,272	5
Capital and Reserves	<b>1,711,876</b>	1,545,271	11
Issued Share Capital	<b>340,200</b>	340,200	–
Turnover	<b>628,347</b>	586,063	7
Profit Before Taxation	<b>281,485</b>	193,985	45
Profit Attributable to Equity Holders	<b>203,031</b>	122,363	66
Basic Earnings Per Share (cents)	<b>59.7</b>	36.0	66
Dividends attributable to the year (cents per share)	<b>13</b>	8.0	63

**CORPORATE INFORMATION****DIRECTORS**

HO Kian Guan – *Executive Chairman*  
 HO Kian Hock – *Deputy Executive Chairman*  
 TSE See Fan, Paul  
 CHAN Lui Ming, Ivan  
 YU Yuet Chu, Evelyn  
 \* HO Kian Cheong  
 \*\* CHAN Yau Hing, Robin  
 \*\* KWOK Chi Shun, Arthur  
 \*\* WANG Poey Foon, Angela

\* *Non-executive Director*

\*\* *Independent Non-executive Director*

**AUDIT COMMITTEE**

CHAN Yau Hing, Robin – *Chairman*  
 KWOK Chi Shun, Arthur  
 WANG Poey Foon, Angela

**REMUNERATION COMMITTEE**

TSE See Fan, Paul – *Chairman*  
 YU Yuet Chu, Evelyn  
 CHAN Yau Hing, Robin  
 KWOK Chi Shun, Arthur  
 WANG Poey Foon, Angela

**SECRETARY**

YUEN Chiu Yuk, Ida

**AUDITORS**

KPMG  
 8th Floor, Prince's Building  
 10 Chater Road  
 Central  
 Hong Kong

**SHARE REGISTRARS & TRANSFER OFFICE**

Tengis Limited  
 26th Floor, Tesbury Centre  
 28 Queen's Road East  
 Wanchai  
 Hong Kong

**REGISTERED OFFICE**

Room 2902 West Tower  
 Shun Tak Centre  
 168-200 Connaught Road Central  
 Hong Kong

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the results of the Group for the year ended 31 December 2006.

### RESULTS

The consolidated Group net profit attributable to equity holders for the year 2006 amounted to HK\$203.03 million, an increase of 66% as compared to HK\$122.36 million in the previous year. Earnings per share for the year 2006 amounted to HK\$0.60 per share as compared to HK\$0.36 per share in 2005.

### DIVIDENDS

The Board is recommending that a final dividend of HK\$0.10 per share be paid for the year ended 31 December 2006. An interim dividend of HK\$0.03 per share has already been paid. Total dividends for the year will be HK\$0.13 per share.

### REVIEW OF OPERATIONS

Turnover for the Group increased by 7% to HK\$628 million, as compared to HK\$586 million in 2005.

A summary and analysis of the operations are as follows.

#### Macau

The property market, after a prolonged rise which began in 2003, went through a period of consolidation which started in the second half of 2005. By the end of 2006, the market has recovered. Your Group took the view in early 2006 that the market will recover soon, and therefore refrained from actively selling properties at that stage. As a result, revenue in 2006 declined to HK\$132 million from HK\$205 million in the previous year. Due to increase in interest revenue and foreign exchange gains, however, profit before tax for Macau increased by 12%.

#### Vietnam

***Sheraton Saigon Hotel & Towers and Executive Residences*** The strength of the Vietnamese economy and the Ho Chi Minh City tourism sector continued in 2006. Average room rate for the year improved to US\$152 per room night in 2006, as compared to US\$123 in 2005. The hotel continues to be one of the leading hotels in the city. Revenue for the Group increased to HK\$460 million in 2006, as compared to HK\$342 million in 2005.

***Caravelle Hotel*** For 2006, average room rate for the year improved to US\$126 per room night in 2006, as compared to US\$103 in 2005. Contribution to the Group's profit after tax remained stable at approximately HK\$2.7 million in 2006.

#### The People's Republic of China

***Holiday Inn Riverside Wuhan*** Competition amongst hotels in Wuhan remained to be strong in 2006. Total revenue from the hotel increased marginally to approximately HK\$50 million in 2006.

## CHAIRMAN'S STATEMENT (Continued)

**Beijing Riviera** As previously reported to shareholders, the Group has completed the disposal of its interest in Beijing Riviera in 2006. During 2006 and prior to the completion of the disposal, the Group has accounted for its share of profit from this associate in the amount of HK\$2.3 million.

**Canada**

All three hotels have performed satisfactorily in 2006.

**The Sheraton Ottawa Hotel** reported improved results through a combination of improved room rates and stringent cost control. Contribution from an associate operating **DoubleTree International Plaza Hotel** in Toronto and **Four Points by Sheraton Hotel** at Gatineau-Ottawa in Quebec also improved. As a result, total profit before taxation for Canadian operations improved to HK\$8.8 million as compared to HK\$5.0 million in the previous year.

**PROSPECTS**

The Macau property market has emerged from a short consolidation phase which started at the end of 2005. The scheduled opening in 2007 of several prominent gaming resorts and the expected surge in visitor arrivals will result in increasing economic activity. The property market will be a major beneficiary of this development. Capital values are expected to continue its upward momentum. Your Group intends to capitalize on this trend and plans to retain a portion of its completed properties for rental income. This will also allow your Group to capture further upside movements in capital values in the Macau property market.

Your Group's hotel portfolio continues to witness improving results. In 2006, the portfolio's contribution to the Group's profit after tax has increased as compared to the previous year. This trend is likely to continue in the coming years.

At the Sheraton Saigon Hotel and Executive Residences, your Group is pursuing plans to convert the existing serviced apartments into top-end hotel rooms, in order to take advantage of the significant premium which hotel room rates command over serviced apartment rental rates. This will also allow the hotel to accrue additional benefits from the buoyant tourism sector in Vietnam. Over the long run, the conversion will further enhance the Sheraton Saigon Hotel as a quality hotel property with higher financial returns.

New room supplies being added to the Wuhan hotel market will put a limit on rise in room rates and occupancy rates at the Holiday Inn Riverside Wuhan. The hotel is however a well-managed property and will continue to perform well in a difficult market.

The Canadian economy is likely to remain stable in 2007. Your Group's hotels in Canada, which are under good and experienced management, are expected to perform in line with the industry.

## ACKNOWLEDGEMENT

On behalf of the Board, I wish to express our sincere appreciation to the management and staff of your Group for their diligence, dedication and loyalty. The independent non-executive directors have also continued to dispense generously their professional advice and guidance. To them, we are most grateful.

**Ho Kian Guan**  
*Executive Chairman*

Hong Kong, 27 April 2007

## REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2006.

### PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the "Group") are property investment and development, hotel and club operations and the provision of management services.

The principal activities of the Company are investment holding and those of its subsidiaries are set out in Note 33 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Note 11 to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2006:

- (1) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30 per cent of the Group's total purchases.
- (2) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30 per cent of the Group's total turnover.

### FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2006 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 25 to 82.

An interim dividend of HK\$0.03 per share (2005: HK\$0.04 per share) was paid on 1 November 2006. The directors now recommend the payment of a final dividend of HK\$0.10 per share (2005: HK\$0.04 per share) in respect of the year ended 31 December 2006.

### TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of HK\$203,031,000 (2005: HK\$122,363,000) have been transferred to reserves.

### FIXED ASSETS

Details of the movements in fixed assets during the year are set out in Note 12 to the financial statements.

## DIRECTORS

The directors during the financial year and up to the date of this report are:

### Executive directors

HO Kian Guan – *Executive Chairman*

HO Kian Hock – *Deputy Executive Chairman*

TSE See Fan, Paul

CHAN Lui Ming, Ivan (appointed on 1 July 2006)

YU Yuet Chu, Evelyn (appointed on 1 July 2006)

### Non-executive directors

HO Kian Cheong

CHAN Yau Hing, Robin\*

KWOK Chi Shun, Arthur\*

WANG Poey Foon, Angela\*

\* *Independent non-executive directors*

Messrs Ho Kian Guan, Tse See Fan, Paul and Chan Yau Hing, Robin shall retire from the Board of directors at the forthcoming annual general meeting in accordance with article 116 of the Company's articles of association while Mr Chan Lui Ming, Ivan and Ms Yu Yuet Chu, Evelyn shall retire in accordance with article 99 of the Company's articles of association and, being eligible, offer themselves for re-election.

The Company has not entered into service contracts with any of the above directors, except for Mr Chan Lui Ming, Ivan and Ms Yu Yuet Chu, Evelyn.

The appointment of non-executive directors is not for a fixed period of term.

## REPORT OF THE DIRECTORS (Continued)

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES**

The directors of the Company who held office at 31 December 2006 had the following interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") at that date as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

**Number of ordinary shares (unless otherwise specified)***Long Positions:*

<b>Name of Company</b>	<b>Name of Directors</b>	<b>Personal Interests<sup>(1)</sup></b>	<b>Corporate Interests</b>	<b>Total</b>	<b>% Interest</b>
Keck Seng Investments (Hong Kong) Ltd	Ho Kian Guan	480	197,516,320 <sup>(2)</sup>	197,516,800	58.06
	Ho Kian Hock	480	197,516,320 <sup>(2)</sup>	197,516,800	58.06
	Ho Kian Cheong	55,160,480	–	55,160,480	16.21
	Tse See Fan Paul	288,720	–	288,720	0.08
	Chan Yau Hing Robin	180,000	720,000 <sup>(3)</sup>	900,000	0.26
Lam Ho Investments Pte Ltd	Ho Kian Guan	–	32,410,774 <sup>(4)</sup>	32,410,774	99.7
	Ho Kian Hock	–	32,410,774 <sup>(4)</sup>	32,410,774	99.7
	Ho Kian Cheong	96,525	–	96,525	0.3
Shun Seng International Ltd	Ho Kian Guan	–	83,052 <sup>(5)</sup>	83,052	83.05
	Ho Kian Hock	–	83,052 <sup>(5)</sup>	83,052	83.05
	Ho Kian Cheong	1,948	–	1,948	1.95
Hubei Qing Chuan Hotel Co Ltd – paid in registered capital in US\$	Ho Kian Guan	–	13,163,880 <sup>(6)</sup>	13,163,880	80.76
	Ho Kian Hock	–	13,163,880 <sup>(6)</sup>	13,163,880	80.76
	Ho Kian Cheong	1,017,120	–	1,017,120	6.24
	Kwok Chi Shun Arthur	–	489,000 <sup>(7)</sup>	489,000	3.00
Golden Crown Development Ltd – common shares	Ho Kian Guan	–	56,675,000 <sup>(8)</sup>	56,675,000	80.96
	Ho Kian Hock	–	56,675,000 <sup>(8)</sup>	56,675,000	80.96
	Ho Kian Cheong	1,755,000	–	1,755,000	2.51
	Tse See Fan Paul	50,000	–	50,000	0.07
Ocean Gardens Management Co Ltd	Ho Kian Guan	–	100,000 <sup>(9)</sup>	100,000	100.00
	Ho Kian Hock	–	100,000 <sup>(9)</sup>	100,000	100.00
Shun Cheong International Ltd	Ho Kian Guan	–	4,305 <sup>(10)</sup>	4,305	43.05
	Ho Kian Hock	–	4,305 <sup>(10)</sup>	4,305	43.05
	Ho Kian Cheong	195	–	195	1.95
	Kwok Chi Shun Arthur	–	5,500 <sup>(11)</sup>	5,500	55.00
KSF Enterprises Sdn Bhd	Ho Kian Guan	–	10,000 <sup>(12)</sup>	10,000	100.00
	Ho Kian Hock	–	10,000 <sup>(12)</sup>	10,000	100.00
Chateau Ottawa Hotel Inc – common shares	Ho Kian Guan	–	4,950,000 <sup>(13)</sup>	4,950,000	55.00
	Ho Kian Hock	–	4,950,000 <sup>(13)</sup>	4,950,000	55.00
Chateau Ottawa Hotel Inc – preferred shares	Ho Kian Guan	–	3,300,000 <sup>(14)</sup>	3,300,000	55.00
	Ho Kian Hock	–	3,300,000 <sup>(14)</sup>	3,300,000	55.00

## REPORT OF THE DIRECTORS (Continued)

## Notes:

- (1) This represents interests held by the relevant directors as beneficial owners.
- (2) This represents 100,869,360 shares held by Kansas Holdings Limited and 96,646,960 shares held by Goodland Limited, in which companies each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (3) This represents interests held by United Asia Enterprises Inc controlled by Dr Chan Yau Hing Robin by virtue of the fact that United Asia Enterprises Inc or its directors were accustomed to act in accordance with the directions of Dr Chan.
- (4) This represents 29,776,951 shares (91.6%) indirectly held by the Company and 2,633,823 shares (8.1%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (5) This represents 75,010 shares (75.01%) indirectly held by the Company and 8,042 shares (8.04%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (6) This represents US\$8,965,000 (55%) indirectly contributed by the Company and US\$4,198,880 (25.76%) contributed by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (7) This represents interests held by AKA Project Management International Limited which was wholly owned by Kwok Chi Shun Arthur.
- (8) This represents 49,430,000 shares (70.61%) indirectly held by the Company and 7,245,000 shares (10.35%) held by various companies in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (9) This represents 1 quota of Ptc99,000 (99%) indirectly held by the Company and 1 quota of Ptc1,000 (1%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (10) This represents 3,501 shares (35.01%) indirectly held by the Company and 804 shares (8.04%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (11) This represents interests held by Larcofort Incorporated in which Kwok Chi Shun Arthur had a controlling interest.
- (12) This represents 2,500 shares (25%) directly held by the Company, 2,499 shares (24.99%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly and 5,001 shares (50.01%) held by Keck Seng (Malaysia) Bhd in which each of Ho Kian Guan and Ho Kian Hock was a substantial shareholder and a director.
- (13) This represents 4,500,000 common shares (50%) indirectly held by the Company and 450,000 common shares (5%) held by Allied Pacific Investments Inc in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (14) This represents 3,000,000 preferred shares (50%) indirectly held by the Company and 300,000 preferred shares (5%) held by Allied Pacific Investments Inc in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.

