Harbour Centre Development Limited

Stock Code: 51

Annual Report

2006

Contents

Corporate Information

BOARD OF DIRECTORS

G. W. J. Li *(Chairman)*
B. S. Forsgate
T. Y. Ng
H. M. V. de Lacy Staunton
M. K. Tan

SECRETARY

W. W. S. Chan, *F.C.I.S.*

REGISTERED OFFICE

16th Floor, Ocean Centre,
Harbour City, Canton Road,
Kowloon,
Hong Kong

REGISTRARS

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

KPMG

The Hong Kong hotel market remained bullish in 2006, supported by healthy growth in tourist arrivals. The property rental market also performed strongly, and the Group's property development at Victoria Road was completed in 2006.

Group turnover rose by 75% to HK$920.9 million in 2006. Operating profit rose by 31% to HK$340.8 million. Group profit after taxation, which included a lower unrealised surplus from the revaluation of investment properties, was HK$422.7 million in 2006, compared to HK$517.1 million in 2005. Earnings per share were HK$1.34 (2005: HK$1.64).

HOTEL OPERATIONS

Visitor arrivals in Hong Kong rose 8% to over 25 million in 2006. This supports the strong performance of the Hotel segment. Average room occupancy at the Marco Polo Hongkong Hotel grew to 88% during 2006, and the average room rate had a 20% year-on-year growth.

PROPERTY INVESTMENT

The Group's commercial area in the Macro Polo Hongkong Hotel and Star House registered favorable rental revenue growth in 2006. The retail units at the Star House were acquired in November 2005.

PROPERTY DEVELOPMENT

The 60 Victoria Road residential development (total of 73 units) in Kennedy Town was completed in August 2006. Virtually all units have been sold as at 31st December, 2006.

PROSPECTS

The near term outlook for the tourism and hotel industry in Hong Kong remained positive. The hotel manager will continue to optimise the performance of the Group's hotel. New investment opportunities will be considered with aim to improve the recurrent income base of the Group.

Gonzaga W.J. Li
Chairman

Hong Kong, 7th March, 2007

Financial Highlights

	2006 *HK$ Million*	2005 *HK$ Million* Restated
Turnover	**920.9**	526.8
Profit Attributable to Shareholders	**422.7**	517.1
Net Asset Value Per Share	**HK$15.17**	HK$13.00
Earnings Per Share	**HK$1.34**	HK$1.64
Dividends Per Share	**29.0¢**	17.0¢

	Profit attributable to shareholders *HK$ Million*	**Shareholders' equity** *HK$ Million*	**Earnings per share** *HK¢*	**Dividends per share** *HK¢*	**Distribution cover** *Time*
2002#	12.8	4,239.7	4.1	17.0	0.24
2003	169.4	4,686.6	53.8	17.0	3.16
2004#	371.7	3,505.6	118.0	17.0	6.94
2005#	517.1	4,096.3	164.2	17.0	9.66
2006	422.7	4,778.0	134.2	29.0	4.63

Restated

SEGMENT REVIEW

The Marco Polo Hongkong Hotel ("MPHK Hotel") registered slight growth in occupancy and double-digit growth in average room rate during 2006. Total revenue and operating profit of the Hotel Segment in 2006 rose by 16% and 31% to HK$431.1 million and HK$153.2 million respectively. High demand for hotel rooms during trade shows, conferences and exhibitions supported the strong improvement in room rates.

During 2006, average occupancy at MPHK Hotel grew to 88% (2005: 87%). Average room rate recorded a 20% growth. To enhance its competitiveness, the sixth floor of the hotel is being renovated with new food and beverage offering, and the work is scheduled for completion by mid-2007. With solid economic fundamentals and rising tourist arrivals, the near-term outlook for the Hong Kong hotel industry remains strong.

Property investment revenue and operating profit rose by 28% and 26% to reach HK$120.2 million and HK$104.3 million respectively. The increase was principally contributed by favourable rental growth and the first full-year rental contribution from the Star House retail units acquired in November 2005.

Occupancy at the office and retail areas of MPHK Hotel was 93% and 99% respectively, while the Star House units were 87% occupied. Lane Crawford remains the anchor tenant at MPHK Hotel's retail area, which supports the patronage of the hotel.

The Group's investment property, comprising the office and retail areas in MPHK Hotel and the Star House units, were revalued by an independent valuer at 31st December, 2006. Net revaluation surplus after deferred tax was HK$77.8 million in 2006, compared with HK$223.7 million in 2005.

