ANNUAL REPORT
2005-2006
MIRAMAR HOTEL & INVESTMENT CO LTD

Property Business 地產業務

美麗華商場於年內提升定位及更新形象，多個國際知名高質時尚品牌商戶相繼進駐。

Progress was made during the year to upgrade the client-mix and the overall image of the Miramar Shopping Centre, with greater numbers of quality international brands signing up as tenants.

Hotel Business 酒店業務

美麗華酒店的經營業績有明顯增長，平均入住率接近九成，平均房價上升達百分之十九。

Hotel Miramar achieved healthy growth in its operating results with close to 90% average occupancy and an increase of 19% in average room rate.

MIRAMAR HOTEL & INVESTMENT CO., LTD.
FOR THE YEAR ENDED 31 MARCH 2006

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Miramar Ballroom, Hotel Miramar Penthouse, 130 Nathan Road, Kowloon, on Tuesday, 5 September 2006 at 12:00 noon for the following purposes:

(1) To receive and consider the audited Statement of Accounts and the Reports of the Directors and of the Auditors for the year ended 31 March 2006;

(2) To declare a final dividend;

(3) To re-elect Directors;

(4) To re-appoint Auditors and authorise the Directors to fix their remuneration;

(5) To consider as special business and, if thought fit, pass the following resolution as Ordinary Resolution:

ORDINARY RESOLUTION

"THAT:

(i) subject to paragraph (ii) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK$0.70 each in the capital of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(ii) the aggregate nominal amount of the shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (i) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and

(iii) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(a) the conclusion of the next Annual General Meeting of the Company;

(b) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and

(c) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.".

By Order of the Board

CHU KWOK SUN

Secretary

Hong Kong, 21 July 2006

Notes:

1. The register of members of the Company will be closed from 25 August 2006 to 5 September 2006, both days inclusive.

2. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Registrars of the Company, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 24 August 2006.

3. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. To be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited at the registered office of the Company at 118-130 Nathan Road, Kowloon, Hong Kong not less than 48 hours before the time for holding the meeting.

CORPORATE INFORMATION

Chairman:	@ *	**Dr LEE Shau Kee,** *DBA (Hon), DSSc (Hon), LLD (Hon)*
Vice Chairmen:	† @ #	**Dr David SIN Wai Kin,** *DSSc (Hon)*
	Δ	**Mr WOO Kim Phoe**
Directors:	† Δ	**Dr Patrick FUNG Yuk Bun**
	† Δ	**Mr Dominic CHENG Ka On**
	> @ *	**Mr Richard TANG Yat Sun,** *MBA, BBS, JP*
	> *	**Mr Colin LAM Ko Yin,** *BSc, ACIB, MBIM, FCILT*
	> *	**Mr Eddie LAU Yum Chuen**
	Δ	**Mr Tony NG**
	> *	**Mr Norman HO Hau Chong,** *BA, ACA, FCPA*
	Δ	**Mr Howard YEUNG Ping Leung**
	> *	**Mr LEE Ka Shing**
	Δ	**Mr Thomas LIANG Cheung Biu,** *BA, MBA*
	† @ #	**Mr WU King Cheong,** *BBS, JP*
	Δ	**Mr Alexander AU Siu Kee,** *OBE, FCCA, FCPA, FCIB, FHKIB* *(re-designated as non-executive director on 7 November 2005)*
	† @ #	**Mr Timpson CHUNG Shui Ming,** *GBS, JP (appointed on 6 February 2006)*
	> *	**Mr Peter YU Tat Kong,** *BSc, MBA, CA, CHA*
Group General Manager:		**Mr Peter YU Tat Kong,** *BSc, MBA, CA, CHA*
Qualified Accountant:		**Mr Peter YU Tat Kong,** *BSc, MBA, CA, CHA*
Corporate Secretary:		**Mr Charles CHU Kwok Sun**
Auditors:		**KPMG** *Certified Public Accountants*
Principal Bankers:		**The Hongkong & Shanghai Banking Corporation Limited** **Hang Seng Bank Limited** **Wing Lung Bank Limited**
Share Registrar:		**Computershare Hong Kong Investor Services Limited** **17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong**
Registered Office:		**118-130 Nathan Road, Kowloon, Hong Kong**
Website:		**http://www.miramar-group.com**

* *executive directors*
Δ *non-executive directors*
\# *independent non-executive directors*
† *members of the Audit Committee, of which Mr Timpson Chung Shui Ming is the Chairman*
@ *members of the Remuneration Committee, of which Dr Lee Shau Kee is the Chairman*
> *members of the General Purpose Committee*

PROFIT AND DIVIDEND

I am pleased to present to the shareholders the operating results of our Group.

The audited profits attributed to shareholders for the financial year ended 31 March 2006 ("the year") amounted to HK$1,169,000,000, an increase of 38% over last year's restated profit (FY2004/05 restated: HK$846,000,000).

During the year, the Group adopted new accounting policies stipulated by the Hong Kong Institute of Certified Public Accountants relating to investment properties and hotels. Without these changes (including profit generated from land sales amounting to approximately HK$150 million), the audited profit attributed to shareholders for this financial year was HK$448 million, an increase of 40% compared with the same period last year.

The Board of Directors proposed that the final dividend of HK$0.24 be paid on each share. If the recommendation is approved, the total dividend for the year including the interim dividend of HK$0.15 per share will amount to HK$0.39 per share.

BUSINESS OVERVIEW

The Hong Kong economy continued to experience steady growth. Improvements in the property leasing market, and favorable employment levels coupled with increasing numbers of inbound tourists have all contributed to rising business and consumer confidence. Taking advantage of the positive environment and continued to develop a larger client base with enhanced cost efficiency, the Group was able to deliver a satisfactory performance during the year.

The Group's hotel business achieved healthy growth with satisfactory results. Rental income from the Miramar Shopping Centre for the first half of the financial year was flat due to higher vacancy rates during the planned tenant-mix changes. However, growth in the second half of the year picked up satisfactorily. Performance in our food and beverage operation was steady, however, the travel agency business still faced intense market pressure.

HOTEL OPERATIONS

Hotel Miramar achieved healthy growth in its operating results with close to 90% average occupancy and an increase of 19% in average room rate. The Hotel was aggressive in targeting new corporate clients and continued to expand its sales network, resulting in better performance from the European and American markets. The overall client mix from all key markets was well balanced. Continuous enhancements in service quality resulted in food and beverage revenue growth despite fierce market competition.

In the hotel management business, average room rates for the seven hotels under management recorded satisfactory growth with steady increases in average occupancy. During this financial year, two hotels underwent renovations to upgrade their market positioning for the business sector. The Group will continue to explore hotel management projects and joint venture opportunities in major cities in mainland China.

PROPERTY BUSINESS

Progress was made during the year to upgrade the client-mix and the overall image of the Miramar Shopping Centre. Average occupancy reached 91% with greater numbers of quality international brands signing up as tenants. This will further improve shopping traffic and will attract more quality new tenants in the coming years. The Group plans to have further refurbishment to upgrade the shopping arcade to support this current tenant-mix upgrade.

During the year, the Group sold approximately 60 acres (194 lots) of residential land and 20 acres of commercial land in Placer County, California. This contributed HK$150 million to our after-tax profits. At the end of this financial year, approximately 80 acres (290 lots) of residential land and 70 acres of commercial land remain available for sale.

In Shanghai, almost all the office units at Shang-Mira Garden have been sold. At the same time, the Shang-Mira shopping arcade continued to achieve high occupancy rate of 99%.

FOOD AND BEVERAGE OPERATIONS

Food and beverage business reported a steady growth. The high-end restaurant duo in IFC II - Cuisine Cuisine and Lumiere, performed well with further enhancements in service standards and food quality. The growth in the wedding banquet business for the Tsui Hang Village Restaurants was satisfactory, contributing favorably to its operating results.

TRAVEL BUSINESS

The overall results for Miramar Express improved slightly. The commercial travel sector increased its profit by more than 40% while the air/hotel package business was adversely affected by isolated natural disasters, and yet was able to generate a reasonable profit through efficiency improvement. As the General Agent for Crystal Cruises, Miramar Express also was recently appointed as the representative agent in Hong Kong for the Oceania Cruises. At the same time, there were ongoing negotiations with different cruise line operators to explore new opportunities. The hire-car operation will put more effort in the coming year to increase the cross-border traffic between Hong Kong and China by adding more vehicle quotas to these routes. However, outbound tour operation continued to face intense competition and recorded an operating loss during the financial year.

The group tour business of Miramar Express – Miramar Travel, joined forces with an industry veteran and the Group reduced its share holdings to 54%. With a series of marketing activities under an innovative style of operation, a higher market penetration is expected.

PROSPECTS

In view of generally optimistic economic prospects, increasing investment confidence, strong consumer spending and continued growth in China's economic development, the Group, with its stable financial resources, will look to take advantage of promising investment opportunities to generate satisfactory returns for shareholders. The Board of Directors is confident that barring any unforeseen circumstances, operating results for the Group in the forthcoming financial year will remain optimistic.

DIRECTORS

The Board of Directors wishes to express its warm welcome to Mr Timpson Chung Shui Ming who was appointed as director during the financial year. Mr Chung is the Chairman of the Council of the City University of Hong Kong, a member of the Hong Kong Housing Authority and the Chairman of its Finance Committee, as well as being the former Chairman of the Hong Kong Housing Society. With Mr Chung's experience and expertise in management and property development, the Board is confident that Mr Chung will have many valuable contributions to our Group.

GRATITUDE

I would like to express my sincere gratitude to the Directors and all the staff for their hard work and contributions in the past year.

LEE SHAU KEE

Chairman

Hong Kong, 28 June 2006

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and the principal activities of its principal subsidiaries are property investment, property development and sales, hotel ownership and management, food and beverage operation and travel operation; the particulars of which are set out in note 14 on the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 12 on the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Due to the diversity and nature of the Group's activities, the aggregate percentage of the Group's sales and purchases attributable to the Group's five largest customers and suppliers respectively was less than 30%.

At 31 March 2006, none of the directors, their associates or shareholders who, to the knowledge of the directors, own more than 5% of the Company's share capital, had an interest in any of the five largest customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 March 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 31 to 106.

An interim dividend of HK$0.15 per share (2005: HK$0.15 per share) was paid on 12 January 2006. The directors now recommend the payment of a final dividend of HK$ 0.24 per share (2005: HK$0.22 per share) in respect of the year ended 31 March 2006, totalling HK$138,535,500.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK$24,750 (2005: HK$274,631).

FIXED ASSETS

Details of movements in fixed assets are set out in note 13 on the financial statements.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

	@	*	Dr LEE Shau Kee, *DBA (Hon), DSSc (Hon), LLD (Hon)*
†	@	#	Dr David SIN Wai Kin, *DSSc (Hon)*
		Δ	Mr WOO Kim Phoe
	†	Δ	Dr Patrick FUNG Yuk Bun
	†	Δ	Mr Dominic CHENG Ka On
>	@	*	Mr Richard TANG Yat Sun, *MBA, BBS, JP*
>		*	Mr Colin LAM Ko Yin, *BSc, ACIB, MBIM, FCILT*
>		*	Mr Eddie LAU Yum Chuen
		Δ	Mr Tony NG
>		*	Mr Norman HO Hau Chong, *BA, ACA, FCPA*
		Δ	Mr Howard YEUNG Ping Leung
>		*	Mr LEE Ka Shing
		Δ	Mr Thomas LIANG Cheung Biu, *BA, MBA*
†	@	#	Mr WU King Cheong, *BBS, JP*
		Δ	Mr Alexander AU Siu Kee, *OBE, FCCA, FCPA, FCIB, FHKIB (re-designated as non-executive director on 7 November 2005)*
†	@	#	Mr Timpson CHUNG Shui Ming, *GBS, JP (appointed on 6 February 2006)*
>		*	Mr Peter YU Tat Kong, *BSc, MBA, CA, CHA*

*	*executive directors*
Δ	*non-executive directors*
#	*independent non-executive directors*
†	*members of the Audit Committee, of which Mr Timpson Chung Shui Ming is the Chairman*
@	*members of the Remuneration Committee, of which Dr Lee Shau Kee is the Chairman*
>	*members of the General Purpose Committee*

In accordance with Article 73, the term of Mr Timpson Chung Shui Ming serving as director of the Company will expire at the forthcoming Annual General Meeting and in accordance with Articles 77, 78 and 79, Dr David Sin Wai Kin, Mr Richard Tang Yat Sun, Mr Tony Ng, Mr Norman Ho Hau Chong, Mr Howard Yeung Ping Leung and Mr Peter Yu Tat Kong will retire at the forthcoming Annual General Meeting by rotation. The above seven Directors, being all eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Dr LEE Shau Kee, *DBA (Hon), DSSc (Hon), LLD (Hon)*
Aged 77. Dr Lee was appointed director of the Company in 1993 and has been the Chairman of the Company since 8 August 2001. He has been engaged in property development in Hong Kong for more than 50 years. He is the founder and also the Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited ("Henderson Investment"), the Chairman of The Hong Kong and China Gas Company Limited, the Vice Chairman of Sun Hung Kai Properties Limited as well as a director of Hong Kong Ferry (Holdings) Company Limited and The Bank of East Asia, Limited. He is a director of Multiglade Holdings Limited ("Multiglade"), Higgins Holdings Limited ("Higgins"), Threadwell Limited ("Threadwell"), Aynbury Investments Limited ("Aynbury"), Henderson Investment, Kingslee S.A., Henderson Land and Henderson Development Limited ("Henderson Development") which have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 March 2006. He is also a director of certain subsidiaries of the Company. He is the father of Mr Lee Ka Shing.

Dr David SIN Wai Kin, *DSSc (Hon)*
Aged 76. Dr Sin was appointed director of the Company in 1974 and has been a Vice Chairman of the Company since 1985. He is the Chairman of Myer Jewelry Manufacturer Limited, the executive director of New World Development Company Limited and a director of Hang Seng Bank Limited and King Fook Holdings Limited. He is also a director of certain subsidiaries of the Company.

Mr WOO Kim Phoe
Aged 87. Mr Woo was appointed director of the Company in 1978 and has been a Vice Chairman of the Company since 1985. He is also the Chairman of Tectona Enterprises Limited and Tong Seng Enterprises Limited.

Dr Patrick FUNG Yuk Bun
Aged 59. Dr Fung was appointed director of the Company in 1985. He obtained his MBA degree from University of Toronto in 1973, and was awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2001 and an Honorary Doctor of Laws by the University of Toronto in 2005. Dr Fung joined Wing Hang Bank Ltd. in 1976 and was appointed a Director of the Bank in 1980. He was appointed Chief Executive in 1992, and then Chairman and Chief Executive in April 1996.

Dr Fung is an independent non-executive director of The Link Management Limited. He is a member of the Court of the Hong Kong Polytechnic University, the Chairman of University of Toronto (Hong Kong) Foundation, a member of the Dean's Advisory Council of the Faculty of Management at the University of Toronto, a Council member and Honorary Court member of the Hong Kong University of Science and Technology, Chairman of the Travel Industry Compensation Fund Management Board, Vice President of the Hong Kong Institute of Bankers, a Co-opt member of the Planning, Development and Conservation Committee of the Urban Renewal Authority and a member of the Board of Trustees of the Lord Wilson Heritage Trust. He is also a director of certain subsidiaries of the Company.

Mr Dominic CHENG Ka On
Aged 56. Mr Cheng was appointed director of the Company in 1985. He is an executive director of King Fook Holdings Limited and the Managing Director of the Onflo International Group of Companies. He is also a director of certain subsidiaries of the Company.

Mr Richard TANG Yat Sun, *MBA, BBS, JP*
Aged 53. Mr Tang was appointed director of the Company in 1986. He is an MBA graduate from the University of Santa Clara, California, U.S.A., and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, U.S.A. He is currently the Chairman and Managing Director of Richcom Company Limited, Vice Chairman of King Fook Holdings Limited, a director of Hang Seng Bank Limited and various private business enterprises. He is a member of Tang Shiu Kin and Ho Tim Charitable Fund. He is also a director of certain subsidiaries of the Company.

Mr Colin LAM Ko Yin, *BSc, ACIB, MBIM, FCILT*
Aged 55. Mr Lam was appointed director of the Company in 1993. He holds a Bachelor of Science (Honours) degree from the University of Hong Kong and has over 32 years' experience in banking and property development. He is also the Chairman of Hong Kong Ferry (Holdings) Company Limited, the Vice Chairman of Henderson Land and Henderson Investment, an executive director of Henderson Development as well as a director of The Hong Kong and China Gas Company Limited, Multiglade, Higgins, Threadwell, Aynbury, Hopkins (Cayman) Limited ("Hopkins"), Riddick (Cayman) Limited ("Riddick") and Rimmer (Cayman) Limited ("Rimmer"). Multiglade, Higgins, Threadwell, Aynbury, Henderson Investment, Henderson Land, Henderson Development, Hopkins, Riddick and Rimmer have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 March 2006. He is also a director of certain subsidiaries of the Company.