## REPORT OF THE DIRECTORS (Continued)

Save as mentioned above, at 31 December 2006, none of the directors of the Company or any of their associates had interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

**SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN SHARES**

At 31 December 2006, the interests and short positions of those persons (other than the directors) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

*Long Positions:*

<b>Name</b>	<b>Capacity in which shares were held</b>	<b>Number of ordinary shares held</b>	<b>% of total issued share capital of the Company</b>
Ocean Inc. (Note 1, 2)	Interests of controlled corporations	197,516,320	58.1%
Pad Inc (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Lapford Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Kansas Holdings Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Kansas Holdings Limited (Note 2)	Beneficial owner	100,869,360	29.7%
Goodland Limited (Note 1)	Beneficial owner	96,646,960	28.4%
Allianz Aktiengesellschaft (Note 3)	Interests of controlled corporations	17,120,000	5.0%
Dresdner Bank Aktiengesellschaft (Note 3)	Interests of controlled corporations	17,120,000	5.0%
Veer Palthe Voute NV (Note 3)	Beneficial owner	17,120,000	5.0%

*Notes:*

- (1) Ocean Inc, Pad Inc, Lapford Limited and Kansas Holdings Limited had deemed interests in the same 96,646,960 shares beneficially held by Goodland Limited.
- (2) Ocean Inc had deemed interests in the same 100,869,360 shares beneficially held by Kansas Holdings Limited.
- (3) Allianz Aktiengesellschaft and Dresdner Bank Aktiengesellschaft had deemed interests in the same 17,120,000 shares beneficially held by Veer Palthe Voute NV.

Save as mentioned above, at 31 December 2006, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

## MANAGEMENT ARRANGEMENTS

During the year ended 31 December 2006, there existed the following arrangements for an indefinite period:

- (1) Goodland Limited ("Goodland") acts as the project manager of Golden Crown Development Limited for its Ocean Gardens development in Taipa Island, Macau for a management fee and is also responsible for marketing the development. Goodland is also a major contractor for the development.
- (2) Goodland provides management services to Ocean Incorporation Ltd. in return for a management fee.

Messrs Ho Kian Guan and Ho Kian Hock were interested in the above arrangements as substantial shareholders and directors of Goodland.

## DIRECTORS' INTERESTS IN CONTRACTS

For the year ended 31 December 2006, certain subsidiaries of the Company had transactions with Goodland as set out in Note 30 to the financial statements.

Messrs Ho Kian Guan and Ho Kian Hock were interested in the above arrangements as substantial shareholders and directors of Goodland.

Apart from the foregoing and the management arrangements set out above, 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, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

One of the direct competitors of the Group's hotel in Wuhan, Holiday Inn Riverside Wuhan, is the Shangri-La Hotel, Wuhan whose majority owner and operator is Shangri-La Asia Limited ("SAL").

Mr Ho Kian Guan is a non-executive director of SAL, a company whose shares are listed on the Hong Kong Stock Exchange and Mr Ho Kian Hock is his alternate on the board of SAL.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the year.

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group at 31 December 2006 are set out in Note 14, Note 20, Note 22 and Note 30 to the financial statements.

*REPORT OF THE DIRECTORS (Continued)***SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

**FIVE YEAR SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 83 of the annual report.

**PROPERTIES**

Particulars of the properties and property interests held by the Group are shown on pages 84 to 85 of the annual report.

**PERSONNEL**

At 31 December 2006, the Group had approximately 1,786 employees. A policy of localising as many of the positions as possible is in place throughout the Group, subject to suitable and sufficient local executives and staff with relevant qualifications and experience being available. Salary and remuneration are competitive and are based on varying conditions in the different countries in which the Company and its subsidiaries operate.

**RETIREMENT SCHEMES**

The Group has defined contribution retirement schemes in Hong Kong, the People's Republic of China and Vietnam. Particulars of these retirement schemes are set out in Note 27 to the financial statements.

**CONFIRMATION OF INDEPENDENCE**

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.3 of the Listing Rules and considers all the independent non-executive directors to be independent.

**AUDITORS**

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

**Ho Kian Guan**  
*Executive Chairman*

Hong Kong, 27 April 2007

## OTHER CORPORATE INFORMATION

### FINANCIAL REVIEW

The Group's turnover was HK\$628,347,000 for the year ended 31 December 2006, an increase of 7% over the corresponding period in 2005. This increase was due primarily to revenue generated from the operation of the Sheraton Saigon Hotel in Vietnam. Profit from operations was HK\$273,739,000 for the year ended 31 December 2006 as compared to a profit of HK\$169,454,000 in 2005. Profit attributable to shareholders amounted to HK\$203,031,000.

As 31 December 2006, the Group has a total bank loans and other borrowings of HK\$227,849,000 and cash equivalents of HK\$842,011,000. Of the total amount of bank borrowings, HK\$48,669,000 is repayable within twelve months.

The Group's bank borrowings are mostly in Hong Kong Dollars and United States Dollars. Cash and cash equivalents are mostly in Hong Kong Dollars, Euros, Australian Dollars, Canadian Dollars, Pounds Sterling and United States Dollars. The Group's bank borrowings are on a floating rate basis. Taking into account cash in hand and available credit facilities, the Group has sufficient working capital for its present requirements.

### PLEDGE OF ASSETS

As at 31 December 2006, certain investment properties, other properties and fixed assets and a hotel property together with its integral fixtures and fittings with a net book value of HK\$797.7 million were mortgaged to various banks to secure banking facilities granted to the Group.

### CONTINGENT LIABILITIES

At 31 December 2006, there were outstanding counter indemnities relating to guarantees issued by bankers of a subsidiary in favour of the Macau SAR Government in respect of properties under development amounting to HK\$8,252,000 (2005: HK\$8,252,000).

At 31 December 2006, guarantees given by the Company to banks to secure banking facilities made available to a subsidiary and an associate amounted to HK\$29.6 million and HK\$68.9 million (2005: HK\$134.3 million and HK\$69.1 million) respectively.

At 31 December 2006, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to its associate amounted to HK\$33.4 million (2005: HK\$33.4 million).

## DIRECTORS PROFILES

**Mr HO Kian Guan**, aged 61, is the Executive Chairman of the Company. He was appointed as a director of the Company on 5 December 1979. He is also a director of Ocean Inc, Pad Inc, Lapford Limited, Goodland Limited and Kansas Holdings Limited (all being substantial shareholders of the Company) and a director of various members of the Group. Mr Ho is also the executive chairman and director of Keck Seng (Malaysia) Berhad (a company listed on the Bursa Malaysia Securities Berhad (the “BMSB”)). He also serves on the board of Shangri-La Asia Limited (a company listed on The Hong Kong Stock Exchange), Parkway Holdings Limited (a company listed on the Singapore Exchange Securities Trading Limited) and Shangri-La Hotel Public Company Limited, Thailand (a company listed on the Stock Exchange of Thailand). He was previously a director of Petaling Garden Berhad and Pelangi Berhad (both companies listed on the BMSB) and resigned from the posts in May and August 2006 respectively. He is a brother of Mr Ho Kian Hock and Mr Ho Kian Cheong and uncle of Mr Chan Lui Ming, Ivan.

**Mr HO Kian Hock**, aged 59, is the Deputy Executive Chairman of the Company. He was appointed as a director of the Company on 19 December 1979. He is also a director of Ocean Inc, Pad Inc, Lapford Limited, Goodland Limited and Kansas Holdings Limited (all being substantial shareholders of the Company) and a director or various members of the Group. Mr Ho is also the Managing Director of Keck Seng (Malaysia) Berhad (a company listed on the BMSB, and an alternate director of Parkway Holdings Limited (a company listed on the Singapore Exchange Securities Trading Limited) and Shangri-La Asia Limited (a company listed on The Hong Kong Stock Exchange). He was previously an alternate director of Petaling Garden Berhad and Pelangi Berhad (both companies listed on the BMSB) and ceased to act in such capacity in May and August 2006 respectively. He is a brother of Mr Ho Kian Guan and Mr Ho Kian Cheong and uncle of Mr Chan Lui Ming, Ivan.

**Mr TSE See Fan, Paul**, aged 52, is an executive director and the chairman of the Remuneration Committee of the Company. He was appointed as a director of the Company on 5 December 1979. He is also a director of Lapford Limited, Goodland Limited and Kansas Holdings Limited (all being substantial shareholders of the Company) and a director of various members of the Group.

**Mr CHAN Lui Ming, Ivan**, aged 37, was appointed as an executive director of the Company on 1 July 2006. Mr Chan holds a Bachelor of Business Administration and a Master of Science degree from the National University of Singapore. Mr Chan is an alternate director of Keck Seng (Malaysia) Berhad and a director of Petaling Garden Berhad, both being companies listed on the BMSB. Further, Mr Chan is a director of Ocean Inc, Lapford Limited and Kansas Holdings Ltd (all being substantial shareholders of the Company) and a director of various companies of the Group. He is a nephew of Mr Ho Kian Guan, Mr Ho Kian Hock and Mr Ho Kian Cheong.

**Ms YU Yuet Chu, Evelyn**, aged 51, is an executive director and a member of the Remuneration Committee of the Company. She was appointed as a director of the Company on 1 July 2006. Ms Yu holds a Bachelor of Arts degree from Carleton University, Canada. Ms Yu joined the Company in 1994 to oversee the Group’s investments in China. She also serves as a director of various companies in the Group.

*DIRECTORS PROFILES (Continued)*

**Mr HO Kian Cheong**, aged 57, is a non-executive director of the Company. He was appointed as a director of the Company on 5 December 1979 and was re-designated as non-executive director on 17 April 2003. He is also a director of Keck Seng (Malaysia) Berhad (a company listed on the BMSB). He is a brother of Mr Ho Kian Guan and Mr Ho Kian Hock and uncle of Mr Chan Lui Ming, Ivan.

**Dr CHAN Yau Hing, Robin**, GBS, LLD, JP, aged 74, is an independent non-executive director, the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He was appointed as a director of the Company on 8 September 1988. He is the Chairman of Asia Financial Holdings Limited and a director of K. Wah International Holdings Limited and Chong Hing Bank Limited (companies listed on The Hong Kong Stock Exchange). He is also a director of and an adviser to numerous other companies with over 40 years experience in banking business. Dr Chan was awarded the Knight Commander (Second Class) of the Most Noble Order of the Crown of Thailand by His Majesty, the King of Thailand and the Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. He is a Deputy to the Chinese National People's Congress and the Ex-officio Life Honorary Chairman of The Chinese General Chamber of Commerce, Hong Kong.

**Mr KWOK Chi Shun, Arthur**, aged 61, is an independent non-executive director, a member of the Audit Committee and a member of the Remuneration Committee of the Company. He was appointed as a director of the Company on 3 January 1995. He is a professional architect with extensive architectural, town planning and interior design experience and has wide business interests in property development, merchandise retailing and wholesale. He is also the Commandant of the Hong Kong Auxiliary Police Force.

**Ms WANG Poey Foon, Angela**, aged 49, is an independent non-executive director, a member of the Audit Committee and a member of the Remuneration Committee of the Company. She was appointed as a director of the Company on 28 September 2004. Ms Wang holds an LLB (Hons) degree from the National University of Singapore, and is an Advocate and Solicitor (Singapore), Solicitor (Hong Kong and United Kingdom). She has practiced with major law firms in Singapore, Australia and Hong Kong and is currently the senior partner of a firm of solicitors in Hong Kong. She is also a non-executive director of Frasers Property (China) Limited and an independent non-executive director of Pan Sino International Holding Limited (both companies listed on The Hong Kong Stock Exchange).

## CORPORATE GOVERNANCE REPORT

The Board considers good corporate governance of the Company to be an essential element in the safeguarding of the interests of the shareholders, the enhancement of the integrity of the management, and ultimately the continuous improvement in the performance of the Group. The Company has applied the principles and has complied with all the applicable code provisions of the Code on Corporate Governance Practices (“Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) for the year ended 31 December 2006, except for the following deviations which are explained in the relevant paragraphs below:

1. deviation from provision A.2.1 of the Code, as the role of chairman and chief executive officer of the Company is not segregated; and
2. deviation from provision A.4.1, as the non-executive directors are not appointed for a specific term.

The Company intends to continuously review and amend the corporate governance practices and standards of the Company in a pragmatic and conscientious manner to ensure that business operations and decision making processes are implemented in a prudent and proper manner.

### DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted since 2004 the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All directors, followed specific enquiry by the Company, have confirmed that they have all complied with the standards as set out in the Model Code throughout the year ended 31 December 2006 .

### BOARD OF DIRECTORS

#### Composition and role

The Board comprises:

Executive Directors	<ul style="list-style-type: none"> <li>– HO Kian Guan (<i>Executive Chairman</i>)</li> <li>– HO Kian Hock (<i>Deputy Executive Chairman</i>)</li> <li>– TSE See Fan, Paul</li> <li>– CHAN Lui Ming, Ivan</li> <li>– YU Yuet Chu, Evelyn</li> </ul>
Non-executive Director	<ul style="list-style-type: none"> <li>– HO Kian Cheong</li> </ul>
Independent Non-executive Directors	<ul style="list-style-type: none"> <li>– CHAN Yau Hing, Robin</li> <li>– KWOK Chi Shun, Arthur</li> <li>– WANG Poey Foon, Angela</li> </ul>

*CORPORATE GOVERNANCE REPORT (Continued)*

The Board comprises of five executive directors and four non-executive directors. Of the four non-executive directors, three of them are independent non-executive directors which represent one-third of the Board. In addition, all three of the independent non-executive directors possess respectively appropriate professional qualifications and financial management expertise. The directors' biographical information is set out on pages 14 to 15 of the annual report.

The principal function of the Board is on setting the overall strategic direction and investment focus of the Group. The Board also monitors the financial performance and the internal controls of the Group's business activities. Day-to-day management of the Group's business is delegated to the management and the responsibilities and powers so delegated are periodically reviewed to ensure that they remain appropriate.