On property development, the 60 Victoria Road development at Kennedy Town was completed in August 2006 and virtually all of the 73 units have been sold as at the end of 2006, realising proceeds of about HK$278 million. These sales were recognised in the 2006 profit and loss account in accordance with current accounting standards.

FINANCIAL REVIEW

(I) Review of 2006 Results

Turnover

Group turnover for the year under review amounted to HK$920.9 million, an increase of HK$394.1 million or 74.8% (2005: HK$526.8 million). The significant increase in turnover was primarily due to the recognition of the proceeds from the sales of residential units at 60 Victoria Road upon its completion in the year under review, combined by the double-digit revenue growth from the Hotel, Property Investment and Investment segments.

Revenue from the Hotel segment was up by 16.2% to HK$431.1 million, reflecting the encouraging performance achieved by the Marco Polo Hongkong Hotel ("MPHK Hotel").

Property investment revenue was up by 27.5% to HK$120.2 million due to higher rental income generated from MPHK Hotel's retail areas and full year rental income contribution from the Star House units, which were acquired in November 2005.

Property development revenue was HK$278.3 million (2005: HK$Nil), which came from the recognition of the proceeds from the sale of 72 residential units at 60 Victoria Road on its completion in 2006.

Increase in dividend income and interest income generated from the Group's surplus cash also contributed to the turnover growth.

Operating Profit

Group operating profit for the year rose by 31.4% to HK$340.8 million (2005: HK$259.3 million). The Hotel and Property Investment segments were the main growth drivers with 30.9% and 25.7% growth in operating profit, respectively. There was no profit contribution from the sales of Victoria Road units as the realised selling prices were nearly at their book written down values.

Other Items

Included in the Group's profit is a surplus of HK$94.3 million (2005: HK$271.1 million) on revaluation of the Group's investment properties and other net income of HK$48.7 million (2005: 42.6 million), which mainly included profit on disposal of investments of HK$47.9 million.

Share of Profits of Associates

Share of profits of associates in 2006 was HK$6.2 million (2005: HK$24.4 million) due to the reduction in attributable profit from the Sorrento project as over 99% units of this project were sold by the end of 2005.

Taxation

The taxation charge for the year was HK$67.3 million (2005: HK$80.3 million). Included in the current year's taxation charge was a deferred tax provision of HK$16.5 million (2005: HK$47.4 million) on the surplus arising from investment property revaluations.

Profit Attributable to Shareholders

Group profit attributable to shareholders for the year amounted to HK$422.7 million (2005: HK$517.1 million), a decrease of HK$94.4 million or 18.3%. Earnings per share were HK$1.34 (2005: HK$1.64).

The Group's investment properties were revalued as at 31st December, 2006, resulting in a net surplus after deferred tax of HK$77.8 million (2005: HK$223.7 million) recorded in the profit and loss account.

Excluding this surplus, profit for the year would have been HK$344.9 million, an increase of 17.6% over 2005. The favourable results were mainly due to the increase in the Group's operating profit to HK$340.8 million (2005: HK$259.3 million) and profit on disposal of investments by HK$47.9 million, but offset in part by the decrease in share of profits of HK$17.0 million contributed by the associate undertaking the Sorrento property project.

(II) Liquidity and Financial Resources

As of 31st December, 2006, the Group's shareholders' equity was HK$4,778.0 million or HK$15.17 per share.

In compliance with the amendments to accounting standards (HKAS 19), with effect from 1st January, 2006 retrospectively, the Group's shareholders' equity as at 31st December, 2005 has been restated to HK$4,096.3 million from HK$4,101.0 million, a decrease of HK$4.7 million due to the recognition of previously unrecognised actuarial losses relating to the Group's defined benefit pension schemes to equity.

As at 31st December, 2006, the Group had a net cash balance of HK$1,840.2 million, HK$320.6 million higher than 2005. The increase was mainly attributable to the sale proceeds of HK$278.3 million received from the sales of 60 Victoria Road. The cash surplus was mostly placed as bank deposits. In addition, the Group maintained a portfolio of investments primarily consisting of blue chip securities, with a market value aggregating HK$1,490.0 million as at 31st December, 2006 (2005: HK$922.8 million). The performance of the portfolio was in line with the trend of the stock markets.

As at 31st December, 2006, the Group had no significant exposure to foreign exchange rate fluctuations.