Mr Eddie LAU Yum Chuen
Aged 60. Mr Lau was appointed director of the Company in 1996. He has over 35 years' experience in banking, finance and investment. He is also an executive director of Henderson Land and Henderson Investment as well as a director of Hong Kong Ferry (Holdings) Company Limited. Both Henderson Land and Henderson Investment have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 March 2006. He is also a director of certain subsidiaries of the Company.

Mr Tony NG
Aged 65. Mr Ng was appointed director of the Company in 1997. He is a graduate of Hotel Management from Ecole Hoteliere Lausanne, Switzerland. He has over 37 years' experience in the fields of hotel management and food and beverage in Hong Kong, Switzerland, Australia, Hawaii and Singapore. He is also a director of certain subsidiaries of the Company. He is the brother-in-law of Mr Howard Yeung Ping Leung.

Mr Norman HO Hau Chong, *BA, ACA, FCPA*
Aged 50. Mr Ho was appointed director of the Company in 1998. He is a member of the Institute of Chartered Accountants in England and Wales, and a Fellow of the Hong Kong Institute of Certified Public Accountants. He is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited and has over 24 years' experience in management and property development. He is also a director of CITIC Pacific Limited, Tai Fook Securities Group Limited and New World Mobile Holdings Limited as well as an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited, Shun Tak Holdings Limited, Starlight International Holdings Limited and Cheung Tai Hong Holdings Limited. He is also a director of certain subsidiaries of the Company.

Mr Howard YEUNG Ping Leung
Aged 49. Mr Yeung was appointed director of the Company in 2000. He is also the Chairman of King Fook Holdings Limited and a director of New World Development Company Limited. He is the brother-in-law of Mr Tony Ng.

Mr LEE Ka Shing
Aged 35. Mr Lee was appointed director of the Company in 2004. He was educated in Canada. He is the Vice Chairman of Henderson Land, Henderson Investment and Henderson Development as well as a director of The Hong Kong and China Gas Company Limited. Mr Lee is a Member of the Ninth Guangxi Zhuangzu Zizhiqu Committee of the Chinese People's Political Consultative Conference and a Member of the Ninth Foshan Committee of the Chinese People's Political Consultative Conference. Henderson Investment, Henderson Land and Henderson Development have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 March 2006. He is the son of Dr Lee Shau Kee.

Mr Thomas LIANG Cheung Biu, *BA, MBA*
Aged 59. Mr Liang was appointed director of the Company in 2004. He holds a Bachelor degree in Economics from the University of California, Berkeley and a Master degree in Business Administration from the Columbia University and has extensive experience in financial management, corporate finance, banking, real estate development and equity investment. He is also the Group Chief Executive of Wideland Investors Limited and a non-executive director of New World Development Company Limited.

Mr WU King Cheong, *BBS, JP*
Aged 54. Mr Wu was appointed as an independent non-executive director of the Company in 2005. He is a Councillor of the Eastern District Council of the Hong Kong Special Administrative Region ("HKSAR"), Assistant Treasurer of the Chinese General Chamber of Commerce, Member of Hong Kong Housing Authority, Member of Statistics Advisory Board of the HKSAR, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Stockbrokers Association. He is an executive director of Lee Cheong Gold Dealers Limited. He is also an independent non-executive director of Yau Lee Holdings Limited, Chevalier iTech Holdings Limited, Henderson Land, Henderson Investment and Hong Kong Ferry (Holdings) Company Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited. Both Henderson Land and Henderson Investment have discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 March 2006.

Mr Alexander AU Siu Kee, *OBE, FCCA, FCPA, FCIB, FHKIB*
Aged 59. Mr Au was appointed as an independent non-executive director of the Company in January 2005 and re-designated as a non-executive director of the Company on 7 November 2005. Mr Au is a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, as well as a Fellow of The Chartered Institute of Bankers and the Hong Kong Institute of Bankers. Mr Au was named Hong Kong Banker of the Year in July 1996 and Hong Kong Business Executive of the Year in December 1996. He has extensive experience in local and international banking business. Mr Au is currently an executive director of Henderson Land, an independent non-executive director of Wheelock and Company Limited and a non-executive director of Hong Kong Ferry (Holdings) Company Limited. He was formerly the Vice Chairman and Chief Executive of Hang Seng Bank Limited, and subsequently of Overseas-Chinese Banking Corporation Limited in Singapore. He also once held non-executive director positions in The Hongkong and Shanghai Banking Corporation Limited, Mass Transit Railway Corporation and Hang Lung Development Company Limited. Mr Au is a member of the Council of the Hong Kong University of Science and Technology. He was formerly a member of the Exchange Fund Advisory Committee, the Banking Advisory Committee, the Hong Kong Trade Development Council, the City University of Hong Kong, and the Community Chest of Hong Kong. Henderson Land has discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 March 2006.

Mr Timpson CHUNG Shui Ming, *GBS, JP*
Aged 55. Mr Chung was appointed as an independent non-executive director of the Company in 2006. Mr Chung obtained a bachelor's degree in science from the University of Hong Kong and a master's degree in business administration from the Chinese University of Hong Kong. He is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is a member of the National Committee of the 10th Chinese People's Political Consultative Conference, the Chairman of the Council of the City University of Hong Kong and a member of the Hong Kong Housing Authority. Currently, Mr Chung is an independent non-executive director of China Netcom Group Corporation (Hong Kong) Limited, Nine Dragons Paper (Holdings) Limited, Tai Shing International (Holdings) Limited, Hantec Investment Holdings Limited and Glorious Sun Enterprises Limited. Formerly, Mr Chung was the Chairman of the Hong Kong Housing Society and the Chief Executive of the Hong Kong Special Administrative Region Government Land Fund Trust. He was previously an executive director and the Chief Executive Officer of Shimao International Holdings Limited, an independent non-executive director of Stockmartnet Holdings Limited and Extrawell Pharmaceutical Holdings Limited.

Mr Peter YU Tat Kong, *BSc, MBA, CA, CHA*
Aged 57. Mr Yu joined the Company in 1996 as the Group General Manager and was appointed director of the Company in 1997. He holds a Bachelor degree in Statistics & Computer Science from the University of Manitoba and a Master degree in Business Administration from the University of British Columbia in Canada. He is a U.S. Certified Hotel Administrator as well as a Canadian Chartered Accountant. He has over 28 years' solid experience in the fields of hospitality and tourism, general administration and corporate finance. He is also a director of certain subsidiaries of the Company.

Senior Management

Mr Frankie CHAN Fung Kee
Aged 68. Mr Chan holds a Diploma in Building Course from the Hong Kong Technical College. He joined the Group in 1970. He is now the Director of Property Development and Maintenance.

Ms Sylvia CHUNG Wai Man
Aged 45. Ms Chung joined the Group as General Manager of the Hotel Miramar in 1997 and was recently appointed as the Director of Business Development of the Group of which she is involved in a number of the Group's food and beverages businesses. She is a Certified Hotel Administrator and was awarded the Bauhinia Cup Outstanding Entrepreneur Awards by the Hong Kong Polytechnic University in 2002. She is the Chairman of the Advisory Committee School of Hotel & Tourism Management of Hong Kong Polytechnic University, 1st Vice Chairman of the Hong Kong Hotels Association and the President of the Women Executives Club of the Hong Kong General Chamber of Commerce.

Mr Uris FONG See Shun
Aged 50. Mr Fong joined the Henderson Group in 1992, and then transferred to the Group in 1998 as Vice President - Group Marketing & Sales of Group Hotel Management Company. He is responsible for marketing, sales, planning & development for all hotels within our Group. He also manages overseas offices in Beijing, Shanghai, Taipei, Tokyo and London. He has worked for some renowned international chain hotels in Hong Kong and Europe. Mr Fong has over 27 years of extensive sales & marketing experience in the hospitality and tourism industry.

Ms Blondie HO Mei Ling, *BA (Hons), FCCA, CPA*
Aged 38. Ms Ho joined the Group in 1992 and her present capacity is Director of Group Treasury. She is responsible for the treasury, financing and tax planning functions of the Group. She holds a Bachelor of Arts in Accountancy and is also a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She has over 15 years of experience in auditing, accounting and finance.

Mr Eddy LAU Wai Lik, *MPA, FCPA, FCCA, ACMA*
Aged 50. Mr Lau holds a Master of Professional Accounting degree from the Hong Kong Polytechnic University and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also an associate member of the Chartered Institute of Management Accountants. He has over 27 years' experience in auditing, financial management and accounting. He joined the Group in 1989 and his present position is Director of Internal Audit, reporting to the Audit Committee of the Group. He is responsible for the Group's operations review, both financial and otherwise, to ensure that adequate internal controls are in place for the smooth running of the Group's operations.

Mr Ian LEE King Hang, *CPA, AICPA*
Aged 39. Mr Lee joined the Group in 1998 and his present capacity is the Group's Hotel Management Company Vice President of Hotel Operation and Control. He is responsible for the Group's hotel business management, planning and assessment. Mr Lee holds a Bachelor of Business & Administration degree in Accounting from the University of Houston. He is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. He has over 12 years of experience in the fields of hotel management, finance and internal controls.

Ms Clara NGAN King Ha, *MBA*
Aged 42. Ms Ngan joined the Group in 1996 and was appointed as Director of Group Human Resources and Administration in 2005. Ms Ngan completed her study in Chartered Secretaryship and Administration and she holds a Master Degree in Business Administration from the Sheffield Hallam University in United Kingdom. She has over 12 years of business administration experience in commercial sector.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory obligations.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2006, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Percentage of total issued shares
Miramar Hotel And Investment Company, Limited	Dr LEE Shau Kee	—	—	255,188,250 *(note 1)*	—	44.21%
	Dr David SIN Wai Kin	4,158,000	—	—	—	0.72%
	Mr WOO Kim Phoe	11,426,400	—	—	—	1.98%
	Dr Patrick FUNG Yuk Bun	—	—	—	8,426,710 *(note 2)*	1.46%
	Mr Dominic CHENG Ka On	7,774,640	4,000	—	—	1.35%
	Mr Richard TANG Yat Sun	125,000	—	11,241,900 *(note 3)*	—	1.97%
	Mr Thomas LIANG Cheung Biu	—	1,080,000 *(note 4)*	—	—	0.19%
	Mr LEE Ka Shing	—	—	—	255,188,250 *(note 11)*	44.21%
Booneville Company Limited	Dr LEE Shau Kee	—	—	2 *(note 5)*	—	100%
	Mr LEE Ka Shing	—	—	—	2 *(note 5)*	100%
Fook Po Enterprises Company Limited	Dr LEE Shau Kee	270	—	—	—	9.80%
	Dr David SIN Wai Kin	225	—	—	—	8.17%
Henderson-Miramar Hotels Holdings Limited	Dr LEE Shau Kee	—	—	2 *(note 6)*	—	100%
	Mr LEE Ka Shing	—	—	—	2 *(note 6)*	100%
Placer Holdings, Inc.	Mr Richard TANG Yat Sun	4,000	—	—	—	2%
Strong Guide Property Limited	Dr LEE Shau Kee	—	—	2 *(note 7)*	—	100%
	Mr LEE Ka Shing	—	—	—	2 *(note 7)*	100%

Save as disclosed above, as at 31 March 2006, none of the directors or the chief executive of the Company had held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

Apart from the foregoing, at no time during the year was the Company or any subsidiary a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHERS

The Company has been notified of the following interests in the Company's issued shares at 31 March 2006, amounting to 5% or more of the shares in issue:

Substantial Shareholders	**Ordinary shares held**	**Percentage of total issued shares**
Dr Lee Shau Kee	255,188,250 *(note 1)*	44.21%
Mr Lee Ka Shing	255,188,250 *(note 11)*	44.21%
Rimmer (Cayman) Limited ("Rimmer")	255,188,250 *(note 8)*	44.21%
Riddick (Cayman) Limited ("Riddick")	255,188,250 *(note 8)*	44.21%
Hopkins (Cayman) Limited ("Hopkins")	255,188,250 *(note 8)*	44.21%
Henderson Development Limited ("Henderson Development")	255,188,250 *(note 9)*	44.21%
Henderson Land Development Company Limited ("Henderson Land")	255,188,250 *(note 9)*	44.21%
Kingslee S.A.	255,188,250 *(note 10)*	44.21%
Henderson Investment Limited ("Henderson Investment")	255,188,250 *(note 10)*	44.21%
Aynbury Investments Limited ("Aynbury")	255,188,250 *(note 10)*	44.21%
Higgins Holdings Limited ("Higgins")	100,612,750 *(note 10)*	17.43%
Multiglade Holdings Limited ("Multiglade")	79,121,500 *(note 10)*	13.71%
Threadwell Limited ("Threadwell")	75,454,000 *(note 10)*	13.07%
Person other than Substantial Shareholders		
Mr Chong Wing Cheong	57,587,210	9.98%

Save as disclosed above, as at 31 March 2006, none of the above shareholders had held any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation as defined in the SFO.

Notes :

(1) Dr Lee Shau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins. By virtue of the SFO, Dr Lee Shau Kee is taken to be interested in 255,188,250 shares, which are duplicated in the interests described in Notes 8, 9, 10 and 11.

(2) All these shares were held by a unit trust of which Dr Patrick Fung Yuk Bun was a beneficiary.

(3) These shares were held through corporations in which Mr Richard Tang Yat Sun owned more than 30% of the issued share capital.

(4) All these shares were held by a trust of which Mr Thomas Liang Cheung Biu's spouse was a beneficiary.

(5) These 2 shares in Booneville Co Ltd were equally owned by a wholly-owned subsidiary of the Company and Henderson Land. By virtue of the SFO, Dr Lee Shau Kee and Mr Lee Ka Shing are taken to be interested in Henderson Land and the Company as set out in Notes 1, 8, 9, 10 and 11.

(6) These 2 shares in Henderson-Miramar Hotels Holdings Ltd were equally owned by a wholly-owned subsidiary of the Company and Henderson Investment. By virtue of the SFO, Dr Lee Shau Kee and Mr Lee Ka Shing are taken to be interested in Henderson Investment and the Company as set out in Notes 1, 8, 9, 10 and 11.

(7) These 2 shares in Strong Guide Property Ltd were equally owned by a wholly-owned subsidiary of the Company and Henderson China Holdings Ltd which was 100% held by Henderson Land. By virtue of the SFO, Dr Lee Shau Kee and Mr Lee Ka Shing are taken to be interested in Henderson Land and the Company as set out in Notes 1, 8, 9, 10 and 11.

(8) Rimmer and Riddick, trustees of different discretionary trusts, held units in a unit trust ("Unit Trust"). Hopkins was the trustee of the Unit Trust which beneficially owned all the issued ordinary shares in the share capital of Henderson Development. These 255,188,250 shares are duplicated in the interests described in Notes 1, 9, 10 and 11.

(9) Henderson Development had a controlling interest in Henderson Land which was the holding company of Kingslee S.A. These 255,188,250 shares are duplicated in the interests described in Notes 1, 8, 10 and 11.

(10) Kingslee S.A., a subsidiary of Henderson Land, was the holding company of Henderson Investment. The 255,188,250 shares were beneficially owned by some of the subsidiaries of Henderson Investment. Higgins, Multiglade and Threadwell were subsidiaries of Aynbury. Aynbury was a subsidiary of Henderson Investment. These 255,188,250 shares represent the shares described in Notes 1, 8, 9 and 11.

(11) As director of the Company and one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Shing is taken to be interested in 255,188,250 shares, which are duplicated in the interests described in Notes 1, 8, 9 and 10, by virtue of the SFO.

DIRECTORS' AND MANAGEMENT EMOLUMENTS

Particulars of directors' emoluments and the five highest paid individuals in the Group are set out in notes 7 and 8 respectively on the financial statements.

CONTINUING CONNECTED TRANSACTIONS

1) On 8 February 2005, a confirmation of sub-lease (the "Confirmation of Sub-Lease") was entered into between Profit Advantage Limited, a wholly-owned subsidiary of the Company as tenant (the "Tenant") and IFC Development Limited as landlord (the "Landlord"), whereby the Landlord agreed to sub-lease to the Tenant the premises upon the terms as detailed below.