With wide respective professional experience in financial, architectural and legal fields, the independent non-executive directors bring and contribute to the Board a balance of skills, independent judgment and insight into the setting of strategic direction, investment focus, performance evaluation, risk management of the Group through attendance at meetings of the Board, the Audit Committee, the Remuneration Committee and general discussions with the executive directors.

The independent non-executive directors also serve the important functions of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive director to be independent in character and judgment and that they all meet the specific independence criteria as required under the Listing Rules. The Company has received from each independent non-executive director an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent. The independent non-executive directors are explicitly identified in all corporate communications.

All directors are updated on governance and regulatory matters. Directors can obtain independent advice at the expense of the Company for the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance cover in respect of legal actions against its directors.

The Board meets to review the overall strategic direction of the Group, to monitor the operations and to deal with any corporate and policy matters in respect of which its attention is required. The executive directors are responsible for drawing up and approving the agenda for each Board meeting. Notices of at least 14 days have been given to all directors for all Board meetings. Directors can include matters for discussion in the agenda if necessary. Agenda and board papers in respect of Board meetings are sent out in full to all directors at least three business days prior to the meetings. Draft minutes of all Board meetings are circulated to directors for comment within a reasonable time prior to confirmation.

Minutes of the Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all directors have access to board papers and related materials, and are provided with adequate information in a timely manner, enabling the Board to make informed decisions on matters under discussion.

## CORPORATE GOVERNANCE REPORT (Continued)

Since 2004, new director has been given on appointment an orientation package, including information on the Group's company structure, details of major investments, the Company's Memorandum and Articles of Association, and other relevant information to familiarise the new director with the corporate affairs and operations of the Group.

There is no relationship between members of the Board other than that Messrs HO Kian Guan, HO Kian Hock and HO Kian Cheong are brothers. They are also uncles of Mr CHAN Lui Ming, Ivan.

During the year, the Board has met four times and the individual attendance of each director is as follows:

Name of director	Number of Board meetings attended	Attendance rate
HO Kian Guan	3/4	75%
HO Kian Hock	2/4	50%
TSE See Fan, Paul	4/4	100%
CHAN Lui Ming, Ivan	1/2*	50%
YU Yuet Chu, Evelyn	2/2*	100%
HO Kian Cheong	0/4	0%
CHAN Yau Hing, Robin	4/4	100%
KWOK Chi Shun, Arthur	4/4	100%
WANG Poey Foon, Angela	4/4	100%

\* Two meetings were held since Mr CHAN Lui Ming, Ivan and Ms YU Yuet Chu, Evelyn were appointed on 1 July 2006.

## EXECUTIVE CHAIRMAN

The Company had not appointed a Chief Executive Officer, since day-to-day operations of the Group were undertaken by the management teams in the respective geographical locations under the supervision of the executive directors. In respect of the management of the Board, the role was undertaken by Mr HO Kian Guan, Executive Chairman of the Company. The Board is of the view that this structure has served the Company well in past years and does not impair the balance of responsibility between the Board and the management of the business.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The non-executive directors were not appointed for a specific term. In practice, however, all directors are subject to retirement by rotation not less than once every three years. This means that the specific term of appointment of a director will not exceed three years.

## AUDIT COMMITTEE

The Audit Committee of the Company was established in 1999. Its current members are:

CHAN Yau Hing, Robin (*Chairman of the Committee*)  
 KWOK Chi Shun, Arthur  
 WANG Poey Foon, Angela

All the members are independent non-executive directors. The Board considers that each of the Audit Committee members has broad commercial experience and that there is an appropriate balance of experiences and skills covering legal, business, accounting and financial management disciplines on the Committee. The composition and the membership of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference covering the authority and duties of the Audit Committee conform to the provisions of the Code.

The Audit Committee deliberates and meets to review the reporting of financial and other relevant information to shareholders, the scheme of internal controls, the risk management, and the effectiveness and objectivity of the audit process. The Audit Committee also provides one of the important links between the Company and the Company's auditors in matters within the Committee's terms of reference, and keep in view the independence and objectivity of the auditors. The Committee also reviews, provides comments and recommends to the Board the approval of the terms of engagement and remuneration of the auditors of the Company.

The Audit Committee has reviewed with the management and the auditors the accounting principles and practices adopted by the Group and discussed financial reporting matters and internal controls including a review of the accounts for the year ended 31 December 2006.

During the year, two Audit Committee meetings were held. The attendance of each member is as follows:

Name of director	Number of meetings attended	Attendance rate
CHAN Yau Hing, Robin	2/2	100%
KWOK Chi Shun, Arthur	2/2	100%
WANG Poey Foon, Angela	2/2	100%

The Audit Committee had met twice with the Company's external auditors during 2006.

## CORPORATE GOVERNANCE REPORT (Continued)

**REMUNERATION COMMITTEE**

The Remuneration Committee was established in 2005. Its current members are:

TSE See Fan, Paul (*Chairman of the Committee*)  
 CHAN Yau Hing, Robin  
 KWOK Chi Shun, Arthur  
 WANG Poey Foon, Angela  
 YU Yuet Chu, Evelyn (*appointed on 30 December 2006*)

Membership of the Remuneration Committee is appointed by the Board. The majority of the members are independent non-executive directors. The principal duties of the Remuneration Committee are to review and approve any service contracts to be entered into between executive directors and the Group, to review remuneration of senior management, and to make recommendation to the Board on the remuneration of non-executive directors. The Remuneration Committee ensures that no director or any of his associate is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee conform to the provisions of the Code.

In 2006, the Remuneration Committee held two meetings, during which the committee reviewed director's fees and remuneration for 2006.

The attendance of each member is as follows:

<b>Name of director</b>	<b>Number of meetings attended</b>	<b>Attendance rate</b>
TSE See Fan, Paul	2/2	100%
CHAN Yau Hing, Robin	2/2	100%
KWOK Chi Shun, Arthur	2/2	100%
WANG Poey Foon, Angela	2/2	100%
YU Yuet Chu, Evelyn	0/0*	N/A

\* No meeting was held since Ms Yu has been appointed.

**NOMINATION OF DIRECTORS**

The Board does not have a Nomination Committee. The directors have not considered the appointment of any new members to the Board during the year.

The Board will carry out the process of identifying and selecting new directors on the basis of candidates' industry experience relevant to the business operation and development of the Group, professional qualifications, personal ethics, integrity, and time commitment. The Board will also take into consideration the need to maintain and ensure that the Board has a balance of skills, independent judgment, continuity and succession plan.

## INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Group and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the Group's assets and the interests of the shareholders. The executive directors are responsible for the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

The internal controls system is being and will continue to be reviewed and updated to ensure that the Group's assets are safeguarded against loss and misappropriation, that proper accounting records are maintained to produce reliable financial information, that reasonable but not absolute assurance is provided against material fraud and errors, and that policies and procedures are in place to ensure compliance with applicable laws, regulations and relevant industry standards.

In respect of the year 2006, and in compliance with the Code, the Group has engaged an accounting firm to conduct an independent review of its major subsidiaries and its operations. This is done to supplement the internal audit reviews conducted by some of the subsidiaries of the Group.

On the basis of the review, the Audit Committee and the Board are satisfied as to the effectiveness of the Group's internal control, and concluded that:

1. the Company during the year has complied with the Code on internal control;
2. the Group has a framework of prudent and effective controls to identify, evaluate and manage the risks;
3. the Group has internal control and accounting systems which are efficient and adequate;
4. the Group has ongoing monitoring processes which identified, evaluated and managed significant risks that may influence its business operations; and
5. material transactions are executed with management's authorization.

## ACCOUNTABILITY AND AUDIT

The directors have responsibility for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for the period. In preparing the accounts for the year ended 31 December 2006, the directors have selected suitable accounting policies and applied them consistently, approved adoption of all appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made judgments and estimates which are prudent and reasonable, and have prepared the accounts on the going concern basis. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

## CORPORATE GOVERNANCE REPORT (Continued)

**AUDITORS' REMUNERATION**

An analysis of remuneration in respect of audit and non-audit services provided by the external auditors is set out below:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Auditors' remuneration		
– Audit services	1,251	1,219
– Tax and other non-audit services	310	306
	<u>1,561</u>	<u>1,525</u>

**COMMUNICATION WITH SHAREHOLDERS AND INVESTORS**

The Company endeavours to maintain a high level of transparency in its communications with shareholders and the investment community at large.

The Company establishes and maintains different communication channels with its shareholders through the publication of annual and interim reports, press announcements and circulars. The annual general meeting also provides a useful and convenient forum for shareholders to exchange views with the Board, and with each other. At the Company's annual general meetings, most of the executive directors and the Chairman of the Audit Committee were present to attend to questions raised by shareholders.

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of directors. At the Company's annual general meeting held in June 2006, all the resolutions were dealt with by polling. All resolutions were unanimously passed and the polling result was published in newspapers. In addition, procedures for demanding a poll will be included in the circular to shareholders dispatched together with the annual report.

The Company has announced its annual and interim results in a timely manner during the year under review.

The Company is also committed to continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business in a timely manner, subject to regulatory requirements. Meetings with institutional investors and analysts are conducted upon such requests being received. In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communication are arranged and handled by the executive directors and designated senior executives according to established procedures of the Company.

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed amount of public float during the year 2006 and up to and including the date of this Annual Report as required by the Listing Rules.

## INDEPENDENT AUDITOR'S REPORT



### TO THE SHAREHOLDERS OF KECK SENG INVESTMENTS (HONG KONG) LIMITED

*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Keck Seng Investments (Hong Kong) Limited (the "Company") set out on pages 25 to 82, which comprise the consolidated and Company balance sheets as at 31 December 2006, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

*INDEPENDENT AUDITORS' REPORT (Continued)***OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2006 and of its Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

Hong Kong, 27 April 2007

**CONSOLIDATED INCOME STATEMENT**

For the year ended 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
<b>Turnover</b>	2	<b>628,347</b>	586,063
Cost of sales		<b>(95,404)</b>	(91,984)
		<b>532,943</b>	494,079
Valuation gains on investment properties	12(a)	<b>48,480</b>	13,444
Other revenue	3(a)	<b>30,415</b>	19,784
Other net income/(loss)	3(b)	<b>41,153</b>	(26,724)
Direct operating expenses		<b>(169,109)</b>	(113,968)
Marketing and selling expenses		<b>(13,704)</b>	(10,584)
Depreciation of fixed assets	12(a)	<b>(91,782)</b>	(89,896)
Administrative and other operating expenses		<b>(104,657)</b>	(116,681)
<b>Profit from operations</b>		<b>273,739</b>	169,454
Finance costs	4(a)	<b>(8,120)</b>	(10,328)
Share of profits less losses of associates	14(b)	<b>13,446</b>	34,859
Gain on disposal of an associate	14(c)	<b>2,420</b>	–
<b>Profit before taxation</b>	4	<b>281,485</b>	193,985
Income tax	5(a)	<b>(15,822)</b>	(14,500)
<b>Profit for the year</b>		<b>265,663</b>	179,485
<b>Attributable to:</b>			
Equity holders of the Company	8	<b>203,031</b>	122,363
Minority interests		<b>62,632</b>	57,122
<b>Profit for the year</b>		<b>265,663</b>	179,485
<b>Dividends payable to equity holders of the Company attributable to the year:</b>	9		
Interim dividend paid – HK\$0.03 (2005: HK\$0.04) per share		<b>10,206</b>	13,608
Proposed final dividend – HK\$0.10 (2005: HK\$0.04) per share		<b>34,020</b>	13,608
		<b>44,226</b>	27,216
<b>Basic earnings per share</b>	10	<b>59.7 cents</b>	36.0 cents

The notes on pages 32 to 82 form part of these financial statements.

**CONSOLIDATED** BALANCE SHEET

At 31 December 2006

	Note	2006		2005	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Fixed assets	12(a)				
– Investment properties			221,480		173,000
– Other properties and fixed assets			661,847		730,388
– Interests in leasehold land held for own use under operating lease			120,567		121,671
			<b>1,003,894</b>		1,025,059
Interest in associates	14		104,259		242,759
Available-for-sale securities	15		1,785		1,008
Deferred tax assets	23(b)		5,310		4,508
			<b>1,115,248</b>		1,273,334
<b>Current assets</b>					
Properties under development	16		–	126,255	
Properties held for sale	17		335,671	207,428	
Inventories			1,850	2,815	
Trade and other receivables	18		82,760	20,137	
Cash and cash equivalents	19		842,011	639,303	
			<b>1,262,292</b>	995,938	
<b>Current liabilities</b>					
Bank loans	20		48,669	46,279	
Trade and other payables	21		104,122	95,408	
Loans from associates	14		1,364	1,364	
Loans from minority shareholders	22		38,174	26,625	
Loans from an affiliated company	30(a)		28,840	43,161	
Amounts due to an affiliated company	30(a)		29,561	26,339	
Taxation payable	23(a)		38,578	48,135	
			<b>289,308</b>	287,311	
<b>Net current assets</b>			<b>972,984</b>		708,627
<b>Total assets less current liabilities</b>			<b>2,088,232</b>		1,981,961

## CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2006

	Note	2006		2005	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current liabilities</b>					
Bank loans	20	-		125,386	
Loans from minority shareholders	22	81,241		76,627	
Deferred tax liabilities	23(b)	10,635		4,528	
			(91,876)		(206,541)
<b>NET ASSETS</b>					
			<b>1,996,356</b>		<b>1,775,420</b>
<b>Capital and reserves</b>					
Share capital	24		340,200		340,200
Reserves	25(a)		1,371,676		1,205,071
<b>Total equity attributable to equity holders of the Company</b>					
			<b>1,711,876</b>		<b>1,545,271</b>
<b>Minority interests</b>					
			<b>284,480</b>		<b>230,149</b>
<b>TOTAL EQUITY</b>					
			<b>1,996,356</b>		<b>1,775,420</b>

Approved and authorised for issue by the Board of directors on 27 April 2007

**Ho Kian Guan**  
Executive Chairman

**Tse See Fan, Paul**  
Executive Director

The notes on pages 32 to 82 form part of these financial statements.