Premises:	Shop Nos. 3101-3107 on Level Three of ifc Mall (Retail Accommodation on Site R of Inland Lot No.8898), of approximately 16,138 square feet
Term:	Initial term of three years taken to commence from 7 July 2004
Rent and other charges:	The rent payable on monthly basis (exclusive of rates, air-conditioning and management charges, promotional levy and all other outgoings) during the term shall be as follows: (i) From 7 November 2004 to 6 July 2005, basic rent in the sum of HK$435,726 per month together with turnover rent representing the amount by which 10% of the gross amount of all sums billed or received in the course of the Tenant's business conducted at the Premises (excluding 10% service charge) exceeds the basic rent per month (the "Turnover Rent"); (ii) From 7 July 2005 to 6 July 2007, basic rent in the sum of HK$484,140 per month together with the Turnover Rent; (iii) From 7 July 2007 to 6 July 2010 (the "First Renewed Period"), provided the 1st Option (as defined below) is exercised by the Tenant, at open market rent provided that the basic rent shall not be less than HK$484,140 per month or more than HK$580,968 per month, together with the Turnover Rent; (iv) From 7 July 2010 to 6 July 2013 (the "Second Renewed Period"), provided the 2nd Option (as defined below) is exercised by the Tenant, at open market rent provided that the basic rent shall not be less than the basic rent paid for the last calendar month of the First Renewed Period or more than 120% of the basic rent paid for the last calendar month of the First Renewed Period, together with the Turnover Rent. Air-conditioning and management charges and promotional levy payable on monthly basis during the term shall be approximately HK$193,656 per month (subject to review from time to time in accordance with the terms of the Confirmation of Sub-Lease).
Option:	a first option (the "1st Option") exercisable by the Tenant at the expiry of the initial sub-lease period on 6 July 2007 to renew the sub-lease of the Premises for three years, and a second option (the "2nd Option") exercisable by the Tenant at the expiry of the First Renewed Period to renew the sub-lease of the Premises for a further three years if the 1st Option is exercised by the Tenant.

As the Landlord is an associate of Henderson Land, a substantial shareholder of the Company, it is a connected person of the Company under Rule 14A.11 of Listing Rules and the entering into of the Confirmation of Sub-Lease constitutes a continuing connected transaction (the "Continuing Connected Transaction") for the Company under Rule 14A.13 of the Listing Rules.

The Group has commenced operating two up-market restaurants serving Cantonese and Szechuan cuisine at the Premises since their soft openings on 6 February 2005 and the Directors (including independent non-executive Directors) are of the opinion that the ifc Mall, being a new landmark in Hong Kong and ideally located in the city center, would be an ideal location for the Group to expand its restaurant operation and to bring profits to the Group.

The independent non-executive directors of the Company have reviewed the Continuing Connected Transaction and confirmed that it has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the Confirmation of Sub-Lease which terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the Continuing Connected Transaction and confirmed in writing to the board of directors of the Company that the Continuing Connected Transaction:-

(i) has received the approval of the board of directors of the Company;

(ii) has been entered into in accordance with the terms of Confirmation of Sub-Lease; and

(iii) has not exceeded the cap amount of such transaction for the financial year ended 31 March 2006 as disclosed in the announcement of the Company dated 8 March 2005.

2) On 22 April 2005, a lease (the "First Lease") was entered into between Shahdan Limited ("Shahdan"), a wholly-owned subsidiary of the Company as landlord, and Union Medical Centre Limited ("Union Medical") as tenant, whereby Shahdan agreed to let to Union Medical the premises upon the terms as detailed below:

First Premises:	Units 1809-10, 18th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong, of approximately 5,280 square feet
Term:	three years, from 25 April 2005 to 24 April 2008
Rent and other charges:	the rent payable on a monthly basis (exclusive of Government rates, management fee and air-conditioning charges) during the term is HK$79,200
	the aggregate monthly management fee and air-conditioning charges (subject to the periodic review by Shahdan or its designated management company of the premises) is HK$21,120

Rent-free period:	Two months of rent-free period commencing from 25 April 2005 during which Union Medical was not obliged to pay rent but shall pay for the management fee, air-conditioning charges, Government rates and utility charges for the First Premises

On 28 June 2006, a lease (the "Second Lease") was entered into between Shahdan as landlord, and Union Medical as tenant, whereby Shahdan agreed to let to Union Medical the premises upon the terms as detailed below:

Second Premises:	Units 1817-18, 18th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong of approximately 2,399 square feet
Term:	three years, from 12 June 2006 to 11 June 2009
Rent and other charges:	the rent payable on a monthly basis (exclusive of Government rates, management fee and air-conditioning charges) during the term is HK$62,374 the aggregate monthly management fee and air-conditioning charges (subject to the periodic review by Shahdan or its designated management company of the premises) is HK$9,596
Rent-free period:	two months of rent-free period commencing from 12 June 2006 during which Union Medical shall not be obliged to pay rent but shall pay for the management fee, air-conditioning charges, Government rates and utility charges for the Second Premises

Union Medical is a company in which Dr Lee Shau Kee and Mr Lee Ka Shing have 100% deemed interest under the SFO and therefore is an associate of Dr Lee Shau Kee and Mr Lee Ka Shing. As Dr Lee Shau Kee and Mr Lee Ka Shing are Directors of the Company and are, by virtue of their respective deemed interests under the SFO, also taken as substantial shareholders of the Company, Union Medical is a connected person of the Company thereby rendering the First Lease and the Second Lease a continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the First Lease and the Second Lease were entered into by Shahdan with the same connected person and both leases were in respect of the premises in the same building and on the same floor, they were regarded as related transaction and therefore were treated as if they were one transaction pursuant to Rule 14A.25 of the Listing Rules. As the aggregate annual consideration payable under both leases, on an annual basis, does not exceed 2.5% of each of the applicable percentage ratios under the Listing Rules, the Company is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and no independent shareholders' approval is required.

The independent non-executive directors of the Company have reviewed the First Lease and the Second Lease and confirmed that they have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms; and

(c) in accordance with the First Lease and the Second Lease which terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the material interest that some of the directors held in the contracts under the paragraph of the Continuing Connected Transaction, there were no contracts of significance which subsisted during or at the end of the financial year in which the Company or any subsidiary was a party and in which a director was interested, directly or indirectly, and the director's interest was material.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The following directors are considered to have interests in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules:

1. Dr David Sin Wai Kin is also a director of New World Development Company Limited. The principal activities of this group include property investment, hotel management and operation and other related services.

2. Dr Lee Shau Kee, Mr Lee Ka Shing and Mr Colin Lam Ko Yin are also directors of Henderson Development, Henderson Land and Henderson Investment which, through their subsidiaries, are also engaged in the businesses of property investment, hotel management and operation and other related services.

3. Mr Eddie Lau Yum Chuen is also a director of Henderson Land and Henderson Investment which, through their subsidiaries, are also engaged in the businesses of property investment, hotel management and operation and other related services.

4. Mr Alexander Au Siu Kee is also a director of Henderson Land which, through its subsidiaries, is engaged in the business of property investment, hotel management and operation and other related services.

5. Dr Lee Shau Kee, Mr Colin Lam Ko Yin, Mr Eddie Lau Yum Chuen, Mr Norman Ho Hau Chong and Mr Alexander Au Siu Kee are also directors of Hong Kong Ferry (Holdings) Company Limited, the principal activities of this group include property investment, hotel management and operation, travel and other related services.

6. Mr Norman Ho Hau Chong is a director of CITIC Pacific Limited which, through its subsidiaries, is engaged in the business of property investment.

7. Mr Thomas Liang Cheung Biu is the Group Chief Executive of Wideland Investors Limited which, through its subsidiaries, is engaged in the ownership and management of investment properties.

8. Mr Howard Yeung Ping Leung is the Chairman of King Fook Holdings Limited and also director of New World Development Company Limited, Chi Kai Company Limited, New Lee Yuen Investment Company Limited and Wui Fung Lee Investment Company Limited, which themselves or through their subsidiaries are also engaged in the like business of the Company.

As the board of directors of the Company is independent from the boards of the above-mentioned companies and none of the above directors controls the board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of those companies.

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

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2006 are set out in notes 24 and 25 on the financial statements.

PARTICULARS OF LOAN CAPITAL, CONVERTIBLE SECURITIES, WARRANTS OR OPTIONS ISSUED BY THE COMPANY AND ITS SUBSIDIARIES

The Company and its subsidiaries have not issued, during the financial year, any loan capital, convertible securities, warrants or options.

BORROWING COST CAPITALISATION

Borrowing cost capitalised by the Company and its subsidiaries during the year amounted to HK$195,000 (2005: HK$755,000).

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 28 on the financial statements.

SHARE CAPITAL

Details of the share capital during the year are set out in note 29 on the financial statements.

PUBLIC FLOAT

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

RESERVES

Movements in reserves during the year are set out in note 29 on the financial statements.

GROUP'S FIVE-YEAR FINANCIAL 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 107.

GROUP PROPERTIES

Particulars of the major properties and property interests of the Group are shown on pages 108 to 111.

CORPORATE FINANCE

The Group maintains its conservative financial policy, with high liquidity and low gearing. Gearing, expressed as a percentage of consolidated net borrowings to the total of consolidated net borrowings and consolidated net assets, fell to 6% (at 31 March 2005 (restated): 11%) in the year.

The Group has negligible foreign currency risk, given that the majority of the financing facilities obtained by the Group are denominated in Hong Kong dollars. Interests on bank loans and borrowings of the Group are chargeable mainly based on certain agreed interest margin over the Hong Kong Interbank Offer Rate, which is therefore of floating rate in nature.

The Group has adequate lines of credit available to fund its development programme for the foreseeable future. At 31 March 2006, total available facilities amounted to HK$1.8 billion (at 31 March 2005: HK$1.8 billion), and 47% (at 31 March 2005: 55%) were drawn down. At 31 March 2006, consolidated net borrowings were HK$0.4 billion (at 31 March 2005: HK$0.6 billion), of which none was secured borrowings (at 31 March 2005: HK$0.1 billion).

EMPLOYEES

As at 31 March 2006, the Company had about a total of 1,458 full-time employees, including 1,130 employed in Hong Kong, 320 employed in the People's Republic of China and 8 employed in the United States of America. According to the Company's compensation and benefits policies and practices, our employees' remuneration packages are reviewed periodically based on various factors like staff performance and merit, the nature of the job and market trend. At the same time, we continue to use the performance-based incentive and bonus schemes to motivate staff performance. Through the regular review, our employees' remuneration packages are maintaining at reasonable and competitive level in the market.

Improving communications, promoting better teamwork and creating a dynamic corporate culture are the major goals and objectives of the Company. To achieve this end, the Company has planned a series of training programs to provide the necessary knowledge and skills and to indoctrinate such concept to staff of all levels. Various campaigns are also underway to facilitate the achievement of these goals and objectives. Opportunities for staff development both vertically and horizontally across different business units are made common practice in our group. We are confident that all these efforts in staff development and organization shaping will eventually contribute to significant corporate development in terms of organizational effectiveness.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 March 2006.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company until the conclusion of the next Annual General Meeting is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

LEE SHAU KEE

Chairman

Hong Kong, 28 June 2006

The Company is committed to maintaining a high standard of corporate governance. The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 March 2006, with deviations from CG Code A.4.2 and E.1.1.

CG Code A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to Article 77 of the Articles of Association of the Company in effect before 31 August 2005, at every annual general meeting one-third of the Directors for the time being or, if their number is not a multiple of three, then the nearest number to but not exceeding one-third shall retire from office, which is inconsistent with the requirements under the CG Code A.4.2. To comply with the CG Code A.4.2, amendments to Article 77 of the Articles of Association of the Company were proposed and approved by shareholders at the annual general meeting of the Company held on 31 August 2005.

According to CG Code E.1.1, persons proposed to be appointed or re-elected as directors at a general meeting should be nominated by means of a separate resolution. With the unanimous approval from the shareholders at the Company's Annual General Meeting of 2005, the retiring directors proposed for re-election this year were nominated by means of a single resolution.

BOARD OF DIRECTORS

The Board of Directors ("the Board") currently comprises seventeen members, consisting of seven executive directors, seven non-executive directors and three independent non-executive directors. The names and biographical details of the directors and relationship among them are shown under the Section of "Biographical Details of Directors and Senior Management" in this Annual Report. Save as disclosed in this Annual Report, there is no financial, business, family or other material or relevant relationship among the directors.

All the non-executive directors (including independent non-executive directors) of the Company have been appointed for a term of not more than three years. The terms of Dr Patrick Fung Yuk Bun, Mr Howard Yeung Ping Leung and Mr Tony Ng are up to 31 December 2006; Mr Dominic Cheng Ka On, Mr Wu King Cheong and Mr Alexander Au Siu Kee up to 31 December 2007; Dr David Sin Wai Kin, Mr Woo Kim Phoe, Mr Thomas Liang Cheung Biu and Mr Timpson Chung Shui Ming up to 31 December 2008; and all are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. The Board has received confirmation of independence from the three independent non-executive directors pursuant to Rule 3.13 of the Listing Rules and considers all of them as independent.

The role undertaken by Dr Lee Shau Kee as Chairman of the Company and Mr Peter Yu Tat Kong as Group General Manager (whose status is equivalent to chief executive officer for the purpose of the CG Code but not otherwise) are segregated. There is no financial, business, family or other material or relevant relationship between the Chairman and the Group General Manager. The key function of the Chairman is the management of the Board whereas of the Group General Manager is the day-to-day management of the Company's business. The Board will from time to time delegate certain functions to the senior management whenever required. The functions reserved to the Board are as below:

1. major acquisitions and disposals, and joint ventures.

2. major project investments, and major capital expenditure programmes.

3. annual budgets, and business and financial plans.

4. financial statements, dividend distributions, capital structure, treasury policy, and accounting policy.

5. remuneration policy and terms of employment of the senior executive team.

6. public announcements as required under the Listing Rules.

7. the group's objectives.

8. the group's overall strategies and policies.

9. the group's risk profile.

10. the group's internal control mechanism and its operation.

11. the group's businesses, their operational performance and strategic direction.

12. the proper and optimal utilization of the group's resources.

13. the performance of senior executive management.

During the year, four board meetings were held to review financial results and business development. The Board establishes committees to assist it in carrying out its responsibilities. The Board has appointed three Board Committees, including the General Purpose Committee, Remuneration Committee and Audit Committee to oversee particular aspects of the Company's affairs. Each of the committees has defined terms of reference setting out its duties, powers and functions.

REMUNERATION COMMITTEE

The Remuneration Committee comprises five members, three of whom are independent non-executive directors namely Dr David Sin Wai Kin, Mr Wu King Cheong and Mr Timpson Chung Shui Ming, and two of whom are executive directors namely Dr Lee Shau Kee and Mr Richard Tang Yat Sun. Dr Lee Shau Kee is the Chairman of the Remuneration Committee. Initially, Mr Alexander Au Siu Kee was an independent non-executive director and a member of the Remuneration Committee. He ceased to be a member of the Remuneration Committee upon him being re-designated as a non-executive director in November 2005.

The Remuneration Committee meets at least once a year to review the structure of all remuneration of directors and senior management with reference to the skill, knowledge, experience, responsibilities, individual performance and the overall profitability of the Company. The Remuneration Committee regards that the remuneration offered to the directors and senior management is appropriate for the duties and in line with market practice. No director would be involved in deciding his own remuneration. Where necessary, the Remuneration Committee will engage external professional advisers to access professional advice on relevant issues.

AUDIT COMMITTEE

The Audit Committee is primarily responsible for review of the financial information of the Company and oversight of the Company's financial controls, internal control and risk management systems. It comprises five members, three of whom are independent non-executive directors namely Dr David Sin Wai Kin, Mr Wu King Cheong and Mr Timpson Chung Shui Ming, and two of whom are non-executive directors namely Dr Patrick Fung Yuk Bun and Mr Dominic Cheng Ka On. Mr Timpson Chung Shui Ming is the Chairman of the Audit Committee. Initially, Mr Alexander Au Siu Kee was an independent non-executive director and a member of the Audit Committee. He ceased to be a member of the Audit Committee upon him being re-designated as a non-executive director in November 2005.

The Audit Committee met twice during the year with the Group General Manager and the Company's internal and external auditors to review the Company's internal control, internal audit report, audit plan, annual report, interim report and financial statements.

ATTENDANCE RECORD OF THE MEETINGS

The number of meetings held by the Board and Committees during the year and the attendance of directors is set out in the table below:

Directors	Meetings attended/held Board	Audit Committee	Remuneration Committee
Executive Directors			
Dr LEE Shau Kee (Chairman)	4/4	N/A	1/1
Mr Richard TANG Yat Sun	4/4	N/A	1/1
Mr Colin LAM Ko Yin	4/4	N/A	N/A
Mr Eddie LAU Yum Chuen	4/4	N/A	N/A
Mr Norman HO Hau Chong	3/4	N/A	N/A
Mr LEE Ka Shing	4/4	N/A	N/A
Mr Peter YU Tat Kong	4/4	N/A	N/A
Non-executive Directors			
Mr WOO Kim Phoe	2/4	N/A	N/A
Dr Patrick FUNG Yuk Bun	4/4	1/2	N/A
Mr Dominic CHENG Ka On	4/4	2/2	N/A
Mr Tony NG	4/4	N/A	N/A
Mr Howard YEUNG Ping Leung	3/4	N/A	N/A
Mr Thomas LIANG Cheung Biu	4/4	N/A	N/A
Mr Alexander AU Siu Kee (re-designated as non-executive director on 7 November 2005)	4/4	1/2	N/A
Independent Non-executive Directors			
Dr David SIN Wai Kin	4/4	2/2	1/1
Mr WU King Cheong	4/4	2/2	1/1
Mr Timpson CHUNG Shui Ming (appointed on 6 February 2006)	1/4	N/A	1/1

NOMINATION COMMITTEE

The Company does not have a nomination committee, and the power to nominate or appoint additional directors is vested in the Board according to the Articles of Association, in addition to the power of the shareholders to nominate any person to become a director of the Company in accordance with the Articles of Association of the Company and the law of Hong Kong.

The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. The nomination procedures basically follows the Articles of Association which empowers the Board at any time and from time to time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The Directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deem fit. The Directors shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position.

The Board appointed Mr Timpson Chung Shui Ming as an additional independent non-executive director in February 2006 to meet the business needs of the Company and to comply with the Listing Rules.

AUDITORS' REMUNERATION

During the year, the fees paid/payable to the Company's auditors, KPMG, for the provision of audit services and non-audit services are as follows:

	Remuneration HK$
Audit services	2,490,000
Non-audit services:	
Taxation services	125,000
Interim review	330,000
Advisory on internal audit services	295,000
Other services	18,000
	3,258,000

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs and of the results and cash flow for the year. The Group's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable; and that the accounts are prepared on a going concern basis.

A statement by the auditors about their reporting responsibilities is included in the Auditors' Report on page 30 of the Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiry, the Company confirmed that all directors had complied with the required standard set out in the Model Code throughout the year.

Auditors' report to the shareholders of Miramar Hotel & Investment Company Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 31 to 106 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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

Basis of opinion

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

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

Opinion

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

KPMG

Certified Public Accountants

Hong Kong, 28 June 2006

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

(Expressed in Hong Kong dollars)

	Note	2006 $'000	2005 (restated) $'000
Turnover	3	**1,662,862**	1,362,146
Other revenue	4	**26,023**	15,309
Other net (loss)/income	4	**(580)**	2,524
Tour and ticketing costs		**(270,432)**	(266,429)
Cost of properties under development		**(152,342)**	(118,358)
Cost of inventories		**(123,789)**	(108,144)
Staff costs	5(b)	**(238,452)**	(209,040)
Depreciation and amortisation		**(37,432)**	(36,760)
Utilities, repairs and maintenance and rent		**(95,695)**	(87,559)
Operating and other expenses		**(108,843)**	(118,328)
Reversal of impairment of interest in associates		**1,320**	540
Reversal of/(provision for) impairment of properties held for resale		**97**	(6,511)
Net increase in fair value of investment properties	13(a)	**878,484**	655,219
Profit from operations		**1,541,221**	1,084,609
Finance costs	5(a)	**(37,013)**	(16,029)
Share of profits less losses of associates		**5,319**	2,866
Profit before taxation	5	**1,509,527**	1,071,446
Income tax	6(a)	**(301,909)**	(213,292)
Profit for the year		**1,207,618**	858,154
Attributable to:			
Shareholders of the Company	9 & 29(a)	**1,169,432**	846,138
Minority interests	29(a)	**38,186**	12,016
	29(a)	**1,207,618**	858,154
Dividends attributable to the year:	10		
Interim dividend declared and paid during the year		**86,585**	86,585
Final dividend proposed after the balance sheet date		**138,536**	126,991
		225,121	213,576
Basic earnings per share	11	**$2.03**	$1.47

The notes on pages 40 to 106 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2006

(Expressed in Hong Kong dollars)

	Note	2006		2005 (restated)	
		$'000	$'000	$'000	$'000
NON-CURRENT ASSETS					
Fixed assets					
– Investment properties	13(a)		7,211,817		6,329,933
– Other fixed assets	13(a)		210,227		234,086
			7,422,044		6,564,019
Interest in associates	15		7,260		2,027
Available-for-sale securities	16		28,857		32,992
Pledged deposits	17		–		38,675
Deferred tax assets	27(b)(iii)		17,050		1,357
			7,475,211		6,639,070
CURRENT ASSETS					
Properties under development	18	185,551		70,731	
Inventories	19	89,887		100,281	
Trade and other receivables	20	103,878		164,140	
Restricted cash	21	47		325	
Cash and bank balances	22	451,225		294,367	
Tax recoverable	27(a)(ii)	–		25,932	
		830,588		655,776	
CURRENT LIABILITIES					
Trade and other payables	23	(304,497)		(323,284)	
Current portion of interest-bearing borrowings	24	(125,000)		(146,673)	
Bank overdrafts	25	(357)		(98)	
Sales and rental deposits received		(71,682)		(61,597)	
Tax payable	27(a)(ii)	(22,804)		(19,041)	
		(524,340)		(550,693)	
NET CURRENT ASSETS			306,248		105,083
TOTAL ASSETS LESS CURRENT LIABILITIES CARRIED FORWARD			7,781,459		6,744,153

	Note	2006		2005 (restated)	
		$'000	$'000	$'000	$'000
TOTAL ASSETS LESS CURRENT LIABILITIES BROUGHT FORWARD			**7,781,459**		6,744,153
NON-CURRENT LIABILITIES					
Interest-bearing borrowings	24	**(696,000)**		(825,000)	
Deferred liabilities	26	**(70,586)**		(51,088)	
Deferred tax liabilities	27(b)(iii)	**(1,023,976)**		(872,436)	
			(1,790,562)		(1,748,524)
NET ASSETS			**5,990,897**		4,995,629
CAPITAL AND RESERVES					
Share capital			**404,062**		404,062
Reserves			**5,535,640**		4,580,849
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			**5,939,702**		4,984,911
Minority interests			**51,195**		10,718
TOTAL EQUITY	29(a)		**5,990,897**		4,995,629

Approved and authorised for issue by the board of directors on 28 June 2006

Chairman **LEE SHAU KEE**

Director **COLIN K.Y. LAM**

The notes on pages 40 to 106 form part of these financial statements.

	Note	2006		2005 (restated)	
		$'000	$'000	$'000	$'000
NON-CURRENT ASSETS					
Fixed assets					
– Investment properties	13(b)		134,257		108,992
– Other fixed assets	13(b)		11,706		12,493
			145,963		121,485
Interest in subsidiaries	14		2,272,483		2,233,432
Interest in associates	15		887		940
Available-for-sale securities	16		11,530		15,467
			2,430,863		2,371,324
CURRENT ASSETS					
Inventories	19	4,562		5,630	
Trade and other receivables	20	12,050		11,576	
Cash and bank balances	22	9,111		4,933	
Tax recoverable	27(a)(ii)	–		430	
		25,723		22,569	
CURRENT LIABILITIES					
Trade and other payables	23	(39,774)		(41,621)	
Deposits received		(1,110)		(934)	
Bank overdrafts	25	–		(86)	
Tax payable	27(a)(ii)	(5,106)		–	
		(45,990)		(42,641)	
NET CURRENT LIABILITIES			(20,267)		(20,072)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,410,596		2,351,252
NON-CURRENT LIABILITIES					
Deferred liabilities	26		(1,379)		(1,379)
Deferred tax liabilities	27(b)(iii)		(12,768)		(7,854)
			(14,147)		(9,233)
NET ASSETS			2,396,449		2,342,019

	Note	2006		2005 (restated)	
		$'000	$'000	$'000	$'000
CAPITAL AND RESERVES					
Share capital			**404,062**		404,062
Reserves			**1,992,387**		1,937,957
TOTAL EQUITY	29(b)		**2,396,449**		2,342,019

Approved and authorised for issue by the board of directors on 28 June 2006

Chairman **LEE SHAU KEE**

Director **COLIN K.Y. LAM**

The notes on pages 40 to 106 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2006

(Expressed in Hong Kong dollars)

	Note	2006	2005 (restated)
		$'000	$'000
TOTAL EQUITY AT 1 APRIL			
As previously reported:			
- attributable to the shareholders of the Company	29(a)	7,814,348	6,977,384
- minority interests	29(a)	11,240	(1,934)
		7,825,588	6,975,450
Prior year adjustments arising from the changes in accounting policies	2	(2,829,959)	(2,639,460)
TOTAL EQUITY AT 1 APRIL AS RESTATED		4,995,629	4,335,990
NET INCOME RECOGNISED DIRECTLY IN EQUITY:			
Surplus on revaluation of hotel and investment properties, net of deferred tax:			
As previously reported:			
- attributable to the shareholders of the Company			732,191
- minority interests			166
Prior year adjustments arising from the changes in accounting policies	2		
- attributable to the shareholders of the Company			(732,191)
- minority interests			(166)
Surplus on revaluation of hotel and investment properties, net of deferred tax (2005: restated)			–
Exchange differences on translation of the financial statements of overseas subsidiaries			
As previously reported:			
– attributable to the shareholders of the Company			637
– minority interests			1,096
Exchange differences on translation of the financial statements of overseas subsidiaries (2005: restated)	29(a)	7,926	1,733
Changes in fair value of available-for-sale securities	29(a)	(6,700)	1,783
Net income for the year recognised directly in equity (2005: restated)		1,226	3,516

	Note	2006 $'000	2005 (restated) $'000
Revaluation surplus transferred to profit or loss upon disposal of investment properties			
As previously reported			(16,351)
Prior year adjustments arising from the changes in accounting policies	2		16,351
Revaluation surplus transferred to profit or loss upon disposal of investment properties (2005: restated)			–
NET PROFIT FOR THE YEAR:			
As previously reported:			
– attributable to the shareholders of the Company			320,735
– minority interests			11,912
			332,647
Prior year adjustments arising from the changes in accounting policies	2		525,507
Net profit for the year (2005: restated)	29(a)	**1,207,618**	858,154
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR (2005: RESTATED)		**1,208,844**	861,670
Attributable to:			
– Shareholders of the Company		**1,168,367**	848,558
– Minority interests		**40,477**	13,112
		1,208,844	861,670
Dividends approved and paid during the year	10	**(213,576)**	(202,031)
TOTAL EQUITY AT 31 MARCH		**5,990,897**	4,995,629

The notes on pages 40 to 106 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006
(Expressed in Hong Kong dollars)

	Note	2006 $'000	2005 (restated) $'000
OPERATING ACTIVITIES			
Profit before taxation		**1,509,527**	1,071,446
Adjustments for:			
– Depreciation and amortisation		**37,432**	36,760
– Finance costs		**37,013**	16,029
– Interest income		**(7,984)**	(3,168)
– Share of profits less losses of associates		**(5,319)**	(2,866)
– Loss/(gain) on disposal of investment properties		**580**	(2,524)
– Net loss on disposal of other fixed assets		**198**	32
– Reversal of impairment of interest in associates		**(1,320)**	(540)
– (Reversal of)/provision for impairment of properties held for resale		**(97)**	6,511
– Net increase in fair value of investment properties		**(878,484)**	(655,219)
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		**691,546**	466,461
(Increase)/decrease in properties under development		**(114,625)**	34,819
Decrease in inventories		**11,825**	13,733
Decrease in trade and other receivables		**60,394**	31,182
Decrease/(increase) in restricted cash		**278**	(136)
Decrease in amounts due from associates		**743**	5,557
(Decrease)/increase in trade and other payables		**(15,348)**	4,921
Increase/(decrease) in sales and rental deposits received		**10,085**	(12,441)
Increase in deferred liabilities		**19,498**	1,705
Exchange adjustments		**(2,880)**	186
CASH GENERATED FROM OPERATIONS		**661,516**	545,987
Interest received		**7,982**	3,162
Interest and other borrowing costs paid		**(34,005)**	(18,647)
Dividends paid		**(213,576)**	(202,031)
Dividends received from associates		**623**	735
Tax paid			
– Hong Kong profits tax paid		**(55,043)**	(38,123)
– Hong Kong profits tax refund		**608**	–
– Overseas tax paid		**(81,932)**	(75,519)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**286,173**	215,564

	Note	**2006**	2005 (restated)
		$'000	$'000
INVESTING ACTIVITIES			
Payment for purchase of investment properties		**(179)**	(1,070)
Payment for purchase of other fixed assets		**(13,854)**	(49,599)
Payment for purchase of available-for-sale securities		**(2,565)**	–
Proceeds from disposal of investment properties		**5,588**	61,239
Proceeds from disposal of other fixed assets		**166**	44
Loans repaid by associates		**40**	431
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(10,804)**	11,045
FINANCING ACTIVITIES			
Release of pledged deposits		**38,675**	–
Proceeds from new bank loans		**618,000**	1,196,697
Repayment of bank loans		**(768,673)**	(1,284,415)
Repayment of advances from minority shareholders		**(6,772)**	(28,443)
NET CASH USED IN FINANCING ACTIVITIES		**(118,770)**	(116,161)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**156,599**	110,448
CASH AND CASH EQUIVALENTS AT 1 APRIL		**294,269**	183,821
CASH AND CASH EQUIVALENTS AT 31 MARCH		**450,868**	294,269
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**451,225**	294,367
Bank overdrafts	25	**(357)**	(98)
		450,868	294,269

The notes on pages 40 to 106 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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.

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 1(g)); and

– financial instruments classified as available-for-sale securities (see note 1(f)).

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 next year are disclosed in note 37.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(c) Subsidiaries and controlled enterprises

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled 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 at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the shareholders 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 shareholders 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.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(d) Associates *(Cont'd)*

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, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (see notes 1(e) and (j)).

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 (see note 1(j)), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

(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 (see 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 is recognised immediately in profit or loss.

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

(f) Other 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 equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(j)).

Other investments in equity 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 (see note 1(j)). When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

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

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see 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 profit or loss. Rental income from investment properties is accounted for as described in note 1(s).

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, 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).

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) Other fixed assets

The following items of other fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(j)):

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(i));

– hotel property; and

– machinery, furniture, fixtures and equipment.

Gains or losses arising from the retirement or disposal of an item of other fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– leasehold land is depreciated over the remaining term of the lease;

– buildings including hotel property situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives being 50 years from the date of completion; and

– machinery, furniture, fixtures and equipment 4 - 10 years

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(i) Leased assets

(i) Classification of assets leased to the Group

Assets that are held by the 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; 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, or at the date of construction of those buildings, if later.

(ii) Assets held for use in operating leases

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies as set out in note 1(s)(i).

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(j) Impairment of assets

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

Investments in equity securities and other current and non-current 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, impairment loss is determined and recognised as follows:

– For unquoted equity securities and current receivables 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 are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

– For financial assets 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).

  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.

– For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss 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 profit or loss.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(j) Impairment of assets *(Cont'd)*

(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 properties carried at revalued amounts);

– investments in subsidiaries and associates (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– 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).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(j) Impairment of assets *(Cont'd)*

(ii) Impairment of other assets (Cont'd)

– 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 profit or loss in the year in which the reversals are recognised.

(k) Inventories

(i) Consumable stores

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in-first-out formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(k) Inventories *(Cont'd)*

(ii) Property development

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:

– Properties under development

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

– Properties held for resale

In the case of properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, including borrowing costs capitalised, 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 properties held for resale 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 (see 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 (see 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 cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

(n) Trade and other payables

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(o) Cash and 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

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution 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) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in profit or loss.

In calculating the Group's obligation in respect of a plan, if any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(q) Income tax

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 profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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.

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.

Apart from certain limited exceptions, 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 assets 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 limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(q) Income tax *(Cont'd)*

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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 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) 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 expenditures 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(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 profit or loss as follows:

(i) Rental income receivable under operating leases is recognised in profit or loss 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 profit or loss 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.

(ii) Revenue arising from the sale of properties held for resale 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. Revenue arising from properties under development is recognised upon the transfer of legal titles. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheets under sales deposits and instalments received.

(iii) Income from hotel, food and beverage, travel operations and management services is recognised when the relevant services are provided.

(iv) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income is recognised as it accrues using the effective interest method.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars at 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 into Hong Kong dollars at the foreign exchange rates ruling at the dates the fair value was determined.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(t) Translation of foreign currencies *(Cont'd)*

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. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(u) Borrowing costs

Borrowing costs are expensed in profit or loss 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 are 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) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

1 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(w) 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.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for purposes of these financial statements.

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 fixed assets. 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 entities 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, interest-bearing loans, borrowings, corporate and financing expenses.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group and/or Company after the adoption of these new and revised HKFRSs have been summarised in note 1. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group and/or Company has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 38).

2 CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(a) Investment properties (HKAS 40, Investment property, and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets)

Changes in accounting policies relating to investment properties are as follows:

(i) Timing of recognition of movements in fair value in the income statement

In prior years, movements in the fair value of the Group's and the Company's investment properties were recognised directly in the investment properties revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances, movements in the fair value were recognised in the income statement.

Upon adoption of HKAS 40 as from 1 April 2005, all changes in the fair value of investment properties are recognised directly in the income statement in accordance with the fair value model in HKAS 40. Further details of new policy for investment property are set out in note 1(g).