**BALANCE SHEET**

At 31 December 2006

	Note	2006		2005	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Fixed assets	12(b)				
– other properties and fixed assets			3,710		3,786
– furniture and fixtures			101		201
Interest in subsidiaries	13		778,820		757,810
Interest in associates	14		26,000		18,395
Available-for-sale securities	15		1,785		1,008
			<b>810,416</b>		781,200
<b>Current assets</b>					
Properties held for sale	17	12,647		12,647	
Trade and other receivables	18	1,033		459	
Cash and cash equivalents	19	380,514		220,678	
		<b>394,194</b>		233,784	
<b>Current liabilities</b>					
Bank loans	20	30,000		30,000	
Trade and other payables	21	906		1,186	
Taxation payable	23(a)	156		604	
		<b>31,062</b>		31,790	
<b>Net current assets</b>			<b>363,132</b>		201,994
<b>Total assets less current liabilities</b>			<b>1,173,548</b>		983,194
<b>Non-current liabilities</b>					
Amounts due to subsidiaries	13		(142,098)		(73)
<b>NET ASSETS</b>			<b>1,031,450</b>		983,121
<b>Capital and reserves</b>					
Share capital	24		340,200		340,200
Reserves			691,250		642,921
<b>TOTAL EQUITY</b>	25(b)		<b>1,031,450</b>		983,121

Approved and authorised for issue by the Board of directors on 27 April 2007

**Ho Kian Guan**  
Executive Chairman

**Tse See Fan, Paul**  
Executive Director

The notes on pages 32 to 82 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2006

Note	Share capital HK\$'000	Share premium HK\$'000	Legal reserve HK\$'000	Other capital reserves HK\$'000	Exchange reserve HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2005	340,200	158,105	12,758	-	17,954	226	894,865	1,424,108	186,233	1,610,341
Profit for the year	-	-	-	-	-	-	122,363	122,363	57,122	179,485
Dividends approved in respect of the current year	9	-	-	-	-	-	(13,608)	(13,608)	-	(13,608)
Dividends approved in respect of the previous year	9	-	-	-	-	-	(10,206)	(10,206)	-	(10,206)
Dividends paid by the subsidiaries to minority interests		-	-	-	-	-	-	-	(13,206)	(13,206)
Available-for-sale securities - change in fair value		-	-	-	-	190	-	190	-	190
Exchange difference on translation of financial statements of overseas subsidiaries and associates		-	-	-	376	-	-	376	-	376
Credit balance arising from discounting the interest-free loans from minority shareholders		-	-	22,048	-	-	-	22,048	-	22,048
At 31 December 2005	<u>340,200</u>	<u>158,105</u>	<u>12,758</u>	<u>22,048</u>	<u>18,330</u>	<u>416</u>	<u>993,414</u>	<u>1,545,271</u>	<u>230,149</u>	<u>1,775,420</u>
At 1 January 2006	340,200	158,105	12,758	22,048	18,330	416	993,414	1,545,271	230,149	1,775,420
Profit for the year	-	-	-	-	-	-	203,031	203,031	62,632	265,663
Dividends approved in respect of the current year	9	-	-	-	-	-	(10,206)	(10,206)	-	(10,206)
Dividends approved in respect of the previous year	9	-	-	-	-	-	(13,608)	(13,608)	-	(13,608)
Dividends paid by the subsidiaries to minority interests		-	-	-	-	-	-	-	(15,430)	(15,430)
Available-for-sale securities - change in fair value		-	-	-	-	777	-	777	-	777
Exchange difference on translation of financial statements of overseas subsidiaries and associates		-	-	-	(3,596)	-	-	(3,596)	-	(3,596)
Transfer to the income statement on disposal of interest in associate	14(c)	-	-	-	(5,179)	-	-	(5,179)	-	(5,179)
Capital injection to a subsidiary		-	-	-	-	-	-	-	7,129	7,129
Movement during the year		-	-	(4,614)	-	-	-	(4,614)	-	(4,614)
At 31 December 2006	<u>340,200</u>	<u>158,105</u>	<u>12,758</u>	<u>17,434</u>	<u>9,555</u>	<u>1,193</u>	<u>1,172,631</u>	<u>1,711,876</u>	<u>284,480</u>	<u>1,996,356</u>

The notes on pages 32 to 82 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
<b>Operating activities</b>			
Profit before taxation		281,485	193,985
Adjustments for:			
– Valuation gains on investment properties		(48,480)	(13,444)
– Depreciation		91,782	89,896
– Dividend income from available-for-sale securities		(40)	(28)
– Interest income		(26,258)	(14,026)
– Finance costs		8,120	10,328
– Share of profits less losses of associates		(13,446)	(34,859)
– Loss on disposal of fixed assets		1,624	193
– Impairment of interest in an associate		–	19,713
– Gain on disposal of an associate		(2,420)	–
– Foreign exchange (gain)/loss		(41,209)	25,266
<b>Operating profit before changes in working capital</b>		<b>251,158</b>	<b>277,024</b>
Decrease/(increase) in properties under development		–	(40,780)
(Increase)/decrease in properties held for sale		(1,988)	31,405
Decrease in inventories		965	946
(Increase)/decrease in trade and other receivables		(62,623)	7,597
Increase in trade and other payables		8,714	2,638
Increase/(decrease) in amounts due to an affiliated company		3,222	(51,516)
<b>Cash generated from operations</b>		<b>199,448</b>	<b>227,314</b>
Overseas tax paid		(20,065)	(12,789)
<b>Net cash generated from operating activities</b>		<b>179,383</b>	<b>214,525</b>
<b>Investing activities</b>			
Payment for the purchase of fixed assets	12	(15,374)	(9,479)
Proceeds from disposal of fixed assets		114	939
Net proceeds from disposal of an associate		143,500	–
Net proceeds from share redemption of an associate		4,671	–
Repayment of loans to associates		–	113,086
Interest received		26,258	14,026
Dividend received from an associate		–	11,285
Dividends received from available-for-sale securities		40	28
<b>Net cash generated from investing activities</b>		<b>159,209</b>	<b>129,885</b>

## CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
<b>Financing activities</b>			
Advance of new bank loans		45,000	2,328
Repayment of bank loans		(167,996)	(116,370)
Repayment of loan from minority shareholders		–	(5,591)
Interest paid		(8,120)	(10,328)
Dividends paid		(23,814)	(23,814)
Dividends paid to minority shareholders		(15,430)	(13,206)
Loan received from an affiliated company		–	43,161
Proceeds from issue of new shares of a subsidiary to minority shareholders		7,129	–
<b>Net cash used in financing activities</b>		<b>(163,231)</b>	<b>(123,820)</b>
<b>Net increase in cash and cash equivalents</b>		<b>175,361</b>	<b>220,590</b>
<b>Cash and cash equivalents at 1 January</b>		<b>639,303</b>	<b>444,755</b>
<b>Effect of foreign exchange rate changes</b>		<b>27,347</b>	<b>(26,042)</b>
<b>Cash and cash equivalents at 31 December</b>	19	<b>842,011</b>	<b>639,303</b>

The notes on pages 32 to 82 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

- (i) These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.
- (ii) The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of the new and revised HKFRSs has no significant impact on the financial statements of the Group for the years ended 31 December 2005 and 31 December 2006.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (Note 32) except for HK(IFRIC) 10, Interim financial reporting and impairment, which is effective for accounting periods beginning on or after 1 November 2006.

### (b) Basis of preparation of the financial statements

- (i) The consolidated financial statements for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.
- (ii) The measurement basis used in the preparation of the financial statements is the historical cost except where stated otherwise in the accounting policies set out below.
- (iii) The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 31.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(c) Subsidiaries and minority interests**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with Note 1(n).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (Note 1(j)).

**(d) Associates**

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(d) Associates** (Continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (Note 1(j)).

**(e) Goodwill**

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (Note 1(j)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the income statement.

On disposal of a cash generating unit, an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

**(f) Investments in equity securities**

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (Note 1(j)) and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement. When these investments are derecognised or impaired (Note 1(j)), the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(g) Fixed assets***(i) Investment property*

Investment properties are land and/or buildings which are owned or held under a leasehold interest (Note 1(i)) to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the income statement. Rental income from investment properties is accounted for as described in Note 1(s)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (Note 1(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 1(i).

*(ii) Hotel property*

Hotel property is stated in the balance sheet at cost less accumulated depreciation and impairment losses.

*(iii) Other properties and fixed assets*

Other properties and fixed assets comprise of land and buildings, furniture, fixtures and equipment and other items of properties, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

**(h) Depreciation***(i) Investment properties*

No depreciation is provided on investment properties.

*(ii) Properties under development*

No depreciation is provided on properties under development.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(h) Depreciation** (Continued)*(iii) Hotel properties*

Depreciation on hotel properties is provided on a straight line basis over the shorter of the joint venture period and 25 years on the cost of the hotel properties.

*(iv) Other fixed assets*

Depreciation is calculated to write off the cost of these assets on a straight line basis over their estimated useful lives as follows:

Land and buildings and other properties	– unexpired period of the lease
Furniture, fixtures and equipment	– 3 to 5 years
Motor vehicles	– 6 <sup>2</sup> / <sub>3</sub> years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(i) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

*(i) Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 1(g)(i)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(i) Leased assets** (Continued)*(ii) Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the assets, the estimated useful lives of the assets, as set out in Note 1(h). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 1(j). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

*(iii) Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (Note 1(g)(i)) or is held for development for sale (Note 1(k)).

**(j) Impairment of assets***(i) Impairment of investments in equity securities and other receivables*

Investments in equity securities and other receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For current receivables and loans to related parties that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables and loans to related parties are reversed if in a subsequent period the amount of the impairment loss decreases.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(j) Impairment of assets** (Continued)**(i) Impairment of investments in equity securities and other receivables**  
(Continued)

- For available-for-sale equity securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Impairment losses recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale equity securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the income statement.

**(ii) Impairment of other assets**

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (other than investment properties carried at revalued amounts);
- pre-paid interests in leasehold land classified as being held under an operating lease; and
- investments in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(j) Impairment of assets** (Continued)*(ii) Impairment of other assets* (Continued)

- Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

*(iii) Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (Notes 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(k) Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost represents purchase cost computed on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– *Property under development for sale*

The cost of properties under development for sale comprises specifically identified costs, including the acquisition cost of land, the aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads and borrowing costs capitalised (Note 1(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– *Completed property held for sale*

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

**(l) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (Note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (Note 1(j)).

**(m) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(n) Trade and other payables**

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

**(o) Cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

**(p) Employee benefits**

Short term employee benefits and contributions to defined contribution retirement plans:

- (i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and central pension schemes operated by the local governments in Mainland China are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.
- (iii) Contributions to the social insurance fund schemes operated by the local governments in Vietnam are recognised as an expense in the income statement as incurred, except to the extent that they are incurred during the construction period, in which case they are capitalised as part of properties under development.

Termination benefits:

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(q) Income tax**

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(q) Income tax** (Continued)

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
  - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
    - the same taxable entity; or
    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(r) Financial guarantees issued, provisions and contingent liabilities****(i) Financial guarantees issued**

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

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

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 1(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(r) Financial guarantees issued, provisions and contingent liabilities** (Continued)**(ii) Other provisions and contingent liabilities**

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(s) Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

- (i) Revenue arising from the sale of properties is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under trade and other payables.
- (ii) Rental income from operating leases  

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.
- (iii) Hotel and club revenue from room rental, food and beverage sales, slot machine and other ancillary services is recognised when the related services are rendered.
- (iv) Interest income from bank deposits and overdue interest received from purchasers of properties is recognised as it accrues using the effective interest rate.
- (v) Management fees are recognised when the services are rendered.

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement, except for those arising from the translation of the financial statements of overseas subsidiaries and associates which are taken directly to the exchange reserve.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

### (u) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### (v) Affiliated companies

An affiliated company is a company, not being a subsidiary or an associate, in which a director of the Company has a significant beneficial interest.

### (w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(w) Related parties** (Continued)

- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

**(x) Segment reporting**

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

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

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

Unallocated items mainly comprise financial and corporate assets, borrowings, tax balances, corporate and financing expenses.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**2 TURNOVER**

The principal activities of the Group are property investment and development, hotel and club operations and the provision of management services.

Turnover represents the proceeds from the sale of properties, rental income and income from hotel and club operations and the provision of management services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
Hotel and club operations		
– Room	<b>178,404</b>	159,238
– Food and beverage	<b>99,728</b>	91,472
– Slot machine income ( <i>Note</i> )	<b>214,734</b>	123,447
– Others	<b>18,138</b>	15,672
	<b>511,004</b>	389,829
Proceeds from the sale of properties	<b>98,587</b>	180,201
Rental income	<b>13,186</b>	10,878
Management fee income	<b>5,570</b>	5,155
	<b>628,347</b>	586,063

*Note:* The slot machine income represents net proceeds earned from the operation of slot machines at one of the Group's hotels.

**3 OTHER REVENUE AND OTHER NET INCOME/(LOSS)**

	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
(a) Other revenue		
Interest income from bank deposits	<b>26,258</b>	14,026
Dividend income from available-for-sale securities	<b>40</b>	28
Other revenue from hotel operations and miscellaneous income	<b>4,117</b>	5,730
	<b>30,415</b>	19,784
(b) Other net income/(loss)		
Exchange gain/(loss)	<b>42,777</b>	(26,531)
Loss on disposal of fixed assets	<b>(1,624)</b>	(193)
	<b>41,153</b>	(26,724)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2006 HK\$'000	2005 HK\$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	1,949	4,908
Interest on other loans	6,003	5,354
Interest paid on amounts due to an affiliated company	110	71
Other borrowing costs	58	27
	<hr/>	<hr/>
Total borrowing costs	8,120	10,360
Less: Borrowing costs capitalised into properties under development (Note)	-	(32)
	<hr/>	<hr/>
	<b>8,120</b>	<b>10,328</b>
	<hr/> <hr/>	<hr/> <hr/>

Note: No borrowing costs have been capitalised as the properties under development were completed during the year ended 31 December 2006. The borrowing costs were capitalised at a rate of 2.3% per annum for properties under development in 2005.