This change in accounting policy has been adopted retrospectively. As a result of the adoption of this new policy, the opening balance of retained profits of the Group and the Company as of 1 April 2005 have increased by $4,519,313,000 (2004: $3,880,611,000) and $29,852,000 (2004: $5,588,000) respectively to include all of the Group's and the Company's previous investment properties revaluation reserve respectively.

In addition, the Group's and the Company's profit attributable to shareholders has increased by $860,090,000 (2005: $638,702,000) and by $25,265,000 (2005: $24,264,000).

There is no net effect to the Group's and the Company's opening net assets as of 1 April 2005 or 1 April 2004 as a result of the adoption of HKAS 40.

(ii) Measurement of deferred tax on movements in fair value

In prior years, the Group and the Company were required to apply the tax rate that would be applicable to the sale of investment properties to determine whether any amounts of deferred tax should be recognised on the revaluation of investment properties. Consequently, deferred tax was only provided to the extent that tax allowances already given would be clawed back if the property was disposed of at its carrying value, as there would be no additional tax payable on disposal of the Group's and the Company's investment properties located in Hong Kong. In respect of the Group's investment properties located in the People's Republic of China ("PRC"), deferred tax was provided based on the tax rates applicable to the sales of investment properties in the PRC and was recognised directly in investment properties revaluation reserve.

2 CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(a) Investment properties (HKAS 40, Investment property, and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets) *(Cont'd)*

(ii) Measurement of deferred tax on movements in fair value (Cont'd)

As from 1 April 2005, in accordance with HK(SIC) Interpretation 21, the Group and the Company recognise deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the Group and the Company have no intention to sell it and the property would have been depreciable had the Group and the Company not adopted the fair value model. Further details of the policy for deferred tax are set out in note 1(q).

The change in accounting policy has been adopted retrospectively. As a result of the adoption of this new policy, the opening balance of retained profits of the Group as of 1 April 2005 has reduced by $806,975,000 (2004: $695,310,000), investment properties revaluation reserve has increased by $45,428,000 (2004: $22,369,000) and deferred tax liabilities has increased by $761,670,000 (2004: $673,035,000) respectively.

In addition, the opening balance of retained profits and deferred tax liabilities of the Company as of 1 April 2005 have reduced and increased respectively by $5,224,000 (2004: $978,000).

Furthermore, the Group's and the Company's tax expense for the year have increased by $142,087,000 (2005: $111,694,000) and $4,421,000 (2005: $4,246,000) respectively while the Group's and the Company's profit attributable to shareholders has decreased by $137,336,000 (2005: $111,665,000) and $4,421,000 (2005: $4,246,000) respectively.

(b) Hotel property (HK Interpretation 2, The appropriate policies for hotel properties)

In prior years, the Group's hotel property was stated at its open market value based on an annual professional valuation and no depreciation was provided on hotel property held on lease of more than 20 years as they were maintained in a continuous state of proper repair and improvements thereto from time to time.

Upon the adoption of HK-INT 2 as from 1 April 2005, the owner-operated hotel property is stated at cost less accumulated depreciation and impairment losses.

The change in accounting policy has been adopted retrospectively. As a result of the adoption of this new policy, the opening balance of retained profits and capital reserve as of 1 April 2005 have reduced by $68,956,000 (2004: $67,357,000) and $1,998,513,000 (2004: $1,898,316,000) respectively. In addition, the change has increased the depreciation charge and reduced the Group's profit attributable to shareholders for the year by $1,599,000 (2005: $1,599,000).

2 CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(c) Leasehold land held for redevelopment for sale (HKAS 17, Leases)

In prior years, leasehold land held for redevelopment for sale was stated at the lower of cost and net realisable value.

Upon the adoption of HKAS 17 as from 1 April 2005, land premiums paid for acquiring the land leases, or other lease payments, are amortised on a straight-line basis over the lease term. If the property is in the course of development or re-development, the amortization charge is included as part of the costs of the property under development. In all other cases, the amortisation charge for the year is recognised in profit or loss immediately. Further details of the new policy are set out in note 1(i).

The new accounting policy has been adopted retrospectively with the opening balance of retained profits and comparative information adjusted for the amounts relating to prior years as disclosed in note 2(j).

(d) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 April 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interest. Under the new policy, minority interests at the balance sheet date are presented in the consolidated balance sheet as part of equity, separately from the interests attributable to the equity shareholders of the Company, and minority interests in the results of the Group for the year are presented on the face of the consolidated income statement as an allocation of the attributable profit between the minority interests and the equity shareholders of the Company.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative year has been restated accordingly.

(e) Share of associates' taxation (HKAS 1, Presentation of financial statements)

In prior years, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 April 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates accounted for using the equity method in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before taxation. These changes in presentation have been applied retrospectively with comparatives restated.

2 CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(e) Share of associates' taxation (HKAS 1, Presentation of financial statements) *(Cont'd)*

As a result of this new presentation, the Group's share of profits less losses of associates has decreased by $955,000 (2005: $418,000) and the Group's tax expense has decreased by the same amount and there is accordingly no net effect on net assets in either year.

(f) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)

In prior years:

– positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;

– positive goodwill which arose on or after 1 January 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

– negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1 April 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill but tests it at least annually for impairment. Also with effect from 1 April 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in profit or loss as it arises. Further details of these new policies are set out in note 1(e).

Also in accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in profit or loss on disposal or impairment of the acquired business, or under any other circumstances.

The change in policy had no effect on the financial statements for the year ended 31 March 2006.

2 CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(g) Retranslation of goodwill on consolidation of a foreign operation (HKAS 21, The effects of changes in foreign exchange rates)

In prior years, goodwill arising on the acquisition of a foreign operation was translated at the exchange rates ruling at the transaction dates.

With effect from 1 April 2005, in order to comply with HKAS 21, the Group has changed its accounting policy relating to retranslation of goodwill. Under the new policy, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation. Thus, it is expressed in the functional currency of that foreign operation and is retranslated at the closing rate at each balance sheet date. Any resulting exchange difference is taken directly to the exchange reserves, together with any other differences arising from the retranslation of the net assets of the foreign operation. Further details of the new policies is set out in note 1(t).

In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and is only applied to acquisitions occurring on or after 1 April 2005. As the Group has not acquired any new foreign operations since that date, the change in policy had no impact on the financial statements for the year ended 31 March 2006.

(h) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

In prior years, non-trading securities were stated in the balance sheets at fair value with changes in fair value recognised in the non-trading securities revaluation reserve.

With effect from 1 April 2005, and in accordance with HKAS 39, all non-trading investments are classified as available-for-sale securities and carried at fair value. Changes in the fair value of available-for-sale securities are recognised in equity, unless there is objective evidence that an individual investment has been impaired. There is no material adjustment arising from the adoption of the new policies for the quoted securities carried at fair value and unquoted equity securities not carried at fair value. Further details of the new policies are set out in note 1(f).

(i) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, the definition of related parties as disclosed in note 1(v) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current year, as compared to those that would have been reported had Statement of Standard Accounting Practice 20, Related party disclosures, still been in effect.

2 CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(j) Summary of the effect of changes in accounting policies

(i) The following tables set out the adjustments that have been made to the opening balances of total equity at 1 April 2005 and 1 April 2004.

The Group

	Capital reserve $'000	Investment properties revaluation reserve $'000	Retained profits $'000	Minority interests $'000	Total equity $'000
At 1 April 2005					
Prior year adjustments:					
HKAS 40					
– Investment properties	–	(4,473,885)	3,712,338	(123)	(761,670)
HK Interpretation 2					
– Hotel property	(1,998,513)	–	(68,956)	–	(2,067,469)
HKAS 17					
– Leasehold land held for redevelopment for sale	–	–	(421)	(399)	(820)
Total increase/(decrease) in equity	(1,998,513)	(4,473,885)	3,642,961	(522)	(2,829,959)
At 1 April 2004					
Prior year adjustments:					
HKAS 40					
– Investment properties	–	(3,858,242)	3,185,301	(94)	(673,035)
HK Interpretation 2					
– Hotel property	(1,898,316)	–	(67,357)	–	(1,965,673)
HKAS 17					
– Leasehold land held for redevelopment for sale	–	–	(386)	(366)	(752)
Total increase/(decrease) in equity	(1,898,316)	(3,858,242)	3,117,558	(460)	(2,639,460)

2 CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(j) Summary of the effect of changes in accounting policies *(Cont'd)*

The Company

	Investment properties revaluation reserve $'000	Retained profits $'000	Total equity $'000
At 1 April 2005			
Prior year adjustments:			
HKAS 40			
– Investment properties	(29,852)	24,628	(5,224)
Total increase/(decrease) in equity	(29,852)	24,628	(5,224)
At 1 April 2004			
Prior year adjustments:			
HKAS 40			
– Investment properties	(5,588)	4,610	(978)
Total increase/(decrease) in equity	(5,588)	4,610	(978)

2 CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(j) Summary of the effect of changes in accounting policies *(Cont'd)*

(ii) The following tables set out the adjustments that have been made to the profit for the years ended 31 March 2006 and 31 March 2005.

The Group

	2006			2005		
	Profit attributable to shareholders $'000	**Minority interests $'000**	**Total $'000**	Profit attributable to shareholders $'000	Minority interests $'000	Total $'000
HKAS 40 – Investment properties	**722,754**	**10,953**	**733,707**	527,037	137	527,174
HK Interpretation 2 – Hotel property	**(1,599)**	**–**	**(1,599)**	(1,599)	–	(1,599)
HKAS 17 – Leasehold land held for redevelopment for sale	**–**	**–**	**–**	(35)	(33)	(68)
Total increase for the year	**721,155**	**10,953**	**732,108**	525,403	104	525,507

The Company

	2006 Profit attributable to shareholders $'000	2005 Profit attributable to shareholders $'000
HKAS 40 – Investment properties	**20,844**	20,018
Total increase for the year	**20,844**	20,018

3 TURNOVER

The principal activities of the Group are property investment, property development and sales, hotel ownership and management, food and beverage operation and travel operation.

Turnover represents rental income, income from sale of properties and properties under development, income from hotel, food and beverage and travel operations. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2006	2005
		(restated)
	$'000	$'000
Gross rental from investment properties	366,703	349,238
Gross proceeds from sale of properties and properties under development	450,502	259,087
Income from hotel ownership and management operation	340,161	315,217
Income from food and beverage operation	194,553	132,670
Income from travel operation	310,943	305,934
	1,662,862	1,362,146

4 OTHER REVENUE AND NET (LOSS)/INCOME

	2006	2005
		(restated)
	$'000	$'000
Other revenue		
Interest income	7,984	3,168
Management fee income	–	550
Forfeited deposits	1,545	556
Sundry income	16,494	11,035
	26,023	15,309
Other net (loss)/income		
(Loss)/gain on disposal of investment properties	(580)	2,524

5 PROFIT BEFORE TAXATION

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

	2006	2005
	$'000	$'000
(a) Finance costs		
Interest on bank advances and other borrowings repayable within five years	**35,882**	14,459
Other borrowing costs	**1,326**	2,325
Total borrowing costs	**37,208**	16,784
Less: borrowing costs capitalised into properties under development* *(note 18)*	**(195)**	(755)
	37,013	16,029

* *The borrowing costs have been capitalised at a rate of 4.34% (2005: 3.40%) per annum for properties under development.*

	2006	2005
	$'000	$'000
(b) Staff costs		
Contributions to defined contribution plan	**10,731**	8,940
Salaries, wages and other benefits	**227,721**	200,100
	238,452	209,040

5 PROFIT BEFORE TAXATION *(Cont'd)*

	2006 $'000	2005 (restated) $'000
(c) Other items		
Auditors' remuneration	3,224	2,993
Net foreign exchange gain	(4,344)	(1,138)
Net loss on disposal of other fixed assets	198	32
Rentals receivable from investment properties less direct outgoings of $46,739,000 (2005: (restated) $46,557,000)	(319,964)	(302,681)
Operating lease charges	21,492	18,756
Share of associates' taxation	955	418

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2006 $'000	2005 (restated) $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	50,303	48,220
Under-provision in respect of prior years	536	348
	50,839	48,568
Current tax – Overseas		
Provision for the year	119,540	46,028
(Over)/under-provision in respect of prior years	(4,317)	66
	115,223	46,094
Deferred tax		
Origination and reversal of temporary differences	135,847	118,630
	301,909	213,292

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Cont'd)*

(a) Income tax in the consolidated income statement represents: *(Cont'd)*

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

Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

Share of associates' taxation for the year ended 31 March 2006 of $955,000 (2005: $418,000) is included in the share of profits less losses of associates.

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

	2006	2005
		(restated)
	$'000	$'000
Profit before tax	**1,509,527**	1,071,446
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	**306,362**	216,274
Tax effect of non-deductible expenses	**3,043**	4,525
Tax effect of non-taxable income	**(2,410)**	(5,391)
Tax effect of unused tax losses not recognised in the year	**116**	3,772
Tax effect of tax losses not recognised in prior years utilised this year	**(1,421)**	(6,302)
(Over)/under-provision in prior years	**(3,781)**	414
Actual tax expense	**301,909**	213,292

7 DIRECTORS' REMUNERATION

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

	Directors' fees $'000	Salaries allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	2006 Total $'000
Board of directors					
Dr. Lee Shau Kee	50	50	–	–	100
Mr. Woo Kim Phoe	50	–	–	–	50
Dr. Patrick Fung Yuk Bun	50	150	–	–	200
Mr. Dominic Cheng Ka On	50	150	–	–	200
Mr. Richard Tang Yat Sun	50	50	–	–	100
Mr. Colin Lam Ko Yin	50	–	–	–	50
Mr. Eddie Lau Yum Chuen	50	–	–	–	50
Mr. Tong Ng	50	–	–	–	50
Mr. Norman Ho Hau Chong	50	–	–	–	50
Mr. Howard Yeung Ping Leung	50	–	–	–	50
Mr. Lee Ka Shing	50	–	–	–	50
Mr. Thomas Liang Cheung Biu	50	–	–	–	50
Mr. Alexander Au Siu Kee	50	121	–	–	171
Mr. Peter Yu Tat Kong	50	3,504	584	257	4,395
Independent non-executive directors					
Dr. David Sin Wai Kin	50	200	–	–	250
Mr. Wu King Cheong	50	200	–	–	250
Mr. Timpson Chung Shui Ming	7	30	–	–	37
	807	4,455	584	257	6,103

7 DIRECTORS' REMUNERATION *(Cont'd)*

	Directors' fees $'000	Salaries allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	2005 Total $'000
Board of directors					
Dr. Lee Shau Kee	42	10	–	–	52
Mr. Woo Kim Phoe	38	–	–	–	38
Dr. Patrick Fung Yuk Bun	34	30	–	–	64
Mr. Dominic Cheng Ka On	34	30	–	–	64
Mr. Richard Tang Yat Sun	34	10	–	–	44
Mr. Colin Lam Ko Yin	34	–	–	–	34
Mr. Eddie Lau Yum Chuen	34	–	–	–	34
Mr. Tong Ng	34	–	–	–	34
Mr. Norman Ho Hau Chong	34	–	–	–	34
Mr. Howard Yeung Ping Leung	34	–	–	–	34
Mr. Lee Ka Shing	24	–	–	–	24
Mr. Thomas Liang Cheung Biu	24	–	–	–	24
Mr. Peter Yu Tat Kong	34	3,504	584	245	4,367
Independent non-executive directors					
Dr. David Sin Wai Kin	38	41	–	–	79
Mr. Wu King Cheong	11	41	–	–	52
Mr. Alexander Au Siu Kee	11	41	–	–	52
Past directors					
Dr. Ho Tim (deceased on 6 November 2004)	40	–	–	–	40
The Honourable Mr. Lee Quo Wei (resigned on 6 October 2004)	15	–	–	–	15
Mr. Stephen Ho Tze Tung (deceased on 28 July 2004)	30	–	–	–	30
	579	3,707	584	245	5,115

8 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2005: one) is a director whose emolument is disclosed in note 7. The aggregate of the emoluments in respect of the other four (2005: four) individuals is as follows:

	2006	2005
	$'000	$'000
Salaries, allowances and benefits in kind	4,458	4,270
Discretionary bonuses	540	618
Retirement scheme contributions	154	103
	5,152	4,991

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

	Number of individuals	
	2006	2005
$ 0 - $1,000,000	1	1
$ 1,000,001 - $1,500,000	2	2
$ 1,500,001 - $2,000,000	1	1
	4	4

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $271,943,000 (2005 (restated): $199,648,000) which has been dealt with in the financial statements of the Company.

10 DIVIDENDS

(a) Dividends attributable to the year

	2006 $'000	2005 $'000
Interim dividend declared and paid of 15 cents per share (2005: 15 cents per share)	**86,585**	86,585
Final dividend proposed after the balance sheet date of 24 cents per share (2005: 22 cents per share)	**138,536**	126,991
	225,121	213,576

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

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2006 $'000	2005 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 22 cents per share (2005: 20 cents per share)	**126,991**	115,446

11 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to ordinary shareholders of $1,169,432,000 (2005 (restated): $846,138,000) and 577,231,252 shares (2005: 577,231,252 shares) in issue during the year.

12 SEGMENT REPORTING

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

Business segments

The Group comprises the following main business segments:

Property investment	:	The leasing of office and retail premises to generate rental income and to gain from the appreciation in properties' values in the long term
Property development and sales	:	The development, purchase and sale of commercial and residential properties
Hotel ownership and management	:	The operation of hotel and provision of hotel management services
Food and beverage operation	:	The operation of restaurants
Travel operation	:	The operation of travel agency services

12 SEGMENT REPORTING *(Cont'd)*

	Property investment		Property development and sales		Hotel ownership and management		Food and beverage operation		Travel operation		Inter-segment elimination		Consolidated	
	2006	2005 (restated)	2006	2005 (restated)	2006	2005 (restated)	2006	2005	2006	2005	2006	2005 (restated)	2006	2005 (restated)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	366,703	349,238	450,502	259,087	340,161	315,217	194,553	132,670	310,943	305,934	–	–	1,662,862	1,362,146
Inter-segment revenue	14,374	14,122	–	–	4,327	4,881	–	–	556	565	(19,257)	(19,568)	–	–
Other revenue from external customers	2,761	2,595	51	26	3,199	4,067	1,666	1,141	1,519	1,883	–	–	9,196	9,712
Total	383,838	365,955	450,553	259,113	347,687	324,165	196,219	133,811	313,018	308,382	(19,257)	(19,568)	1,672,058	1,371,858
Contribution from operations	287,692	263,648	287,464	106,472	145,381	128,486	41	(8,361)	(8,896)	(9,069)	–	–	711,682	481,176
Reversal of impairment of interest in associates													1,320	540
Revsersal of/(provision for) impairment of properties held for resale													97	(6,511)
Net increase in fair value of investment properties	878,484	655,219	–	–	–	–	–	–	–	–	–	–	878,484	655,219
Unallocated operating income and expenses													(50,362)	(45,815)
Profit from operations													1,541,221	1,084,609
Finance costs													(37,013)	(16,029)
Share of profits less losses of associates	308	273	(204)	540	5,103	2,224	112	(171)	–	–	–	–	5,319	2,866
Income tax													(301,909)	(213,292)
Profit for the year													1,207,618	858,154
Segment assets	7,375,466	6,507,804	627,068	478,821	144,493	141,804	43,800	44,661	35,005	38,970	(6,638)	(8,955)	8,219,194	7,203,105
Interest in associates	312	204	(13,641)	(11,989)	14,453	8,990	6,136	4,822	–	–	–	–	7,260	2,027
Unallocated assets													79,345	89,714
Total assets													8,305,799	7,294,846
Segment liabilities	130,073	116,305	18,131	12,349	30,583	31,660	14,473	16,117	35,390	39,752	(6,638)	(8,955)	222,012	207,228
Unallocated liabilities													2,092,890	2,091,989
Total liabilities													2,314,902	2,299,217
Capital expenditure incurred during the year	3,476	6,922	17	84,832	3,836	11,183	3,706	29,157	1,671	1,728				
Depreciation for the year	17,620	17,544	678	2,040	11,744	10,958	4,993	3,474	896	524				

12 SEGMENT REPORTING *(Cont'd)*

Geographical segments

The Group's business participates in three principal economic environments. The Hong Kong Special Administrative Region is a major market for all of the Group's businesses, except for property development and sales where the People's Republic of China and the United States of America are the major markets.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	The Hong Kong Special Administrative Region		The People's Republic of China		The United States of America	
	2006	2005 (restated)	**2006**	2005 (restated)	**2006**	2005
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**1,160,573**	1,052,254	**63,858**	66,026	**438,431**	243,866
Segment assets	**7,120,220**	6,295,847	**559,827**	535,459	**545,785**	380,754
Capital expenditure incurred during the year	**12,018**	47,986	**671**	1,004	**17**	84,832

13 FIXED ASSETS

(a) The Group

		Other properties, furniture, fixtures and equipment				
	Investment properties $'000	Hotel $'000	Leasehold land and buildings held for own use $'000	* Others $'000	Sub-total $'000	Total $'000
Cost or valuation:						
At 1 April 2005						
– As previously reported	6,329,933	2,121,837	18,865	889,875	3,030,577	9,360,510
– Prior year adjustments	–	(1,990,715)	–	–	(1,990,715)	(1,990,715)
– As restated	6,329,933	131,122	18,865	889,875	1,039,862	7,369,795
Additions	179	–	–	13,854	13,854	14,033
Disposals	(6,168)	–	–	(5,432)	(5,432)	(11,600)
Exchange adjustments	9,389	–	–	1,486	1,486	10,875
Surplus on revaluation	878,484	–	–	–	–	878,484
At 31 March 2006	**7,211,817**	**131,122**	**18,865**	**899,783**	**1,049,770**	**8,261,587**
Representing:						
Cost	–	131,122	18,865	899,783	1,049,770	1,049,770
Valuation – 2006	7,211,817	–	–	–	–	7,211,817
	7,211,817	131,122	18,865	899,783	1,049,770	8,261,587
Accumulated depreciation:						
At 1 April 2005						
– As previously reported	–	–	8,324	720,698	729,022	729,022
– Prior year adjustments	–	76,754	–	–	76,754	76,754
– As restated	–	76,754	8,324	720,698	805,776	805,776
Charge for the year	–	1,599	371	35,462	37,432	37,432
Written back on disposals	–	–	–	(5,068)	(5,068)	(5,068)
Exchange adjustments	–	–	–	1,403	1,403	1,403
At 31 March 2006	**–**	**78,353**	**8,695**	**752,495**	**839,543**	**839,543**
Net book value:						
At 31 March 2006	**7,211,817**	**52,769**	**10,170**	**147,288**	**210,227**	**7,422,044**

* *Other fixed assets comprise machinery, furniture, fixtures and equipment.*

13 FIXED ASSETS *(Cont'd)*

(a) The Group *(Cont'd)*

	Investment properties $'000	Other properties, furniture, fixtures and equipment: Hotel $'000	Leasehold land and buildings held for own use $'000	* Others $'000	Sub-total $'000	Total $'000
Cost or valuation:						
At 1 April 2004						
– As previously reported	5,730,812	2,021,640	18,466	841,973	2,882,079	8,612,891
– Prior year adjustments	–	(1,890,518)	–	–	(1,890,518)	(1,890,518)
– As restated	5,730,812	131,122	18,466	841,973	991,561	6,722,373
Additions	1,070	–	399	49,200	49,599	50,669
Disposals	(57,168)	–	–	(1,298)	(1,298)	(58,466)
Surplus on revaluation	655,219	–	–	–	–	655,219
At 31 March 2005 (restated)	6,329,933	131,122	18,865	889,875	1,039,862	7,369,795
Representing:						
Cost (restated)	–	131,122	18,865	889,875	1,039,862	1,039,862
Valuation – 2005 (restated)	6,329,933	–	–	–	–	6,329,933
	6,329,933	131,122	18,865	889,875	1,039,862	7,369,795
Accumulated depreciation:						
At 1 April 2004						
– As previously reported	–	–	7,966	687,185	695,151	695,151
– Prior year adjustments	–	75,155	–	–	75,155	75,155
– As restated	–	75,155	7,966	687,185	770,306	770,306
Charge for the year	–	1,599	358	34,735	36,692	36,692
Written back on disposals	–	–	–	(1,222)	(1,222)	(1,222)
At 31 March 2005 (restated)	–	76,754	8,324	720,698	805,776	805,776
Net book value:						
At 31 March 2005 (restated)	6,329,933	54,368	10,541	169,177	234,086	6,564,019

* *Other fixed assets comprise machinery, furniture, fixtures and equipment.*

13 FIXED ASSETS *(Cont'd)*

(b) The Company

	Investment properties $'000	Other properties, furniture, fixtures and equipment: Leasehold land and buildings held for own use $'000	* Others $'000	Sub-total $'000	Total $'000
Cost or valuation:					
At 1 April 2005	108,992	260	129,603	129,863	238,855
Additions	–	–	2,506	2,506	2,506
Disposals	–	–	(3,915)	(3,915)	(3,915)
Surplus on revaluation	25,265	–	–	–	25,265
At 31 March 2006	**134,257**	**260**	**128,194**	**128,454**	**262,711**
Representing:					
Cost	–	260	128,194	128,454	128,454
Valuation – 2006	134,257	–	–	–	134,257
	134,257	260	128,194	128,454	262,711
Accumulated depreciation:					
At 1 April 2005	–	199	117,171	117,370	117,370
Charge for the year	–	3	3,269	3,272	3,272
Written back on disposals	–	–	(3,894)	(3,894)	(3,894)
At 31 March 2006	–	**202**	**116,546**	**116,748**	**116,748**
Net book value:					
At 31 March 2006	**134,257**	**58**	**11,648**	**11,706**	**145,963**

* *Other fixed assets comprise machinery, furniture, fixtures and equipment.*

13 FIXED ASSETS *(Cont'd)*

(b) The Company *(Cont'd)*

		Other properties, furniture, fixtures and equipment			
	Investment properties $'000	Leasehold land and buildings held for own use $'000	* Others $'000	Sub-total $'000	Total $'000
Cost or valuation:					
At 1 April 2004	84,728	260	127,754	128,014	212,742
Additions	–	–	2,045	2,045	2,045
Disposals	–	–	(196)	(196)	(196)
Surplus on revaluation	24,264	–	–	–	24,264
At 31 March 2005	108,992	260	129,603	129,863	238,855
Representing:					
Cost	–	260	129,603	129,863	129,863
Valuation – 2005	108,992	–	–	–	108,992
	108,992	260	129,603	129,863	238,855
Accumulated depreciation:					
At 1 April 2004	–	196	114,083	114,279	114,279
Charge for the year	–	3	3,271	3,274	3,274
Written back on disposals	–	–	(183)	(183)	(183)
At 31 March 2005	–	199	117,171	117,370	117,370
Net book value:					
At 31 March 2005	108,992	61	12,432	12,493	121,485

* *Other fixed assets comprise machinery, furniture, fixtures and equipment.*

13 FIXED ASSETS *(Cont'd)*

(c) The analysis of cost or valuation of properties is as follows:

	The Group		The Company	
	2006	2005 (restated)	**2006**	2005
	$'000	$'000	**$'000**	$'000
Land and buildings in Hong Kong:				
– long term leases	**123,909**	115,909	**145**	145
– medium term leases	**6,846,409**	6,006,773	**134,372**	109,107
Land and buildings outside Hong Kong:				
– long term leases	**365,065**	330,817	**–**	–
– medium term leases	**26,200**	26,200	**–**	–
– short term leases	**221**	221	**–**	–
	7,361,804	6,479,920	**134,517**	109,252

(d) Investment properties of the Group and the Company were revalued at 31 March 2006 on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. The valuations were carried out by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, which has among its staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

(e) The Group and the Company lease out investment properties under operating leases. The leases typically run for an initial period of 1 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenant's sales receipts.

The total contingent rents recognised in the consolidated income statement for the year are $5,994,000 (2005: $3,800,000).

(f) The gross carrying amounts of investment properties of the Group and the Company held for use in operating leases are $7,211,817,000 (2005: $6,329,933,000) and $134,257,000 (2005: $108,992,000) respectively.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment property.

13 FIXED ASSETS *(Cont'd)*

(g) Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Within 1 year	**273,092**	222,176	**5,420**	4,659
After 1 year but within 5 years	**252,287**	196,458	**1,592**	3,360
After 5 years	**4,778**	6,656	**–**	–
	530,157	425,290	**7,012**	8,019

(h) Hotel property with net book value of $52,769,000 was valued at 31 March 2006 by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, which has among its staff Fellows of the Hong Kong Institute of Surveyors, on an open market value basis at $2,522,184,000 (2005: $2,121,837,000). The valuation of hotel property is for information purpose only and has not been incorporated in the financial statements.

14 INTEREST IN SUBSIDIARIES

	2006	2005
	$'000	$'000
Unlisted shares, at cost	**87,700**	87,700
Amounts due from subsidiaries	**3,825,954**	3,794,877
Amounts due to subsidiaries	**(1,167,314)**	(1,151,286)
	2,746,340	2,731,291
Less: Impairment loss	**(473,857)**	(497,859)
	2,272,483	2,233,432

The amount due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for the amounts due from/(to) certain subsidiaries amounting to $2,667,901,000 (2005: $2,630,440,000) and $18,927,000 (2005: $19,667,000) respectively, which are interest bearing with reference to the prevailing market rate.

14 INTEREST IN SUBSIDIARIES *(Cont'd)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

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

Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Percentage of equity: Group's effective holding	Percentage of equity: held by the Company	Percentage of equity: held by subsidiary	Principal activity
All Best Resources Limited	Hong Kong	The People's Republic of China	$100	100	–	100	Property rental
Chitat Construction Limited	Hong Kong	The People's Republic of China	$10,000	100	99	1	Property rental
Contender Limited	Hong Kong	Hong Kong	$200,000	100	100	–	Hotel operation and property rental
East Dragon Resources Limited	Hong Kong	The People's Republic of China	$100	100	–	100	Property rental
Globe Century Development Limited	Hong Kong	Hong Kong	$10,000	100	100	–	Property rental
Grand City Resources Limited	Hong Kong	The People's Republic of China	$100	100	–	100	Property rental
Gourmet Enterprises Limited	Hong Kong	Hong Kong	$180,000	94.4	94.4	–	Property rental
How Good Investments Limited	Hong Kong	Hong Kong	$2	100	50	50	Property rental
How Light Investments Limited	Hong Kong	The People's Republic of China	$100,000	100	–	100	Property sale
Korngold Limited	Hong Kong	Hong Kong	$2	100	100	–	Property investment

14 INTEREST IN SUBSIDIARIES *(Cont'd)*

Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Percentage of equity: Group's effective holding	Percentage of equity: held by the Company	Percentage of equity: held by subsidiary	Principal activity
Miramar Finance Limited	Hong Kong	Hong Kong	$100,000	100	100	–	Finance
Miramar Group (Corporate Funding) Company Limited	Hong Kong	Hong Kong	$1,000	100	99	1	Finance
Miramar Hotel Management Company Limited	Hong Kong	Hong Kong	$10,000	100	100	–	Restaurant operation and hotel management
Miramar Hotel and Investment (Express) Limited	Hong Kong	Hong Kong	$10,000,000	100	100	–	Travel agency
The Pinesprop Limited	Hong Kong	Hong Kong	$1,000	100	100	–	Property investment
Profit Advantage Limited	Hong Kong	Hong Kong	$10,000	100	–	100	Restaurant operation
Prosperwell Properties Limited	Hong Kong	Hong Kong	$10,000	100	93	7	Property rental
Randall Resources Limited	Hong Kong	The People's Republic of China	$100	100	–	100	Property rental
Shahdan Limited	Hong Kong	Hong Kong	$200,000	100	100	–	Property rental
Strong Profit Resources Limited	Hong Kong	The People's Republic of China	$10,000	70	–	100	Property sale
Tsui Hang Village Restaurant Limited	Hong Kong	Hong Kong	$500,000	100	100	–	Restaurant operation
Warsaw Investments Limited	Hong Kong	Hong Kong	$10,000	100	100	—	Property rental
Wide Trade Investments Limited	Hong Kong	Hong Kong	$10,000	100	100	—	Property investment

14 INTEREST IN SUBSIDIARIES *(Cont'd)*

				Percentage of equity			
Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Group's effective holding	held by the Company	held by subsidiary	Principal activity
~ * Grand Mira Property Management (Shanghai) Company Limited	The People's Republic of China	The People's Republic of China	US$5,000,000	100	–	100	Property rental and management
Placer Holdings, Inc.	The United States of America	The United States of America	US$400,000	88	–	88	Property development
^* Shanghai Henderson-Miramar Hotels Management Co. Ltd.	The People's Republic of China	The People's Republic of China	US$200,000	90	–	90	Hotel management
^* Shanghai Shangmei Property Company Limited	The People's Republic of China	The People's Republic of China	US$13,000,000	51.4	–	68.6	Property development

* KPMG are not statutory auditors of these subsidiaries. The total net assets and total turnover of these subsidiaries constituting approximately 5% (2005 (restated): 5%) and 2% (2005: 3%) respectively of the related consolidated totals.

~ Wholly foreign-owned enterprise.

^ Sino-foreign equity joint venture enterprise.

15 INTEREST IN ASSOCIATES

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Unlisted shares, at cost	**–**	–	**250**	250
Share of net liabilities	**(7,462)**	(12,158)	**–**	–
Amounts due from associates	**13,780**	14,523	**19,740**	22,553
Loans to associates	**79,590**	79,630	**–**	–
	85,908	81,995	**19,990**	22,803
Less: Impairment loss	**(78,648)**	(79,968)	**(19,103)**	(21,863)
	7,260	2,027	**887**	940

Amounts due from associates and loans to associates are unsecured, interest-free and have no fixed terms of repayment.