	2006 HK\$'000	2005 HK\$'000
(b) Staff costs		
Salaries, wages and other benefits	52,015	48,096
Contributions to defined contribution retirement plans	1,873	1,766
	<hr/>	<hr/>
	<b>53,888</b>	<b>49,862</b>
	<hr/> <hr/>	<hr/> <hr/>
(c) Other items		
Cost of properties sold	19,538	34,298
Cost of inventories	74,032	54,724
Auditors' remuneration		
– Audit services	1,251	1,219
– Tax and other non-audit services	310	306
Operating lease charges for hire of premises	278	271
Rentals receivable from investment properties less direct outgoings of HK\$2,077,000 (2005: HK\$1,276,000)	(11,109)	(9,602)
Other rental income less direct outgoings	(20,236)	(17,948)
Impairment of interest in an associate (Note 14(c))	-	19,713
	<hr/>	<hr/>
	<b>-</b>	<b>19,713</b>
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2006 HK\$'000	2005 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	–	–
<b>Current tax – Overseas</b>		
Provision for the year	17,458	18,130
Over-provision in respect of prior years (Note (ii))	(6,950)	(735)
	10,508	17,395
<b>Deferred tax (Note 23(b))</b>		
Change in value of investment properties	6,107	1,613
Origination and reversal of temporary differences	–	(105)
Future benefit of tax losses recognised	(793)	(4,403)
	5,314	(2,895)
	15,822	14,500

## Notes:

(i) The provision for Hong Kong Profits Tax for 2006 is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(ii) In prior years, the directors provided for Macau complementary tax based on information available to the Group at that time. During the year ended 31 December 2006, the directors have reassessed the adequacy of those provisions and as a result of this evaluation, provisions for Macau complementary tax charged to the income statement in previous years totalling HK\$6,951,000 (2005: HK\$817,000) have been credited to the consolidated income statement for the year ended 31 December 2006.

(iii) Share of associates' tax for the year ended 31 December 2006 of HK\$4,261,000 (2005: HK\$5,998,000) is included in the share of profits less losses of associates.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	2006 HK\$'000	2005 HK\$'000
Profit before taxation	<u>281,485</u>	<u>193,985</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	44,904	23,548
Tax effect of non-deductible expenses	4,542	7,334
Tax effect of non-taxable revenue	(18,150)	(8,767)
Tax effect of unused tax losses not recognised	-	490
Tax effect of prior years' unrecognised tax losses now recognised	(793)	(4,403)
Tax effect of previously unrecognised prior years' tax losses utilised this year	(8,136)	(2,999)
Over-provision in prior years	(6,951)	(735)
Others	406	32
Actual tax expense	<u>15,822</u>	<u>14,500</u>

## 6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	2006 Total HK\$'000
<i>Executive directors</i>					
HO Kian Guan	75	1,080	90	-	1,245
HO Kian Hock	40	1,080	90	-	1,210
TSE See Fan, Paul	75	-	-	-	75
CHAN Lui Ming, Ivan*	18	120	10	-	148
YU Yuet Chu, Evelyn*	33	261	22	6	322
<i>Non-executive director</i>					
HO Kian Cheong	25	-	-	-	25
<i>Independent non-executive directors</i>					
CHAN Yau Hing, Robin	100	-	-	-	100
KWOK Chi Shun, Arthur	100	-	-	-	100
WANG Poey Foon, Angela	100	-	-	-	100
	<u>566</u>	<u>2,541</u>	<u>212</u>	<u>6</u>	<u>3,325</u>

\* remuneration from 1 July 2006, date of appointment

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**6 DIRECTORS' REMUNERATION** (Continued)

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	2005 Total HK\$'000
<i>Executive directors</i>					
HO Kian Guan	90	1,080	90	–	1,260
HO Kian Hock	55	1,080	90	–	1,225
TSE See Fan, Paul	75	–	–	–	75
<i>Non-executive director</i>					
HO Kian Cheong	29	–	–	–	29
<i>Independent non-executive directors</i>					
CHAN Yau Hing, Robin	85	–	–	–	85
KWOK Chi Shun, Arthur	85	–	–	–	85
WANG Poey Foon, Angela	65	–	–	–	65
	<u>484</u>	<u>2,160</u>	<u>180</u>	<u>–</u>	<u>2,824</u>

The Company does not have any share option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share based payments from the Company or any of its subsidiaries during the year ended 31 December 2006 (2005: HK\$Nil).

During the years ended 31 December 2005 and 31 December 2006, there were no amounts paid to directors for the compensation for loss of office or inducement for joining the Group.

**7 INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Of the five individuals with the highest emoluments, two (2005: two) are directors whose emoluments are disclosed in Note 6.

The aggregate of the emoluments in respect of the three (2005: three) individuals, is as follows:

	2006 HK\$'000	2005 HK\$'000
Salaries and other emoluments	3,068	1,896
Discretionary bonuses	162	1,013
Share-based payments	–	–
Retirement scheme contributions	178	71
	<u>3,408</u>	<u>2,980</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**7 INDIVIDUALS WITH HIGHEST EMOLUMENTS** (Continued)

The emoluments of the three (2005: three) individuals with the highest emoluments are within the following bands:

HK\$	2006 Number of individuals	2005 Number of individuals
Nil – 1,000,000	1	2
1,000,001 – 1,500,000	2	1

**8 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The consolidated profit attributable to equity holders of the Company includes a profit of HK\$71,366,000 (2005: HK\$37,223,000) which has been dealt with in the financial statements of the Company.

**9 DIVIDENDS****(a) Dividends payable to equity holders of the Company attributable to the year**

	2006 HK\$'000	2005 HK\$'000
Interim dividend declared and paid of HK\$0.03 (2005: HK\$0.04) per ordinary share	10,206	13,608
Final dividend proposed after the balance sheet date of HK\$0.10 (2005: HK\$0.04) per ordinary share	34,020	13,608
	<b>44,226</b>	<b>27,216</b>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

**(b) Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the year**

	2006 HK\$'000	2005 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.04 per share (2005: HK\$0.03 per share)	13,608	10,206

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**10 EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of HK\$203,031,000 (2005: HK\$122,363,000) and on the 340,200,000 ordinary shares in issue during both years ended 31 December 2006 and 2005.

**11 SEGMENT REPORTING**

Segment information is presented in respect of the Group's business and geographical segments. Geographical segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

**(a) Geographical segments by the location of assets**

The Group's business operations are sub-divided into Macau, the People's Republic of China ("PRC"), the Socialist Republic of Vietnam ("Vietnam"), Canada and other markets classified by the location of assets.

*Geographical segments*

	2006					Total HK\$'000
	Macau HK\$'000	PRC HK\$'000	Vietnam HK\$'000	Canada HK\$'000	Others HK\$'000	
Turnover	119,390	49,995	456,786	1,060	1,116	628,347
Other revenue						
– allocated	12,883	266	3,148	–	–	16,297
– unallocated	–	–	–	–	14,118	14,118
Total revenue	<u>132,273</u>	<u>50,261</u>	<u>459,934</u>	<u>1,060</u>	<u>15,234</u>	<u>658,762</u>
Segment results	146,482	8,555	86,631	371	34,120*	276,159
Finance costs	(252)	(1,374)	–	(3)	(6,491)	(8,120)
Share of profits less losses of associates	(10)	2,298	2,703	8,455	–	13,446
Profit before taxation	146,220	9,479	89,334	8,823	27,629	281,485
Income tax						(15,822)
Profit after taxation						<u>265,663</u>
Minority interests	28,763	5,567	28,772	–	(470)	62,632
Profit attributable to equity holders						<u>203,031</u>
Depreciation of fixed assets	4,424	9,440	77,743	–	175	91,782

\* Segment results of "others" include exchange gains of HK\$16,766,000.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11 SEGMENT REPORTING (Continued)

## (a) Geographical segments by the location of assets (Continued)

## Geographical segments (Continued)

	2006					Total HK\$'000
	Macau HK\$'000	PRC HK\$'000	Vietnam HK\$'000	Canada HK\$'000	Others HK\$'000	
Capital expenditure incurred during the year	<u>27,740</u>	<u>2,926</u>	<u>11,429</u>	-	-	<u>42,095</u>
Segment assets #	<u>679,805</u>	<u>179,087</u>	<u>555,364</u>	-	<u>17,873</u>	<u>1,432,129</u>
Interest in associates	-	-	<u>37,900</u>	<u>61,362</u>	<u>4,997</u>	<u>104,259</u>
Unallocated assets	-	-	-	-	<u>841,152</u>	<u>841,152</u>
Total assets	<u>679,805</u>	<u>179,087</u>	<u>593,264</u>	<u>61,362</u>	<u>864,022</u>	<u>2,377,540</u>
Segment liabilities #	<u>76,413</u>	<u>30,703</u>	<u>54,903</u>	<u>79</u>	<u>41,271</u>	<u>203,369</u>
Unallocated liabilities	-	-	-	-	<u>177,815</u>	<u>177,815</u>
Total liabilities	<u>76,413</u>	<u>30,703</u>	<u>54,903</u>	<u>79</u>	<u>219,086</u>	<u>381,184</u>
Minority interests						<u>284,480</u>

# Segment assets and liabilities are before elimination of inter-segment balances.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**11 SEGMENT REPORTING** (Continued)**(a) Geographical segments by the location of assets** (Continued)*Geographical segments (Continued)*

	2005					Total HK\$'000
	Macau HK\$'000	PRC HK\$'000	Vietnam HK\$'000	Canada HK\$'000	Others HK\$'000	
Turnover	192,648	46,069	339,764	905	6,677	586,063
Other revenue						
– allocated	12,744	2,941	2,245	–	–	17,930
– unallocated	–	–	–	–	1,854	1,854
<b>Total revenue</b>	<b>205,392</b>	<b>49,010</b>	<b>342,009</b>	<b>905</b>	<b>8,531</b>	<b>605,847</b>
Segment results	130,191	(11,065)	53,981	217	(3,870)*	169,454
Finance costs	(204)	(1,686)	–	–	(8,438)	(10,328)
Share of profits less losses of associates	(10)	20,407	9,694	4,742	26	34,859
Profit/(loss) before taxation	129,977	7,656	63,675	4,959	(12,282)	193,985
Income tax						(14,500)
<b>Profit after taxation</b>						<b>179,485</b>
Minority interests	32,731	4,090	21,127	–	(826)	57,122
<b>Profit attributable to equity holders</b>						<b>122,363</b>
Depreciation of fixed assets	4,164	8,944	76,612	–	176	89,896
Impairment of interest in an associate (Note 14(c))	–	19,713	–	–	–	19,713

\* Segment results of "others" include exchange losses of HK\$9,278,000.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**11 SEGMENT REPORTING** (Continued)**(a) Geographical segments by the location of assets** (Continued)*Geographical segments (Continued)*

	2005					Total HK\$'000
	Macau HK\$'000	PRC HK\$'000	Vietnam HK\$'000	Canada HK\$'000	Others HK\$'000	
Capital expenditure incurred during the year	45,720	2,273	4,072	–	–	52,065
Segment assets #	571,515	180,578	619,862	–	16,010	1,387,965
Interest in associates	–	144,000	35,197	58,564	4,998	242,759
Unallocated assets	–	–	–	–	638,548	638,548
Total assets	571,515	324,578	655,059	58,564	659,556	2,269,272
Segment liabilities #	73,051	18,351	52,542	66	155,042	299,052
Unallocated liabilities	–	–	–	–	194,800	194,800
Total liabilities	73,051	18,351	52,542	66	349,842	493,852
Minority interests						230,149

# Segment assets and liabilities are before elimination of inter-segment balances.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**11 SEGMENT REPORTING** (Continued)**(b) Business segments**

The Group comprises the following main business segments:

- (i) Property development, investment and management
- (ii) Hotel and club operations

	2006			Total HK\$'000
	Property development, investment and management HK\$'000	Hotel and club operations HK\$'000	Unallocated HK\$'000	
Revenue from external customers	117,131	511,216	-	628,347
Total assets #	694,317	835,710	847,513	2,377,540
Contribution to profit from operations	149,312	97,847	29,000	276,159
Capital expenditure incurred during the year	27,568	14,527	-	42,095

	2005			Total HK\$'000
	Property development, investment and management HK\$'000	Hotel and club operations HK\$'000	Unallocated HK\$'000	
Revenue from external customers	196,234	389,829	-	586,063
Total assets #	850,802	773,559	644,911	2,269,272
Contribution to profit from operations	140,860	28,594	-	169,454
Capital expenditure incurred during the year	45,720	6,345	-	52,065

# Segment assets are before elimination of inter-segment balances.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12 FIXED ASSETS

## (a) The Group

	Investment properties HK\$'000	Hotel properties HK\$'000	Other properties and fixed assets HK\$'000	Furniture, fixtures and equipment HK\$'000	Interests in leasehold land held for own use HK\$'000	Total HK\$'000
<b>Cost or valuation:</b>						
At 1 January 2006	173,000	669,902	99,395	347,506	157,281	1,447,084
Additions	-	3,356	344	11,674	-	15,374
Disposals	-	(22)	(793)	(4,415)	-	(5,230)
Surplus on revaluation	48,480	-	-	-	-	48,480
Exchange adjustments	-	7,659	88	4,016	2,761	14,524
	<u>221,480</u>	<u>680,895</u>	<u>99,034</u>	<u>358,781</u>	<u>160,042</u>	<u>1,520,232</u>
At 31 December 2006	221,480	680,895	99,034	358,781	160,042	1,520,232
<b>Representing:</b>						
Cost	-	680,895	99,034	358,781	160,042	1,298,752
Valuation – 2006	221,480	-	-	-	-	221,480
	<u>221,480</u>	<u>680,895</u>	<u>99,034</u>	<u>358,781</u>	<u>160,042</u>	<u>1,520,232</u>
<b>Accumulated depreciation:</b>						
At 1 January 2006	-	113,892	31,828	240,695	35,610	422,025
Charge for the year	-	31,710	4,040	52,697	3,335	91,782
Written back on disposals	-	-	(492)	(3,000)	-	(3,492)
Exchange adjustments	-	1,853	48	3,592	530	6,023
	<u>-</u>	<u>147,455</u>	<u>35,424</u>	<u>293,984</u>	<u>39,475</u>	<u>516,338</u>
At 31 December 2006	-	147,455	35,424	293,984	39,475	516,338
<b>Net book value:</b>						
At 31 December 2006	<u>221,480</u>	<u>533,440</u>	<u>63,610</u>	<u>64,797</u>	<u>120,567</u>	<u>1,003,894</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12 FIXED ASSETS (Continued)