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

			Percentage of equity			
Name of company	**Place of incorporation**	**Place of operation**	**Group's effective holding**	**held by the Company**	**held by subsidiary**	**Principal activity**
* Beijing Henderson-Miramar Gourmet & Entertainment Company Limited	The People's Republic of China	The People's Republic of China	45	–	45	Restaurant operation
Booneville Company Limited	Hong Kong	Hong Kong	50	–	50	Restaurant operation
* Kamliease International Limited	Hong Kong	The People's Republic of China	49	–	49	Property sale
* Mills International Limited	British Virgin Islands	The People's Republic of China	49	–	49	Investment holding
* Shenzhen Haitao Hotel Company Limited	The People's Republic of China	The People's Republic of China	30	–	30	Hotel operation

15 INTEREST IN ASSOCIATES *(Cont'd)*

Name of company	Place of incorporation	Place of operation	Percentage of equity: Group's effective holding	held by the Company	held by subsidiary	Principal activity
* Shekou Nam Shan Tsui Hang Village Food and Beverage Services Limited	The People's Republic of China	The People's Republic of China	50	–	50	Restaurant operation
* Shenzhen Nanhai Hotel Limited	The People's Republic of China	The People's Republic of China	25	–	25	Hotel operation
Strong Guide Property Limited	Hong Kong	The People's Republic of China	50	–	50	Investment holding

* KPMG are not statutory auditors of these associates.

Summary of financial information on associates:

	Assets $'000	Liabilities $'000	Equity $'000	Revenues $'000	Profit $'000
2006					
Aggregate of associates' financial statements	**364,486**	**(342,797)**	**21,689**	**142,241**	**20,732**
Group's effective interest	**148,265**	**(155,727)**	**(7,462)**	**42,447**	**5,319**
2005					
Aggregate of associates' financial statements	344,297	(341,530)	2,767	116,159	9,669
Group's effective interest	143,529	(155,687)	(12,158)	32,685	2,866

Included in the balance sheet of an associate is an amount of $51,770,000 (2005: $57,155,000) in respect of properties situated in the People's Republic of China. The associate is in the process of completing the necessary legal formalities in order to obtain the legal title of the properties. This associate is 49% held by the Group (2005: 49%).

16 AVAILABLE-FOR-SALE SECURITIES

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Unlisted shares, at cost	**313**	313	**–**	–
Listed shares in Hong Kong	**28,544**	32,679	**11,530**	15,467
	28,857	32,992	**11,530**	15,467
Market value of listed securities	**28,544**	32,679	**11,530**	15,467

17 PLEDGED DEPOSITS

At 31 March 2005, pledged deposits were used to secure a bank loan of an overseas subsidiary of the Group as set out in note 25.

18 PROPERTIES UNDER DEVELOPMENT

The Group

	Outside Hong Kong on freehold land	
	2006	2005
	$'000	$'000
Cost:		
At 1 April	**70,731**	104,795
Movements during the year:		
Development expenditure:		
– borrowing costs capitalised *(note 5(a))*	**195**	755
– other expenses	**266,967**	83,539
Disposals	**(152,342)**	(118,358)
	114,820	(34,064)
Cost:		
At 31 March	**185,551**	70,731

At 31 March 2005, properties under development were used to secure a bank loan of an overseas subsidiary of the Group as set out in note 25.

19 INVENTORIES

	The Group		The Company	
	2006	2005 (restated)	**2006**	2005
	$'000	$'000	**$'000**	$'000
Consumable stores	**11,573**	12,495	**4,562**	5,630
Properties held for resale	**78,314**	87,786	**–**	–
	89,887	100,281	**4,562**	5,630

Properties held for resale of $78,314,000 (2005 (restated): $87,786,000) is net of a provision in order to state these properties at the lower of their cost and estimated net realisable value.

20 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Trade receivables	**52,835**	52,933	**5,284**	5,668
Other receivables	**51,043**	111,207	**6,766**	5,908
	103,878	164,140	**12,050**	11,576

All of the trade and other receivables are expected to be recovered within one year.

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

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
0 to 3 months overdue	**42,277**	41,233	**3,735**	3,864
More than 3 months overdue	**10,558**	11,700	**1,549**	1,804
	52,835	52,933	**5,284**	5,668

The Group's credit policy is set out in note 30.

21 RESTRICTED CASH

Under an agreement entered into by an overseas subsidiary of the Group with a third party company, the Group is required to deposit funds into an escrow account in respect of properties under development held by the Group's overseas subsidiary, which is expected to be utilised within one year.

22 CASH AND BANK BALANCES

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Deposits with banks and other financial institutions	**325,283**	139,512	**–**	–
Cash at bank and in hand	**125,942**	154,855	**9,111**	4,933
	451,225	294,367	**9,111**	4,933

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005 (restated)	**2006**	2005
	$'000	$'000	**$'000**	$'000
Trade payables	**42,200**	50,373	**18,709**	19,706
Other payables	**101,849**	105,691	**21,065**	21,915
Amounts due to minority shareholders of subsidiaries	**160,448**	167,220	**–**	–
	304,497	323,284	**39,774**	41,621

All of the trade and other payables are expected to be settled within one year.

Amounts due to minority shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Included in trade and other payables are trade creditors with the following ageing analysis as at the balance sheet date:

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Due within 3 months or on demand	**39,035**	42,464	**18,709**	18,942
Due after 3 months but within 6 months	**3,165**	7,909	**–**	764
	42,200	50,373	**18,709**	19,706

24 NON-CURRENT INTEREST-BEARING BORROWINGS

	The Group	
	2006	2005
	$'000	$'000
Secured bank loans wholly repayable within five years	**–**	55,673
Unsecured bank loans wholly repayable within five years	**821,000**	916,000
	821,000	971,673
Less: Portion repayable within one year included under current liabilities	**(125,000)**	(146,673)
	696,000	825,000

25 BANK LOANS AND OVERDRAFTS

At 31 March 2006, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Within 1 year or on demand	**125,357**	146,771	**–**	86
After 1 year but within 2 years	**–**	155,000	**–**	–
After 2 years but within 5 years	**696,000**	670,000	**–**	–
	696,000	825,000	**–**	–
	821,357	971,771	**–**	86

25 BANK LOANS AND OVERDRAFTS *(Cont'd)*

At 31 March 2006, the bank loans and overdrafts were as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Unsecured bank overdrafts	**357**	98	**–**	86
Bank loans				
– secured	**–**	55,673	**–**	–
– unsecured	**821,000**	916,000	**–**	–
	821,357	971,771	**–**	86

As at 31 March 2005, the banking facilities of an overseas subsidiary were secured by first floating charge over its properties under development with an aggregate value of $70,731,000 and pledged deposits of $38,675,000. Such banking facilities, amounting to $56,230,000, were utilised to the extent of $55,673,000 at 31 March 2005. As at 31 March 2006, such drawn down facilities were fully repaid and no properties under development or pledged deposits are secured.

Interest on bank loans is charged at prevailing market rates.

26 DEFERRED LIABILITIES

Deferred liabilities represent refundable rental deposits received on properties held under operating leases with unexpired lease terms exceeding one year as at the balance sheet date.

27 TAXATION IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

(i)

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Provision for Hong Kong Profits Tax for the year	**50,303**	48,220	**5,106**	23
Provisional Profits Tax paid	**(36,515)**	(30,533)	**–**	(453)
	13,788	17,687	**5,106**	(430)
Balance of Profits Tax recoverable relating to prior years	**(158)**	(461)	**–**	–
Overseas tax payable/ (recoverable)	**9,174**	(24,117)	**–**	–
Tax payable/(recoverable)	**22,804**	(6,891)	**5,106**	(430)

None of the tax payable is expected to be settled after more than one year.

(ii)

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Tax payable	**22,804**	19,041	**5,106**	–
Tax recoverable	**–**	(25,932)	**–**	(430)
	22,804	(6,891)	**5,106**	(430)

27 TAXATION IN THE BALANCE SHEET *(Cont'd)*

(b) Deferred tax assets and liabilities recognised:

(i) The Group

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

Deferred tax arising from:	Depreciation allowances in excess of related depreciation $'000	Revaluation of properties $'000	Future benefit of tax loss $'000	Others $'000	Total $'000
At 1 April 2004					
– As previously reported	57,045	22,369	–	–	79,414
– Prior year adjustment	–	673,035	–	–	673,035
– As restated	57,045	695,404	–	–	752,449
Charged/(credited) to profit or loss	8,369	111,694	(1,433)	–	118,630
At 31 March 2005 (restated)	65,414	807,098	(1,433)	–	871,079
At 1 April 2005					
– As previously reported	65,414	45,428	(1,433)	–	109,409
– Prior year adjustment	–	761,670	–	–	761,670
– As restated	65,414	807,098	(1,433)	–	871,079
(Credited)/charged to profit or loss	(8,550)	157,244	219	(13,066)	135,847
At 31 March 2006	**56,864**	**964,342**	**(1,214)**	**(13,066)**	**1,006,926**

27 TAXATION IN THE BALANCE SHEET *(Cont'd)*

(b) Deferred tax assets and liabilities recognised: *(Cont'd)*

(ii) The Company

The components of deferred tax liabilities recognised in the balance sheet and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation $'000	Revaluation of properties $'000	Total $'000
At 1 April 2004			
– As previously reported	2,199	–	2,199
– Prior year adjustment	–	978	978
– As restated	2,199	978	3,177
Charged to profit or loss	431	4,246	4,677
At 31 March 2005 (restated)	2,630	5,224	7,854
At 1 April 2005			
– As previously reported	2,630	–	2,630
– Prior year adjustment	–	5,224	5,224
– As restated	2,630	5,224	7,854
Charged to profit or loss	493	4,421	4,914
At 31 March 2006	**3,123**	**9,645**	**12,768**

27 TAXATION IN THE BALANCE SHEET *(Cont'd)*

(b) Deferred tax assets and liabilities recognised: *(Cont'd)*

(iii)

	The Group		The Company	
	2006	2005 (restated)	**2006**	2005 (restated)
	$'000	$'000	**$'000**	$'000
Net deferred tax assets recognised on the balance sheet	**(17,050)**	(1,357)	**–**	–
Net deferred tax liabilities recognised on the balance sheet	**1,023,976**	872,436	**12,768**	7,854
	1,006,926	871,079	**12,768**	7,854

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets of $29,803,000 (2005: $38,532,000) in respect of accumulated tax losses of $97,897,000 (2005: $150,666,000) as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 March 2006.

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

28 RETIREMENT SCHEMES

The Group operates various defined benefit and defined contribution retirement schemes for its employees in Hong Kong and in certain overseas locations. The assets of these schemes are held in funds administered by independent trustees. The retirement schemes in Hong Kong are registered under and comply with the Occupational Retirement Schemes Ordinance and the Mandatory Provident Fund Schemes Ordinance. Most of the employees engaged outside Hong Kong are covered by appropriate local arrangements.

The Group operates the following principal schemes:

(a) Defined benefit retirement schemes

The defined benefit scheme is for the provision of gratuities to employees who joined the Company prior to 1 January 1969. No amount was charged to the income statement for the year (2005: $Nil).

The latest independent actuarial valuation of the scheme was at 31 March 2006 and was prepared by Watson Wyatt Hong Kong Limited, who have among their staff Fellows of the Faculty of Actuaries, using the projected unit credit method. The valuation showed that there was an actuarial surplus of $3.5 million as at 31 March 2006. The main assumptions used in the valuation were an investment yield of 3% per annum, 3% long term salary increase rate and 4.25% discount rate.

According to the financial statements of the scheme, the market value of the scheme assets, which amounted to $5.6 million at 31 March 2006, was sufficient to cover the aggregate vested liability of $2.1 million with a solvency ratio of 267%. The directors considered that the surplus of the scheme of $3.5 million was sufficient to cover any outstanding unvested liabilities of the scheme and was not material to the Group, and therefore was not recognised in current year's financial statements.

(b) Defined contribution retirement schemes and Mandatory Provident Fund Scheme

The defined contribution scheme is available to employees who completed the probation period prior to 1 December 2000. The scheme requires scheme members and the Group to contribute funds calculated at a percentage of the members' actual basic salaries.

The Group also operates 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 and not previously covered by the defined benefit retirement plan and defined contribution scheme. 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.

During the year, the Group made a contribution of $10.5 million (2005: 8.7 million) to the defined contribution scheme and the MPF Scheme and charged it to the consolidated income statement. Forfeited contributions of the defined contribution scheme may be used by the Group to reduce the level to contributions made by the Group to this scheme. During the year, forfeited contributions of approximately $0.2 million (2005: $0.3 million) were utilised to reduce the Group's contributions. At the balance sheet date, there was no unutilised forfeited contribution available to reduce the contributions payable in the future (2005: $Nil).

29 TOTAL EQUITY

(a) The Group

	Share capital $'000	Share premium $'000	Capital reserve $'000	Exchange reserve $'000	General reserve $'000	Investment properties revaluation reserve $'000	Investment revaluation reserve $'000	Retained profits $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 April 2004											
– As previously reported	404,062	287,628	1,749,000	3,772	304,827	3,858,242	(33,981)	403,834	6,977,384	(1,934)	6,975,450
– Prior year adjustments in respect of:											
– HKAS 40	–	–	–	–	–	(3,858,242)	–	3,185,301	(672,941)	(94)	(673,035)
– HK Interpretation 2	–	–	(1,898,316)	–	–	–	–	(67,357)	(1,965,673)	–	(1,965,673)
– HKAS 17	–	–	–	–	–	–	–	(386)	(386)	(366)	(752)
– As restated	404,062	287,628	(149,316)	3,772	304,827	–	(33,981)	3,521,392	4,338,384	(2,394)	4,335,990
Dividends approved in respect of the previous year *(note 10(b))*	–	–	–	–	–	–	–	(115,446)	(115,446)	–	(115,446)
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	–	637	–	–	–	–	637	1,096	1,733
Changes in fair value of available-for-sale securities	–	–	–	–	–	–	1,783	–	1,783	–	1,783
Profit for the year	–	–	–	–	–	–	–	846,138	846,138	12,016	858,154
Dividends declared in respect of the current year *(note 10(a))*	–	–	–	–	–	–	–	(86,585)	(86,585)	–	(86,585)
At 31 March 2005 (restated)	404,062	287,628	(149,316)	4,409	304,827	–	(32,198)	4,165,499	4,984,911	10,718	4,995,629

29 TOTAL EQUITY *(Cont'd)*

(a) The Group *(Cont'd)*

	Share capital $'000	Share premium $'000	Capital reserve $'000	Exchange reserve $'000	General reserve $'000	Investment properties revaluation reserve $'000	Investment revaluation reserve $'000	Retained profits $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 April 2005											
– As previously reported	404,062	287,628	1,849,197	4,409	304,827	4,473,885	(32,198)	522,538	7,814,348	11,240	7,825,588
– Prior year adjustments in respect of:											
– HKAS 40	–	–	–	–	–	(4,473,885)	–	3,712,338	(761,547)	(123)	(761,670)
– HK Interpretation 2	–	–	(1,998,513)	–	–	–	–	(68,956)	(2,067,469)	–	(2,067,469)
– HKAS 17	–	–	–	–	–	–	–	(421)	(421)	(399)	(820)
– As restated	404,062	287,628	(149,316)	4,409	304,827	–	(32,198)	4,165,499	4,984,911	10,718	4,995,629
Dividends approved in respect of the previous year *(note 10(b))*	–	–	–	–	–	–	–	(126,991)	(126,991)	–	(126,991)
Reclassification	–	–	48,535	–	–	–	–	(48,535)	–	–	–
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	–	5,635	–	–	–	–	5,635	2,291	7,926
Changes in fair value of available-for-sale securities	–	–	–	–	–	–	(6,700)	–	(6,700)	–	(6,700)
Profit for the year	–	–	–	–	–	–	–	1,169,432	1,169,432	38,186	1,207,618
Dividends declared in respect of the current year *(note 10(a))*	–	–	–	–	–	–	–	(86,585)	(86,585)	–	(86,585)
At 31 March 2006	**404,062**	**287,628**	**(100,781)**	**10,044**	**304,827**	**–**	**(38,898)**	**5,072,820**	**5,939,702**	**51,195**	**5,990,897**

29 TOTAL EQUITY *(Cont'd)*

(b) The Company

	Share capital $'000	Share premium $'000	Capital reserve $'000	General reserve $'000	Investment properties revaluation reserve $'000	Investment revaluation reserve $'000	Retained profits $'000	Total $'000
At 1 April 2004								
– As previously reported	404,062	287,628	1,019,874	300,000	5,588	(15,665)	343,049	2,344,536
– Prior year adjustment in respect of HKAS 40	–	–	–	–	(5,588)	–	4,610	(978)
– As restated	404,062	287,628	1,019,874	300,000	–	(15,665)	347,659	2,343,558
Dividends approved in respect of the previous year *(note 10(b))*	–	–	–	–	–	–	(115,446)	(115,446)
Change in fair value of available-for-sale securities	–	–	–	–	–	844	–	844
Profit for the year	–	–	–	–	–	–	199,648	199,648
Dividends declared in respect of the current year *(note 10(a))*	–	–	–	–	–	–	(86,585)	(86,585)
At 31 March 2005 (restated)	404,062	287,628	1,019,874	300,000	–	(14,821)	345,276	2,342,019
At 1 April 2005								
– As previously reported	404,062	287,628	1,019,874	300,000	29,852	(14,821)	320,648	2,347,243
– Prior year adjustment in respect of HKAS 40	–	–	–	–	(29,852)	–	24,628	(5,224)
– As restated	404,062	287,628	1,019,874	300,000	–	(14,821)	345,276	2,342,019
Dividends approved in respect of the previous year *(note 10(b))*	–	–	–	–	–	–	(126,991)	(126,991)
Change in fair value of available-for-sale securities	–	–	–	–	–	(3,937)	–	(3,937)
Profit for the year	–	–	–	–	–	–	271,943	271,943
Dividends declared in respect of the current year *(note 10(a))*	–	–	–	–	–	–	(86,585)	(86,585)
At 31 March 2006	**404,062**	**287,628**	**1,019,874**	**300,000**	**–**	**(18,758)**	**403,643**	**2,396,449**

29 TOTAL EQUITY *(Cont'd)*

(c) Share capital

	2006		2005	
	No. of shares	**$'000**	No. of shares	$'000
Authorised:				
Ordinary shares of $0.70 each	**700,000,000**	**490,000**	700,000,000	490,000
Issued and fully paid:				
Ordinary shares of $0.70 each	**577,231,252**	**404,062**	577,231,252	404,062

(d) Nature and purpose of reserves

(i) The Group

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

The capital reserve represents positive goodwill which arose from acquisition of subsidiaries and associates prior to 1 January 2001 which was taken directly to equity on acquisition.

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(t).

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

The accumulated losses attributable to associates at 31 March 2006 were $35,387,000 (2005: $40,083,000).

29 TOTAL EQUITY *(Cont'd)*

(d) Nature and purpose of reserves *(Cont'd)*

(ii) The Company

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

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

The applications of the capital reserve and the general reserve are in accordance with Article 117 of the Company's Articles of Association.

Distributable reserves of the Company at 31 March 2006, calculated in accordance with section 79B of the Hong Kong Companies Ordinance, amounted to $658,171,000 (2005: $620,648,000).

After the balance sheet date the directors proposed a final dividend of 24 cents per share (2005: 22 cents per share) amounting to $138,536,000 (2005: $126,991,000). This dividend has not been recognised as a liability at the balance sheet date.

30 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign 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

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due ranging from 7 to 60 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain any collateral from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. There is no significant concentration of credit risk within the Group.

(b) Liquidity risk

The treasury function of the Group is centralised at the head office. The Group's policy is to regularly monitor its 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.

30 FINANCIAL INSTRUMENTS *(Cont'd)*

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank borrowings. 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.

	2006		
	Fixed/ Floating	**Effective interest rate (%)**	**Within one year $'000**
Cash and bank balances	**Floating**	**0% - 4.36%**	**125,942**
Cash and bank balances	**Fixed**	**0.44% - 4.00%**	**325,283**
Bank loans	**Floating**	**1.90% - 4.97%**	**(821,000)**

	2005		
	Fixed/ Floating	Effective interest rate (%)	Within one year $'000
Cash and bank balances	Floating	0% - 2.22%	154,855
Cash and bank balances	Fixed	0.44% - 2.60%	139,512
Bank loans	Floating	0.47% - 2.88%	(971,673)

(d) Foreign currency risk

The Group owns assets and conducts its business primarily in Hong Kong with its cash flows substantially denominated in Hong Kong dollars.

The Group's primary foreign currency exposures arise from its direct property development and investment in the PRC and the United States of America. Where appropriate and cost-efficient, the Group seeks to finance these investments by Renminbi or United States Dollars borrowings with reference to the future RMB or USD funding requirements from the investment and related returns.

(e) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2006 and 31 March 2005.

31 CAPITAL COMMITMENTS

Capital commitments outstanding at 31 March 2006 not provided for in the financial statements were as follows:

	The Group	
	2006	2005
	$'000	$'000
Contracted for:		
– Future expenditure relating to properties	**5,596**	21,442
Authorised but not contracted for	**1,804**	1,500
	7,400	22,942

32 OPERATING LEASE COMMITMENTS

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

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Within 1 year	**9,306**	12,049	**585**	3,508
After 1 year but within 5 years	**24,784**	25,093	**–**	585
After 5 years	**13,166**	18,975	**–**	–
	47,256	56,117	**585**	4,093

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 9 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals.

33 CONTINGENT LIABILITIES

At 31 March 2006, there were contingent liabilities in respect of the following:

– Guarantees given to banks by the Company in respect of banking facilities extended to certain wholly owned subsidiaries amounted to $821,000,000 (2005: $916,000,000).

– An associate of the Group has executed a guarantee to a bank to cover the mortgage loans granted by the bank to third parties for financing their purchases of the properties from the associate. The Group's share of the contingent liability in this respect at 31 March 2006 amounted to $Nil (2005: $469,000).

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group incurred a fee of $1,362,000 (2005: $1,900,000) to a subsidiary of its major shareholder for the provision of property agency services to the Group's investment properties in Hong Kong which was calculated at a certain percentage of the gross rental income from the Group's investment properties during the year.

The Group's travel division provides agency services to certain subsidiaries and associates of its major shareholder amounted to $13,886,000 (2005: $12,518,000) in respect of air ticket booking, hotel accommodation and hire car services under similar terms it provides to other customers.

The amount due to these companies at the year end amounted to $4,130,000 (2005: $2,594,000).

The Group's travel division receives agency services from associates of its major shareholder in respect of air ticket booking and hotel accommodation under similar terms it receives from other suppliers. Service fees paid to these associates for the year amounted to $179,000 (2005: $240,000). The amounts due to these associates at the year end amounted to $32,000 (2005: $42,000).

(b) During the year, no hotel management services were received by the Group from an associate in respect of the Group's hotel operation in Hong Kong. Management fee paid last year amounted to $1,230,000 which was calculated at 3% of the gross income derived from the Group's hotel operation in Hong Kong for the year. The amount due from the associate at the year end amounted to $2,367,000 (2005: $2,447,000).

(c) The Group provides hotel management services to certain associates which run hotel operations in the People's Republic of China and Hong Kong. Total management fees received for the year amounted to $4,798,000 (2005: $3,222,000) which were calculated at a certain percentage of the respective associates' revenue for the year. The net amounts due from these associates at the year end amounted to $8,089,000 (2005: $5,337,000).

(d) During the year, no management fee was earned by the Company from an associate for the provision of general and administrative services to the associate. Management fee income earned last year amounted to $550,000 was calculated on a time cost reimbursement basis. There was no balance due from/to that associate at the year end (2005: $Nil).

(e) The Company and its wholly-owned subsidiaries provided loans to certain associates totalling $27,000 (2005: received repayment of $4,000) during the year. Such loans are unsecured, non-interest bearing and repayable on demand. The amounts due from these associates at the year end amounted to $22,096,000 (2005: $22,069,000).

(f) The Group entered into leases with subsidiaries of its major shareholder for the leasing of a Group's premises in Hong Kong, under the normal commercial terms it offers to other tenants, during the year. Total rental and building management fee received for the year amounted to $1,435,000 (2005: $3,518,000). The amount due from these companies at the year end amounted to $3,000 (2005: $1,291,000).

34 MATERIAL RELATED PARTY TRANSACTIONS *(Cont'd)*

(g) The Group entered into a lease agreement with an associate of its major shareholder for the leasing of Shop Nos. 3101-3107 on Level Three of ifc Mall under normal commercial terms. Total rental and building management fee expense for the year amounted to $9,336,000 (2005: $5,479,000) including contingent rental of $1,078,000 (2005: $81,000). There was no balance due from/to that associate at the year end (2005: amount due to the associate of $690,000). Such transaction is considered to be related party transaction and also constitutes connected transaction as defined under the Listing Rules.

(h) As disclosed in note 33, the Company provided guarantees to banks in respect of banking facilities extended to an associated company.

(i) During the year, the remuneration for the directors and the key management personnel of the Group amounted to $11,255,000 (2005: $10,106,000) as disclosed in note 7 and 8. The remuneration of directors and senior management is determined by the Remuneration Committee having regard to the performance and responsibilities of individuals and market trends.

35 POST BALANCE SHEET EVENTS

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 10.

36 COMPARATIVE FIGURES

Certain comparative figures have been adjusted or reclassified as a result of the changes in accounting policies. Further details are disclosed in note 2.

37 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 1, management has made the following judgements that have significant effect on the amounts recognised in the financial statements.

Valuation of investment properties

Investment properties are included in the balance sheet at their open market value, which are assessed annually by external qualified valuers, after taking into consideration the net rental income allowing for reversionary income potential.

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the investment properties.

Assessment of the useful economic lives for depreciation of fixed assets

The Group's net book value of fixed assets other than investment properties as at 31 March 2006 was $210,227,000 (2005 (restated): $234,086,000). The Group depreciates other fixed assets in accordance with depreciation policy as set out in note 1(h). The estimated useful lives reflect the directors' estimate of the periods during which the Group intends to derive future economic benefits from the use of these assets.

Assessment of provision for properties held under development and for resale

Management determines the net realisable value of properties held under development and for resale by using the prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers.

Management's assessment of net realisable value of properties held under development and for resale requires judgement as to the anticipated sale prices with reference to the recent sale transactions in nearby locations and the related costs to be incurred in selling the property. The Group's estimates may not be accurate and might need to be adjusted in later periods.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 MARCH 2006

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

		Effective for accounting periods beginning on or after
HK(IFRIC) 4	Determining whether an arrangement contains a lease	1 January 2006
Amendments to HKAS 19	Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:		
– HKAS 1	Presentation of financial statements	1 January 2006
– HKAS 27	Consolidated and separate financial statements	1 January 2006
– HKFRS 3	Business combinations	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

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

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 while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.

GROUP'S FIVE-YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

	2006 $'M	2005 $'M (restated)	2004 $'M	2003 $'M (restated)	2002 $'M
RESULTS					
Turnover	**1,663**	1,362	1,403	1,381	1,547
Profit attributable to shareholders (Note i and ii)	**1,169**	846	250	224	257
ASSETS AND LIABILITIES					
Fixed assets (Note i)	**7,422**	6,564	7,918	7,474	8,648
Properties under development	**–**	–	105	270	380
Interest in associates	**7**	2	5	42	47
Available-for-sale securities	**29**	33	31	17	19
Deferred tax assets (Note ii)	**17**	1	1	–	–
Restricted cash	**–**	–	–	30	50
Pledged deposits	**–**	39	39	39	39
Net current assets/(liabilities)	**306**	105	228	(83)	44
Total assets less current liabilities	**7,781**	6,744	8,327	7,789	9,227
Long term liabilities	**(696)**	(825)	(1,026)	(1,052)	(1,543)
Deferred liabilities	**(70)**	(51)	(49)	(53)	(45)
Deferred tax liabilities (Note i and ii)	**(1,024)**	(872)	(81)	(79)	(10)
	5,991	4,996	7,171	6,605	7,629
CAPITAL AND RESERVES					
Share capital	**404**	404	404	404	404
Reserves (Note i and ii)	**5,536**	4,581	6,573	6,008	7,026
Total equity attributable to shareholders of the Company	**5,940**	4,985	6,977	6,412	7,430
Minority interests (Note i and ii)	**51**	11	194	193	199
	5,991	4,996	7,171	6,605	7,629
PER SHARE					
Earnings	**$ 2.03**	$ 1.47	$ 0.43	$ 0.39	$ 0.44
Dividends attributable to the year	**$ 0.39**	$ 0.37	$ 0.33	$ 0.33	$ 0.33
Net asset value	**$ 10.38**	$ 8.65	$ 12.09	$ 11.11	$ 12.87

Notes:

(i) The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs is provided in note 2 to the financial statements. Figures for 2005 and 2006 have been adjusted for these new and revised policies as disclosed in note 2. Figures for 2004 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit of shareholders.

(ii) Hong Kong Statement of Standard Accounting Practice No. 12 (revised) "Income taxes" was first effective for accounting periods beginning on or after 1 January 2003. In order to comply with this revised statement, the Group adopted a new accounting policy for deferred tax in 2004. Figures for the year 2003 have been adjusted. However, it is not practicable to restate earlier years for comparison purposes.

1 MAJOR PROPERTIES UNDER DEVELOPMENT

Location	Intended use	Stage	Site area	Group's interest (%)
OUTSIDE HONG KONG				
Land near Roseville area close by Sacramento California U.S.A.	Commercial and Residential	Development being planned	678 acres	88

2 MAJOR PROPERTIES HELD FOR INVESTMENT AND/OR OWN USE

Location	Lot number	Use	Lease	Group's interest (%)
IN HONG KONG				
The Miramar Hotel 118-130 Nathan Road Tsimshatsui, Kowloon	Sections A and C of KIL6022	Hotel and Commercial	Medium	100
Miramar Tower and Miramar Shopping Centre 1 Kimberley Road Tsimshatsui, Kowloon	Portion of KIL6454	Commercial	Medium	100
6 Knutsford Terrace Tsimshatsui, Kowloon	Portion of KIL7415	Commercial	Medium	100
1/F., Champagne Court 16 Kimberley Road Tsimshatsui, Kowloon	Portion of KIL6022B	Commercial	Medium	100

2 MAJOR PROPERTIES HELD FOR INVESTMENT AND/OR OWN USE *(Cont'd)*

Location	Lot number	Use	Lease	Group's interest (%)
IN HONG KONG *(Cont'd)*				
A3, 13/F., United Mansion Nos. 37E-37H and 37J-37K Jordan Road and Nos. 95-103 Shanghai Street, Kowloon	Portion of KIL6727	Residential	Medium	100
Commercial Unit, Ground Floor Block K, Bedford Gardens 151-173 Tin Hau Temple Road North Point	Portion of IL8430	Commercial	Long	100
1 & 2/F., and Rooftop and the external wall of the 5th to 20th Floors (inclusive) Winner House, 310 King's Road North Point	Portion of IL2366J	Commercial	Long	100
Shops 10, 11 and 12 on Ground Floor Kam Tong Building, 12-14 and 18-34 Mok Cheong Street, 68-70 Pak Tai Street, Tokwawan, Kowloon	Portion of KIL1404A	Commercial	Long	94.4
Units 2101-8 on 21/F., and Vehicle Parking Spaces Nos. 20 and 102 on 1/F Tsuen Wan Industrial Centre 222-248 Texaco Road Tsuen Wan, New Territories	Portion of TW Town 24	Commercial and Car parking	Medium	100
G/F., Fuk Wo Industrial Building, 5 Sheung Hei Street Sanpokong, Kowloon	Portion of NKIL4728	Commercial	Medium	100

2 MAJOR PROPERTIES HELD FOR INVESTMENT AND/OR OWN USE *(Cont'd)*

Location	Lot number	Use	Lease	Group's interest (%)
IN HONG KONG *(Cont'd)*				
Apartment A, 1st level Beach Chalet No. 5 Sea Ranch Lantau Island, New Territories	Portion of 178DD337	Residential	Medium	100
3/F., 47 and 49 Sa Po Road Kowloon City, Kowloon	Portion of NKIL498B&C	Residential	Medium	100
14 Car Parking Spaces on G/F Chi Lan Yuen 173 Argyle Street, Kowloon	Portion of KIL4194	Car parking	Long	100
Basement, South China Building, No.1 Wyndham Street Hong Kong	Portion of Sections K and L of IL80	Commercial	Long	100
OUTSIDE HONG KONG				
Flat A, 1/F., Block 2 Crystal Garden Shekou Special Industrial Zone, Shenzhen The People's Republic of China	Portion of 102 in Shekou Special Industrial Zone	Residential	Short	100
Level 4 of Miramar Shopping Arcade in Guang Fat Gardens 496 Huan Shi Dong Lu Guangzhou Guangdong Province The People's Republic of China	–	Commercial	Medium	100

2 MAJOR PROPERTIES HELD FOR INVESTMENT AND/OR OWN USE *(Cont'd)*

Location	Lot number	Use	Lease	Group's interest (%)
OUTSIDE HONG KONG *(Cont'd)*				
Flat Nos. 403 and 503, Block 1 24 Jian Quo Men Wai Avenue Chao Yang District, Beijing The People's Republic of China	–	Residential	Long	100
80 Flats and 31 Car Parking Spaces in Shang-Mira Garden Hongqiao Road Shanghai The People's Republic of China	–	Residential and Car parking	Long	100
Level 1, portion of Level 2, portion of Level 3 and Basement Level of the Commercial Podium of Shang-Mira Garden Hongqiao Road Shanghai The People's Republic of China	–	Commercial	Long	51.4