## (a) The Group (Continued)

	Investment properties HK\$'000	Hotel properties HK\$'000	Other properties and fixed assets HK\$'000	Furniture, fixtures and equipment HK\$'000	Interests in leasehold land held for own use HK\$'000	Total HK\$'000
<b>Cost or valuation:</b>						
At 1 January 2005	158,000	667,056	99,017	342,976	155,626	1,422,675
Additions	1,556	280	676	6,516	451	9,479
Disposals	-	-	(335)	(3,492)	-	(3,827)
Surplus on revaluation	13,444	-	-	-	-	13,444
Exchange adjustments	-	2,566	37	1,506	1,204	5,313
	<u>173,000</u>	<u>669,902</u>	<u>99,395</u>	<u>347,506</u>	<u>157,281</u>	<u>1,447,084</u>
At 31 December 2005	173,000	669,902	99,395	347,506	157,281	1,447,084
<b>Representing:</b>						
Cost	-	669,902	99,395	347,506	157,281	1,274,084
Valuation - 2005	173,000	-	-	-	-	173,000
	<u>173,000</u>	<u>669,902</u>	<u>99,395</u>	<u>347,506</u>	<u>157,281</u>	<u>1,447,084</u>
<b>Accumulated depreciation:</b>						
At 1 January 2005	-	81,844	28,063	190,267	32,145	332,319
Charge for the year	-	31,352	4,078	51,198	3,268	89,896
Written back on disposals	-	-	(335)	(2,360)	-	(2,695)
Exchange adjustments	-	696	22	1,590	197	2,505
	<u>-</u>	<u>113,892</u>	<u>31,828</u>	<u>240,695</u>	<u>35,610</u>	<u>422,025</u>
At 31 December 2005	-	113,892	31,828	240,695	35,610	422,025
<b>Net book value:</b>						
At 31 December 2005	<u>173,000</u>	<u>556,010</u>	<u>67,567</u>	<u>106,811</u>	<u>121,671</u>	<u>1,025,059</u>

- (i) The investment properties comprise various units of Luso International Bank Building and Ocean Gardens in Macau.

The investment properties were revalued by Savills (Macau) Limited, an independent firm of professional surveyors, with recent experience in the location and category of property being valued at 31 December 2006, on an open market value basis, after taking into consideration the net rental income allowing for reversionary potential.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**12 FIXED ASSETS** (Continued)**(a) The Group** (Continued)

- (ii) The Group leases out investment properties under operating leases, which generally run for an initial period of one to four years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The gross amount of investment properties of the Group held for use in operating leases was HK\$221,480,000 (2005: HK\$173,000,000).

The Group's total future minimum lease payments under non-cancellable operating leases of investment and hotel properties are receivable as follows:

	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
Within 1 year	<b>23,680</b>	25,931
After 1 year but within 5 years	<b>21,651</b>	17,930
After 5 years	<b>7,912</b>	–
	<b>53,243</b>	43,861

- (iii) Land use rights were granted to the subsidiaries for their hotel properties in (a) Wuhan, the PRC with a period of 50 years after receiving an approval for extension of 20 years in 2004 in addition to the initial period of 30 years commencing on 21 August 1995, and (b) Vietnam with a period of 48 years commencing on 7 May 1994.
- (iv) A clubhouse situated in Ocean Gardens is classified under other properties and fixed assets.
- (v) At 31 December 2006, certain investment properties, other properties and fixed assets and a hotel property together with its integral fixtures and fittings with a net book value of HK\$797,713,000 (2005: HK\$1,019,553,000) were mortgaged to various banks to secure banking facilities granted to the Group (Note 20).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12 FIXED ASSETS (Continued)

## (b) The Company

	Other properties and fixed assets <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost:</b>			
At 1 January 2006 and 31 December 2006	4,013	503	4,516
<b>Accumulated depreciation:</b>			
At 1 January 2006	227	302	529
Charge for the year	76	100	176
At 31 December 2006	303	402	705
<b>Net book value:</b>			
At 31 December 2006	3,710	101	3,811
<b>Cost:</b>			
At 1 January 2005 and 31 December 2005	4,013	503	4,516
<b>Accumulated depreciation:</b>			
At 1 January 2005	151	202	353
Charge for the year	76	100	176
At 31 December 2005	227	302	529
<b>Net book value:</b>			
At 31 December 2005	3,786	201	3,987

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12 FIXED ASSETS (Continued)

## (c) The analysis of the tenure of title to properties at net book value or valuation is as follows:

## The Group

	Investment properties HK\$'000	Hotel properties HK\$'000	Other properties and fixed assets HK\$'000	Interest in leasehold land held for own use HK\$'000	Total HK\$'000
<b>Net book value or valuation:</b>					
At 31 December 2006					
Held in Hong Kong					
– long lease	–	–	3,710	–	3,710
Held outside Hong Kong					
– short lease	179,780	–	58,205	367	238,352
– medium lease	41,700	533,440	–	120,200	695,340
	<u>221,480</u>	<u>533,440</u>	<u>61,915</u>	<u>120,567</u>	<u>937,402</u>

## Net book value or valuation:

At 31 December 2005

Held in Hong Kong					
– long lease	–	–	3,785	–	3,785
Held outside Hong Kong					
– short lease	142,000	–	61,756	449	204,205
– medium lease	31,000	556,010	–	121,312	708,322
	<u>173,000</u>	<u>556,010</u>	<u>65,541</u>	<u>121,761</u>	<u>916,312</u>

## The Company

	Other properties and fixed assets	
	2006 HK\$'000	2005 HK\$'000
<b>Net book value:</b>		
Held in Hong Kong under long leases	<u>3,710</u>	<u>3,785</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**13 INTEREST IN SUBSIDIARIES**

The Company

	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
Unlisted shares, at cost	<b>39,667</b>	39,667
Amounts due from subsidiaries – Current accounts	<b>739,153</b>	718,143
	<b>778,820</b>	757,810
Amounts due to subsidiaries	<b>142,098</b>	73

Amounts due from/to subsidiaries are unsecured, interest-free and classified as non-current as they are not expected to be recovered/settled within the next twelve months.

Details of the subsidiaries of the Group are set out on Note 33 to the financial statements.

**14 INTEREST IN ASSOCIATES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
Unlisted shares, at cost	–	–	<b>5</b>	5
Share of net assets	<b>74,623</b>	216,451	–	–
Loans to associates	<b>29,636</b>	46,021	<b>25,995</b>	18,390
	<b>104,259</b>	262,472	<b>26,000</b>	18,395
Less: Impairment loss (Note (c))	–	(19,713)	–	–
	<b>104,259</b>	242,759	<b>26,000</b>	18,395
Loans from associates	<b>1,364</b>	1,364	–	–

Details of the associates of the Group are set out in Note 33 to the financial statements.

- (a) The loans to associates are unsecured, interest-free, have no fixed terms of repayment and are not expected to be recovered/settled within one year.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**14 INTEREST IN ASSOCIATES** (Continued)**(b) Summary of financial information on associates**

	<b>Assets</b> <i>HK\$'000</i>	<b>Liabilities</b> <i>HK\$'000</i>	<b>Equity</b> <i>HK\$'000</i>	<b>Revenues</b> <i>HK\$'000</i>	<b>Profit</b> <i>HK\$'000</i>
<b>2006</b>					
100 per cent	787,863	593,501	194,362	277,003	43,280
Group's effective interest	<u>316,498</u>	<u>241,875</u>	<u>74,623</u>	<u>121,221</u>	<u>13,446</u>
<b>2005</b>					
100 per cent	1,944,691	1,111,764	832,927	447,985	140,104
Group's effective interest	<u>590,012</u>	<u>373,561</u>	<u>216,451</u>	<u>162,526</u>	<u>34,859</u>

**(c) Disposal of interest in Crown Pacific Development Limited**

On 1 June 2006, the Group entered into a sale and purchase agreement with an independent third party in respect of the disposal of the Group's entire interest in Crown Pacific Development Limited ("Crown Pacific") for a consideration of HK\$144.0 million. The transaction was completed on 31 July 2006 resulting in a gain on disposal of HK\$2,420,000 which represented the difference between the net proceeds of HK\$143.5 million and the attributable share of net assets disposed of HK\$141.4 million (after releasing the exchange reserve of HK\$5.2 million).

The Group's share of profit of Crown Pacific for the period from 1 January 2006 to 31 May 2006, amounting to HK\$2,298,000 was included in the consolidated income statement of the Group on an equity accounting basis.

**15 AVAILABLE-FOR-SALE SECURITIES**

	<b>The Group and the Company</b>	
	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Shares listed outside Hong Kong, at market value	<u>1,785</u>	<u>1,008</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 16 PROPERTIES UNDER DEVELOPMENT

	<b>The Group</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 January	<b>126,255</b>	85,475
Additions	<b>10,517</b>	40,780
Transfer to properties held for sale (Note 17)	<b>(136,772)</b>	–
At 31 December	<b>–</b>	<b>126,255</b>

At 31 December 2005, the carrying value of the short-term leasehold land held outside Hong Kong included in properties under development was HK\$8,891,000.

## 17. PROPERTIES HELD FOR SALE

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 January	<b>207,428</b>	238,833	<b>12,647</b>	14,903
Additions	<b>11,009</b>	2,893	–	–
Transfer from properties under development (Note 16)	<b>136,772</b>	–	–	–
Properties sold during the year	<b>(19,538)</b>	(34,298)	–	(2,256)
At 31 December	<b>335,671</b>	<b>207,428</b>	<b>12,647</b>	<b>12,647</b>

- (i) Properties held for sale comprise Ocean Park (situated in Singapore), Heng Fa Chuen (situated in Hong Kong), Ocean Industrial Centre II, Keck Seng Industrial Centre III and Ocean Gardens (all situated in Macau).
- (ii) The lease term of the properties held for sale by the Group and the Company is summarised as follows.

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Held in Hong Kong				
– long lease	<b>1,920</b>	1,920	<b>1,920</b>	1,920
Held outside Hong Kong				
– short lease	<b>323,024</b>	194,781	–	–
– freehold	<b>10,727</b>	10,727	<b>10,727</b>	10,727
	<b>333,751</b>	205,508	<b>10,727</b>	10,727
	<b>335,671</b>	<b>207,428</b>	<b>12,647</b>	<b>12,647</b>

At 31 December 2006, the carrying value of the short-term leasehold land held outside Hong Kong included in properties held for sale was HK\$18,436,552 (2005: HK\$10,244,000).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**17 PROPERTIES HELD FOR SALE** (Continued)

- (iii) A subsidiary obtained the occupation permit for Lot W of Ocean Gardens on 17 November 2006. Accordingly, the carrying value of properties under development at that date of HK\$136,772,000 was transferred from properties under development to properties held for sale.

At 31 December 2006, the subsidiary had mortgaged its land and buildings on Taipa Island to a bank to secure banking facilities to the extent of HK\$85,000,000 (2005: HK\$85,000,000) granted to that subsidiary. None of the banking facilities were utilised at 31 December 2006 (2005: HK\$Nil) (Note 20).

**18 TRADE AND OTHER RECEIVABLES**

	The Group		The Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Amounts expected to be recoverable:				
– within one year	82,060	19,789	1,033	459
– after one year	700	348	–	–
Trade and other receivables	<b>82,760</b>	20,137	<b>1,033</b>	459

Included in trade and other receivables are trade receivables (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2006 HK\$'000	2005 HK\$'000
Current or less than one month overdue	9,678	4,060
One to three months overdue	65,158	8,008
More than three months overdue but less than twelve months overdue	44	518
More than twelve months overdue	–	–
	<b>74,880</b>	12,586

The Group's credit policy is set out in Note 26(a).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**18 TRADE AND OTHER RECEIVABLES** (Continued)

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2006 '000	2005 '000	2006 '000	2005 '000
United States Dollars	<b>USD 1,292</b>	USD 1,097	<b>USD –</b>	USD –

**19 CASH AND CASH EQUIVALENTS**

	The Group		The Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Deposits with banks and other financial institutions	<b>428,929</b>	587,756	<b>380,125</b>	220,389
Cash at bank and in hand	<b>413,082</b>	51,547	<b>389</b>	289
	<b>842,011</b>	639,303	<b>380,514</b>	220,678

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

	The Group		The Company	
	2006 '000	2005 '000	2006 '000	2005 '000
Australian Dollars	<b>AUD 16,192</b>	AUD 15,395	<b>AUD 7,537</b>	AUD 7,205
Canadian Dollars	<b>CAN 6,347</b>	CAN 5,311	<b>CAN 3,097</b>	CAN 2,168
Euros	<b>EUR 28,289</b>	EUR 18,704	<b>EUR 13,451</b>	EUR 4,232
Pounds Sterling	<b>GBP 9,793</b>	GBP –	<b>GBP 9,793</b>	GBP –
United States Dollars	<b>USD 7,906</b>	USD 19,083	<b>USD 71</b>	USD 12,998

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 20 BANK LOANS

(a) At 31 December 2006, the bank loans were repayable as follows:

	The Group		The Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Within one year or on demand	48,669	46,279	30,000	30,000
After one year but within two years	-	16,275	-	-
After two years but within five years	-	80,500	-	-
After five years	-	28,611	-	-
	-	125,386	-	-
	<b>48,669</b>	<b>171,665</b>	<b>30,000</b>	<b>30,000</b>

(b) At 31 December 2006, the bank loans were secured as follows:

	The Group		The Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Bank loans				
- secured	18,669	141,665	-	-
- unsecured	30,000	30,000	30,000	30,000
	<b>48,669</b>	<b>171,665</b>	<b>30,000</b>	<b>30,000</b>

At 31 December 2006, certain bank loans of the Group are secured by investment properties, other properties and fixed assets and a hotel property as described in Note 12(a)(vi).

(c) All bank loans bear interest at floating interest rates which approximate market rates of interest.

(d) Included in bank loans are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2006 '000	2005 '000	2006 '000	2005 '000
United States Dollars	USD 2,400	USD 18,262	USD -	USD -

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**21 TRADE AND OTHER PAYABLES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Payables and accruals	<b>91,610</b>	83,352	<b>627</b>	924
Sales deposits and receipts in advance	<b>12,512</b>	12,056	<b>279</b>	262
	<b>104,122</b>	95,408	<b>906</b>	1,186

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

	<b>The Group</b>	
	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Due within one month or on demand	<b>18,170</b>	19,179
Due after one month but within three months	<b>8,103</b>	–
Due after three months but within six months	<b>582</b>	87
	<b>26,855</b>	19,266

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b> <i>'000</i>	2005 <i>'000</i>	<b>2006</b> <i>'000</i>	2005 <i>'000</i>
United States Dollars	<b>USD 6,730</b>	USD 6,789	<b>USD –</b>	USD –

**22 LOANS FROM MINORITY SHAREHOLDERS**

Loans from minority shareholders are unsecured, non-interest bearing, and payable on demand, except for a loan with nominal value of HK\$98,675,000 which is repayable on 30 April 2010.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**23 INCOME TAX IN THE BALANCE SHEET**

(a) Taxation in the balance sheet represents:

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
Provision for overseas taxation for the year	<b>17,458</b>	18,130	<b>156</b>	604
Tax paid for the year	<b>(20,065)</b>	(12,789)	–	–
Balance of overseas tax provision relating to prior years	<b>41,185</b>	42,794	–	–
	<b>38,578</b>	48,135	<b>156</b>	604

(b) Deferred tax assets and liabilities recognised:

*The Group*

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

	<b>Surplus on revaluation of investment properties</b> <i>HK\$'000</i>	<b>Tax losses recognised</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Deferred tax arising from:</b>				
At 1 January 2006	4,528	(4,403)	(105)	20
Charged/(credited) to the income statement	6,107	(793)	–	5,314
Exchange difference	–	(7)	(2)	(9)
At 31 December 2006	<b>10,635</b>	<b>(5,203)</b>	<b>(107)</b>	<b>5,325</b>
At 1 January 2005	2,915	–	–	2,915
Charged/(credited) to the income statement	1,613	(4,403)	(105)	(2,895)
At 31 December 2005	<b>4,528</b>	<b>(4,403)</b>	<b>(105)</b>	<b>20</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**23 INCOME TAX IN THE BALANCE SHEET** (Continued)

(b) Deferred tax assets and liabilities recognised: (Continued)

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
Net deferred tax asset recognised in the balance sheet	<b>(5,310)</b>	(4,508)	-	-
Net deferred tax liability recognised in the balance sheet	<b>10,635</b>	4,528	-	-
	<b>5,325</b>	20	-	-

The major component of unprovided deferred taxation of the Group is the future benefit of tax losses, which have been agreed with the relevant tax authorities, of HK\$15,540,000 (2005: HK\$13,178,000). The future benefit of tax losses which are subject to agreement by the relevant tax authorities at 31 December 2006 amounted to HK\$4,751,000 (2005: HK\$20,814,000), the deferred tax benefit of these potential tax losses has also not been recognised. The future benefit of tax losses has not been recognised as it is not probable that there will be sufficient appropriate taxable profits in the foreseeable future against which they may be offset.

The tax losses can be carried forward to offset against the taxable profits of the relevant subsidiaries in subsequent years for up to three to seven years from the year in which they were incurred or there is no restriction on their expiry depending on the tax jurisdiction concerned.

At 31 December 2006, the Company does not have any material deferred taxation assets and liabilities (2005: HK\$Nil).

**24 SHARE CAPITAL**

	<b>2006</b>		2005	
	<b>No. of shares</b>	<b>HK\$'000</b>	No. of shares	<i>HK\$'000</i>
<b>Authorised:</b>				
Ordinary shares of HK\$1 each	<b>500,000,000</b>	<b>500,000</b>	500,000,000	500,000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January and at 31 December	<b>340,200,000</b>	<b>340,200</b>	340,200,000	340,200

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**25 SHARE CAPITAL AND RESERVES****(a) The Group**

Details of the movements in reserves of the Group during the years ended 31 December 2005 and 31 December 2006 are set out in the consolidated statement of changes in equity.

**(b) The Company**

	Note	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Fair value reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000
At 1 January 2005		340,200	158,105	891	226	470,255	969,677
Dividends approved in respect of the previous year	9	-	-	-	-	(10,206)	(10,206)
Available-for-sale securities – changes in fair value		-	-	-	190	-	190
Profit for the year		-	-	-	-	37,223	37,223
Realisation of exchange gain from sale of properties		-	-	(155)	-	-	(155)
Dividends declared in respect of the current year	9	-	-	-	-	(13,608)	(13,608)
At 31 December 2005		<u>340,200</u>	<u>158,105</u>	<u>736</u>	<u>416</u>	<u>483,664</u>	<u>983,121</u>
At 1 January 2006		<b>340,200</b>	<b>158,105</b>	<b>736</b>	<b>416</b>	<b>483,664</b>	<b>983,121</b>
Dividends approved in respect of the previous year	9	-	-	-	-	(13,608)	(13,608)
Available-for-sale securities – changes in fair value		-	-	-	777	-	777
Profit for the year		-	-	-	-	71,366	71,366
Realisation of exchange gain from sale of properties		-	-	-	-	-	-
Dividends declared in respect of the current year	9	-	-	-	-	(10,206)	(10,206)
At 31 December 2006		<u>340,200</u>	<u>158,105</u>	<u>736</u>	<u>1,193</u>	<u>531,216</u>	<u>1,031,450</u>

**(c) Nature and purpose of reserves****(i) Share premium reserve**

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

**(ii) Legal reserve**

The legal reserve is non-distributable and represents transfer from annual profits up to a maximum of 20 percent of the issued and paid up capital of the Macau subsidiaries in accordance with the Macau Commercial Code.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**25 SHARE CAPITAL AND RESERVES** (Continued)**(c) Nature and purpose of reserves** (Continued)*(iii) Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates.

*(iv) Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in Note 1(f) and (j).

*(v) Other capital reserves*

Other capital reserves represent the difference between the nominal value of the interest-free loans from minority shareholders and their carrying value accounted for in accordance with accounting policy set out in Note 1(n).

**26 FINANCIAL INSTRUMENTS**

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

**(a) Credit risk**

Substantially all the Group's cash and cash equivalents are deposited with financial institutions in Hong Kong, Macau, the PRC, Singapore and Vietnam that are high-credit quality and meet the established credit rating or other criteria.

The Group's credit risk is primarily attributable to trade and other receivables. The Group has a defined credit policy. The general credit terms allowed range from 0 to 30 days. Trade receivables with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. The exposures to these credit risks (including loans to associates) are monitored on an ongoing basis.

The Group does not have significant concentration of credit risk.

**(b) Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

**(c) Foreign currency risk**

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they related. As the United States Dollar ("USD") is pegged to Hong Kong Dollar ("HKD"), the Group does not expect any significant movements in the USD/HKD exchange rate. The currencies giving rise to foreign currency risk are primarily denominated in Australian Dollars, Pounds Sterling, Euros and Canadian Dollars. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**26 FINANCIAL INSTRUMENTS** (Continued)**(d) Interest rate risk**

The Group's cash at bank and deposits earn interest at the prevailing rates offered by the banks, which are subject to market fluctuations.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

**The Group**

	2006					
	Effective interest rate %	Total HK\$'000	One year or less HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	More than 5 years HK\$'000
	<b>Repricing dates for assets/ (liabilities) which reprice before maturity</b>					
Cash and cash equivalents	3.5	842,011	842,011	-	-	-
Bank loans	6.9	(48,669)	(48,669)	-	-	-
		<u>793,342</u>	<u>793,342</u>	<u>-</u>	<u>-</u>	<u>-</u>
2005						
	Effective interest rate %	Total HK\$'000	One year or less HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	More than 5 years HK\$'000
<b>Repricing dates for assets/ (liabilities) which reprice before maturity</b>						
Cash and cash equivalents	2.6	639,303	639,303	-	-	-
Bank loans	5.1	(171,665)	(46,279)	(16,275)	(80,500)	(28,611)
		<u>467,638</u>	<u>593,024</u>	<u>(16,275)</u>	<u>(80,500)</u>	<u>(28,611)</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**26 FINANCIAL INSTRUMENTS** (Continued)**(d) Interest rate risk** (Continued)**The Company**

	2006					
	Effective interest rate %	Total HK\$'000	One year or less HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	More than 5 years HK\$'000
<b>Repricing dates for assets/ (liabilities) which reprice before maturity</b>						
Cash and cash equivalents	4.2	380,514	380,514	-	-	-
Bank loans	5.0	(30,000)	(30,000)	-	-	-
		<u>350,514</u>	<u>350,514</u>	<u>-</u>	<u>-</u>	<u>-</u>
2005						
	Effective interest rate %	Total HK\$'000	One year or less HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	More than 5 years HK\$'000
<b>Repricing dates for assets/ (liabilities) which reprice before maturity</b>						
Cash and cash equivalents	2.8	220,678	220,678	-	-	-
Bank loans	3.9	(30,000)	(30,000)	-	-	-
		<u>190,678</u>	<u>190,678</u>	<u>-</u>	<u>-</u>	<u>-</u>

**(e) Fair values**

Fair values of debtors, bank balances and other liquid funds, creditors and accruals, current borrowings and current provisions are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities, except for the following:

- (i) Interest-free loans due to minority shareholders were renewed during the year ended 31 December 2005 with a repayment date of 30 April 2010. At 31 December 2006, the carrying amount of the loans from minority shareholders was HK\$81,241,000, approximating its fair value, with the face value of loans in the amount of HK\$98,675,000. The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.
- (ii) The fair value of non-current interest-bearing borrowings is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments, which is not materially different from the carrying amount.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**27 EMPLOYEE BENEFITS**

The Group participates in defined contribution retirement schemes in Hong Kong, the PRC and Vietnam.

The companies of the Group operating in Hong Kong operate a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the plan vest immediately.

The employees of the Group’s subsidiary operating in the PRC are members of central pension schemes operated by the local governments in the PRC and the subsidiary makes mandatory contributions to these central pension schemes to fund the employees’ retirement benefits. The retirement contributions paid by the PRC subsidiary are based on 20% of the employees’ salaries cost in accordance with the relevant regulations in the PRC and are charged to the consolidated income statement as incurred. The subsidiary discharges its retirement obligations upon payment of the retirement contributions to the central pension schemes operated by the local governments in the PRC.

The employees of the Group’s subsidiary operating in Vietnam are members of social insurance fund schemes operated by the local governments in Vietnam and the subsidiary makes mandatory contributions to these social insurance fund schemes to fund the employees’ retirement benefits, maternity benefits and sick leave benefits. The social insurance contributions paid by the Vietnam subsidiary are based on Social Insurance Regulations at the prevailing rate of 15% of basic salaries.

**28 COMMITMENTS**

- (a) Capital commitments outstanding at 31 December 2006 not provided for in the financial statements are as follows:

	<b>2006</b> <b>HK\$’000</b>	2005 <i>HK\$’000</i>
Contracted for	–	7,688
Authorised but not contracted for	–	–
	<u>–</u>	<u>7,688</u>

- (b) At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>2006</b> <b>HK\$’000</b>	2005 <i>HK\$’000</i>
Leases on premises expiring – within one year	<u>192</u>	<u>192</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**29 CONTINGENT LIABILITIES**

- (a) At 31 December 2006, there were outstanding counter indemnities relating to guarantees issued by a subsidiary's bankers in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000 (2005: HK\$8,252,000).
- (b) At 31 December 2006, guarantees given by the Company to banks to secure banking facilities made available to certain subsidiaries and associates amounted to HK\$29,560,000 (2005: HK\$134,347,000) and HK\$68,932,000 (2005: HK\$69,077,000) respectively.
- (c) At 31 December 2006, guarantees given by a subsidiary to a bank to secure banking facilities made available to an associate amounted to HK\$33,365,000 (CA\$5,000,000) (2005: HK\$33,435,000 (CA\$5,000,000)).

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Group and the Company under any of the guarantees. The Group and the Company have not recognised any deferred income in respect of any of the above guarantees as their fair values cannot be reliably measured and they were issued many years ago and their transaction price was HK\$Nil.

**30 MATERIAL RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

- (a) During the year ended 31 December 2006, certain subsidiaries of the Company had the following transactions, which were on normal commercial terms, with Goodland Limited ("Goodland"), an affiliated company which held a 28% of equity interest in the Company at 31 December 2006:
  - (i) Loans from Goodland amounting to HK\$28,840,000 at 31 December 2006 (2005: HK\$43,161,000) which are unsecured, interest-free and repayable on demand.
  - (ii) Amounts due to Goodland of HK\$29,561,000 at 31 December 2006 (2005: HK\$26,339,000) which comprise:
    - interest bearing accounts with certain subsidiaries of the Company HK\$4,075,000 at 31 December 2006 (2005: HK\$1,552,000). Interest payable by the subsidiaries was HK\$110,000 for the year ended 31 December 2006 (2005: HK\$71,000).
    - non-interest bearing accounts with certain subsidiaries of the Company amounting HK\$25,486,000 at 31 December 2006 (2005: HK\$24,787,000).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**30 MATERIAL RELATED PARTY TRANSACTIONS** (Continued)

## (a) (Continued)

- (iii) Loans from minority shareholders at 31 December 2006 include amounts due to Goodland of HK\$54,678,000 (2005: HK\$67,923,000) in nominal value (before the effect of discounting in the amount of HK\$9,666,000 (2005: HK\$15,177,000)), which are unsecured, non-interest bearing and repayable on 30 April 2010.
- (iv) A subsidiary of the Company rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to HK\$676,000 for the year ended 31 December 2006 (2005: HK\$1,095,000).
- (v) Certain subsidiaries of the Company paid management fees to Goodland amounted to HK\$3,204,000 for the year ended 31 December 2006 (2005: HK\$3,437,000).
- (vi) A subsidiary of the Company incurred building construction costs payable to Goodland in respect of the construction of certain development projects of the Ocean Gardens projects amounting to HK\$5,279,000 for the year ended 31 December 2006 (2005: HK\$38,000,000).
- (vii) The Company, Goodland, Larch Management Incorporated and AKAA Project Management International Limited provided a guarantee, on a joint and several basis, to a bank in connection with a term loan facility obtained by a subsidiary of the Company.

A term loan facility of up to an aggregate principal amount of US\$3,800,000 (approximately HK\$29,560,000) was made available by the bank for a period of three years subject to the terms and conditions of a facility agreement between the subsidiary and the bank entered into on 26 March 2004. The interest rate shall be the sum of 1.46% per annum and 3 or 6 months' LIBOR at the subsidiary's option. It is intended that the subsidiary will choose whichever the lower interest rate is on an interest payment date.

Messrs Ho Kian Guan and Ho Kian Hock each had 1/3 indirect interest in Goodland and are also directors of Goodland. They are deemed to be interested in the aforesaid transactions.

- (b) During the year ended 31 December 2006, certain subsidiaries of the Company had the following transactions, which were on the normal commercial terms with Ho Kian Cheong ("KC Ho"), a non-executive director and a substantial shareholder of the Company as at 31 December 2006:
  - (i) Amounts due to KC Ho represented non-interest bearing accounts with certain subsidiaries amounting to HK\$4,270,000 (2005: HK\$Nil).
  - (ii) Loans from KC Ho representing an interest-free loan to a subsidiary made by KC Ho for the year ended 31 December amounting to HK\$6,986,000 (2005: HK\$Nil), which is unsecured and payable on demand.
  - (iii) Loans from minority shareholders classified under non-current liabilities at 31 December 2006 include amounts due to KC Ho of HK\$13,245,000 (2005: HK\$Nil) in nominal value (before the effect of discounting in the amount of HK\$2,341,000), which are unsecured, non-interest bearing and repayable on 30 April 2010.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**31 ACCOUNTING ESTIMATES AND JUDGEMENTS**

Note 26 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

**(a) Key sources of estimation uncertainty***Impairment of assets*

The Group reviews internal and external sources of information at each balance sheet date to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. The Group estimates the asset's recoverable amount when any such indication exists. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. The preparation of projected future cash flows involves the estimation of future revenue and operating costs which are based on reasonable assumptions supported by information available to the Group. Changes in these estimates could result in additional impairment provisions or reversals of impairment in future years.

**(b) Critical accounting judgements in applying the Group's accounting policies**

Certain critical accounting judgements in applying the Group's accounting policies are described below.

The Group has temporarily leased out certain properties but has decided not to treat these properties as investment properties because it is not the Group's intention to hold them in the long-term for capital appreciation or rental income. Accordingly, these properties are still classified as properties held for sale at the balance sheet date.

**32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2006**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting year ended 31 December 2006 and which have not been adopted in these financial statements.

In addition, the following developments may result in new or amended disclosures in financial statements:

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendments to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**33 SUBSIDIARIES AND ASSOCIATES****(a) Subsidiaries**

The following list contains the particulars of subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under Note 1(c) and have been consolidated into the Group financial statements.

Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ operation	Issued equity capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
Ocean Incorporation Ltd.	Macau	Two quotas of Ptc9,999,000 and Ptc1,000 respectively totalling Ptc10,000,000	100%	100%	–	Property investment and investment holding
Carrigold Limited*	British Virgin Islands	1 share of US\$1	100%	100%	–	Investment holding
Compton Developments Limited*	British Virgin Islands	1 share of US\$1	100%	100%	–	Dormant
Crichton Assets Limited*	British Virgin Islands	1 share of US\$1	100%	100%	–	Investment holding
Labond Developments Limited*	British Virgin Islands	1 share of US\$1	100%	100%	–	Investment holding
KSB Enterprises Limited*	Canada	1 share of no par value issued at CA\$1	100%	100%	–	Investment holding
Bardney Investment Limited*	Republic of Liberia/Macau	2 shares of no par value issued at HK\$5,000 each	100%	–	100%	Investment holding
Lam Ho Investments Pte Limited	Singapore	32,507,299 shares	91.60% (2005: 90.10%)	–	91.60% (2005: 90.10%)	Investment holding

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 33 SUBSIDIARIES AND ASSOCIATES (Continued)

## (a) Subsidiaries (Continued)

Name of company	Place of incorporation/ operation	Issued equity capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
Shun Seng International Limited	Hong Kong	100,000 shares of HK\$1 each	75.01%	–	75.01%	Investment holding
Golden Crown Development Limited	Macau	70,000,000 shares of Ptc1 each	70.61%	–	70.61%	Property development
Ocean Gardens Management Company Limited *	Macau	Two quotas of Ptc99,000 and Ptc1,000 respectively totalling Ptc100,000	69.90%	–	99%	Building management
Honister Investment Limited	Republic of Liberia/Macau	2 shares of no par value issued at HK\$5,000 each	70.61%	–	100%	Financial holding
Ocean Club Recreational Company Limited	Macau	100,000 shares of Ptc1 each	70.61%	–	100%	Club operation
Ocean Place Joint Venture Company Limited	Vietnam	US\$29,100,000	64.12% (2005: 63.07%)	–	70%	Operation of a hotel and serviced apartments
Hubei Qing Chuan Hotel Company Limited ** ("Qing Chuan")	PRC	US\$16,300,000	41.26%	–	55%	Operation of a hotel
Lam Ho Finance Limited *	British Virgin Islands	1 share of US\$1	91.60% (2005: 90.10%)	–	100%	Financial investment

\* Companies not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflect total net assets and total turnover constituting approximately 13.07% (2005: 10.21%) and 8.13% (2005: 8.74%) respectively of the related consolidated totals.

# Qing Chuan was incorporated in the PRC as Sino-foreign equity joint venture in 1995.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**33 SUBSIDIARIES AND ASSOCIATES** (Continued)**(b) Associates**

The following list contains the particulars of associates, all of which are unlisted corporate entities which affected the results or assets of the Group:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
Chateau Ottawa Hotel Inc – note (a)	Incorporated	Canada	50%	–	50%	Operation of a hotel
Worldwide Properties Limited	Incorporated	Macau	50%	–	50%	Dormant
Trans-International Development Limited	Incorporated	Macau	40%	–	40%	Dormant
Shun Cheong International Limited – note (b)	Incorporated	Hong Kong	35.01%	–	35.01%	Property investment
Porchester Assets Limited (“PAL”) – note (c)	Incorporated	British Virgin Islands	49%	49%	–	Investment holding
KSF Enterprises Sdn Bhd (“KSF”) – note (d)	Incorporated	Malaysia	25%	25%	–	Investment holding

*Notes:*

- (a) Chateau Ottawa Hotel Inc owns a hotel in Ottawa licensed with Sheraton Inns Canada operating as the Sheraton Ottawa Hotel.
- (b) Shun Cheong International Limited is engaged in property investment in the PRC.
- (c) PAL has a wholly owned subsidiary, Glynhill Investments (Vietnam) Pte Ltd (“Glynhill”), which holds 51% in Chains Caravelle Hotel Joint Venture Company Limited (“CCH”). CCH is a joint venture company established under the laws of Vietnam between Glynhill and a local Vietnamese entity for the purpose of developing, renovating and operating the Caravelle Hotel in Vietnam. In accordance with the joint venture agreement and the subsequent increase in registered share capital on 19 May 1997, the legal capital of CCH is HK\$143.8 million (US\$18.6 million). Glynhill contributed HK\$73.3 million (US\$9.5 million) and the remaining balance of HK\$70.5 million (US\$9.1 million) was contributed by the Vietnamese joint venture partner in the form of the right of use to a parcel of land (2,612 sq.m.) for a term of 48 years. In addition, Glynhill is committed to secure on behalf of CCH or, alternatively, to provide further finance of up to HK\$305.0 million (US\$39.4 million) in the form of an interest bearing shareholder's loan towards the costs of developing and renovating the hotel and for general working capital requirements. The joint venture has a duration of 48 years from 8 October 1992 and may be extended for a further period subject to the mutual agreement of the joint venture partners and approval from the relevant local authority.
- (d) KSF has a wholly owned subsidiary, KSD Enterprises Limited, which operates the DoubleTree International Plaza Hotel in Toronto and the Four Points by Sheraton Hotel & Conference Center Gatineau-Ottawa in Quebec, Canada.

## FIVE YEAR FINANCIAL SUMMARY

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 (restated) <i>HK\$'000</i>	2003 (restated) <i>HK\$'000</i>	2002 (restated) <i>HK\$'000</i>
<b>Consolidated income statement</b>					
Turnover	<b>628,347</b>	586,063	403,668	339,524	224,502
Operating profit	<b>268,039</b>	159,126	119,958	35,667	5,236
Share of profits less losses of associates	<b>13,446</b>	34,859	14,827	12,844	15,694
Profit before taxation	<b>281,485</b>	193,985	134,785	48,511	20,930
Income tax	<b>(15,822)</b>	(14,500)	(4,994)	(13,543)	6,401
Profit for the year	<b>265,663</b>	179,485	129,791	34,968	27,331
<b>Attributable to:</b>					
Equity holders of the Company	<b>203,031</b>	122,363	97,446	35,676	28,315
Minority interests	<b>62,632</b>	57,122	32,345	(708)	(984)
	<b>265,663</b>	179,485	129,791	34,968	27,331
<b>Consolidated balance sheet</b>					
Fixed assets	<b>1,003,894</b>	1,025,059	1,090,356	1,147,819	1,148,500
Interest in associates	<b>104,259</b>	242,759	353,677	346,906	358,301
Available-for-sale securities	<b>1,785</b>	1,008	818	804	780
Deferred tax assets	<b>5,310</b>	4,508	–	–	–
Current assets	<b>1,262,292</b>	995,938	800,597	719,219	631,810
	<b>2,377,540</b>	2,269,272	2,245,448	2,214,748	2,139,391
Share capital	<b>340,200</b>	340,200	340,200	340,200	340,200
Share premium	<b>158,105</b>	158,105	158,105	158,105	158,105
Other reserves	<b>1,213,571</b>	1,046,966	925,803	833,718	796,175
Minority interests	<b>284,480</b>	230,149	186,233	171,669	185,984
Non-current liabilities	<b>91,876</b>	206,541	273,849	337,275	312,883
Current liabilities	<b>289,308</b>	287,311	361,258	373,781	346,044
	<b>2,377,540</b>	2,269,272	2,245,448	2,214,748	2,139,391
<b>Other data</b>					
Basic earnings per share (cents)	<b>59.7</b>	36.0	28.6	10.5	8.3
Dividends per share (cents)	<b>13</b>	8.0	4.5	2.0	1.0
Dividend cover (times)	<b>4.6</b>	4.5	6.4	5.2	8.3

*Note:* The figure for the years ended 31 December 2002, 2003 and 2004 have been restated pursuant to the adoption of HKAS 1, HKAS 17, HKAS 40 and HK(SIC) Interpretation 21.

**SCHEDULE OF PRINCIPAL PROPERTIES**

At 31 December 2006

**PROPERTIES HELD FOR RENTAL/INVESTMENT**

<b>Properties</b>	<b>Group's interest</b>	<b>Type</b>	<b>No. of units</b>	<b>Gross floor area (sq. ft.)</b>	<b>Lease term</b>
Luso International Bank Building 1, 3 and 3A Rua Do Dr. Pedro Jose Lobo, Macau	100%	Office	40	30,264	Short lease
Ocean Plaza, I & II Ocean Gardens, Macau	70.61%	Commercial	47	94,525	Short lease
Ocean Tower Ocean Gardens, Macau	70.61%	Office	19	49,703	Short lease
Sheraton Ottawa Hotel Ottawa, Canada	50%	Hotel	236	193,408	Freehold
DoubleTree International Plaza Hotel Toronto Airport, Canada	25%	Hotel	433	450,000	Freehold
Four Points by Sheraton Hotel & Conference Center Gatineau-Ottawa Gatineau, Canada	25%	Hotel	201	121,206	Freehold
Caravelle Hotel Ho Chi Minh City, Vietnam	25%	Hotel	335	247,500	Medium lease
Holiday Inn Riverside Wuhan Wuhan, PRC	41.26%	Hotel	315	295,224	Medium lease
Sheraton Saigon Executive Residences Ho Chi Minh City, Vietnam	64.12%	Serviced apartments	92	202,650	Medium lease
Sheraton Saigon Hotel & Towers Ho Chi Minh City, Vietnam	64.12%	Hotel	371	472,850	Medium lease

## SCHEDULE OF PRINCIPAL PROPERTIES (Continued)

At 31 December 2006

## PROPERTIES HELD FOR SALE

Properties	Group's interest	Type	No. of units	Gross floor area (sq. ft.)	Lease term
Ocean Industrial Centre, Phase II Rua dos Pescadores, Macau	100%	Industrial	3	22,921	Short lease
Ocean Park 530 East Coast Road, Singapore	100%	Residential	5	10,550	Freehold
Heng Fa Chuen Chaiwan, Hong Kong	100%	Residential	2	1,812	Long lease
Rose Court Ocean Gardens, Macau	70.61%	Residential	3	11,121	Short lease
Begonia Court Ocean Gardens, Macau	70.61%	Residential	4	10,548	Short lease
Orchid Court Ocean Gardens, Macau	70.61%	Residential	4	10,548	Short lease
Sakura Court Ocean Gardens, Macau	70.61%	Residential	42	155,694	Short lease
Lily Court Ocean Gardens, Macau	70.61%	Residential	29	53,005	Short lease
Aster Court Ocean Gardens, Macau	70.61%	Residential	40	113,200	Short lease
Bamboo Court Ocean Gardens, Macau	70.61%	Residential	40	113,200	Short lease



**Ocean Gardens - night view**  
海洋花園夜景



**Aster/Bamboo Court**  
翠菊/翠竹苑



**Sakura Court**  
櫻花苑