(III) Human Resources

The Group has approximately 452 employees working at the Group's hotel. Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for year ended 31st December, 2006 amounted to HK$105.1 million (2005: HK$92.9 million).

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31st December, 2006, all the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Code") were met by the Company, with the exception of one deviation as set out under section (D) below. The application of the relevant principles, and the reasons for the abovementioned deviation from a Code provision, are stated in the following sections.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company who were in office during the financial year ended 31st December, 2006, they have confirmed that they have complied with the Model Code during the financial year.

(C) BOARD OF DIRECTORS

(I) Composition of the Board, number of Board meetings and Directors' attendance

The Company's Board has a balance of skills and experience and a balance composition of executive and non-executive directors. Four Board meetings were held during the financial year ended 31st December, 2006. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance at Meetings
Chairman	
Mr. Gonzaga W. J. Li	4
Non-executive Director	
Mr. T. Y. Ng	1
Independent Non-executive Directors	
Mr. Brian S. Forsgate	0
Mr. H. M. V. de Lacy Staunton	3
Mr. M. K. Tan	3

Each Director of the Company has been appointed on the strength of his calibre, experience and stature, and his potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions.

(C) BOARD OF DIRECTORS *(Continued)*

(II) Operation of the Board

The Company is headed by an effective Board which takes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Gonzaga W. J. Li serves as the Chairman and also as the *de facto* chief executive officer of the Company. This is a deviation from the Code provision with respect to the roles of Chairman and Chief Executive Officer to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals with a substantial number thereof being independent Non-executive Directors.

(E) NON-EXECUTIVE DIRECTORS

All those existing Directors of the Company who do not hold any executive office of the Company have their respective terms of appointment coming to an end normally three years after their appointment to the Board or (in the case of Directors who were re-elected to the Board at previous Annual General Meetings) their last re-election as Directors.

(F) REMUNERATION OF DIRECTORS

The Company has set up a Remuneration Committee consisting of the Chairman of the Company and two other independent Non-executive Directors.

One Remuneration Committee meeting was held during the financial year ended 31st December, 2006. Attendance of the Members is set out below:

Members	Attendance at Meeting
Mr. Gonzaga W. J. Li, *Chairman*	1
Mr. Brian S. Forsgate	1
Mr. M. K. Tan	1

The terms of reference of the Remuneration Committee are aligned with the provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. Given below are the main duties of the Remuneration Committee:

(a) to consider the Company's policy and structure for all remuneration of Directors and senior management;

(b) to determine the specific remuneration packages of all executive Directors and senior management;

(c) to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and

(e) to review compensation arrangements relating to dismissal or removal of Directors for misconduct.

The work performed by the Remuneration Committee for the financial year ended 31st December, 2006 is summarised below:

(a) review of the Company's policy and structure for all remuneration of Directors and senior management;

(b) consideration of the emoluments for all Directors and senior management; and

(c) review of the level of fees for Directors and Audit Committee Members.

(F) REMUNERATION OF DIRECTORS *(Continued)*

The basis of determining the emoluments payable to its Directors and senior management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the Directors' fees, currently at the rate of HK$30,000 per annum per Director, payable to Directors of the Company, and the Audit Committee Members' fees, currently at the rate of HK$10,000 per annum per member, payable to those Directors of the Company who are also members of the Audit Committee of the Company is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(G) NOMINATION OF DIRECTORS

The Company does not have a nomination committee as the role and function of such committee are performed by the Board.

The Board is responsible for the formulation of nomination policies, making recommendations to Shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable Shareholders to make an informed decision on the re-election, and where necessary, nominating Directors to fill casual vacancies. The Chairman from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of Directors on the Board independent of management. He also identifies and nominates qualified individuals for appointment as new Directors of the Company. New Directors of the Company will be appointed by Board. Any and all new Directors are subject to retirement from the Board at the Annual General Meeting of the Company immediately following his or her appointment and may stand for re-election at the Annual General Meeting.

(H) AUDITORS' REMUNERATION

The fees in relation to the audit for the year 2006 provided by KPMG, the external auditors of the Company, amounted to HK$0.6 million. No non-audit service was provided by KPMG during the year.

(I) AUDIT COMMITTEE

The Audit Committee of the Company consists of one Non-executive Director and two independent Non-executive Directors.

All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required.

Two Audit Committee meetings were held during the financial year ended 31st December, 2006. Attendance of the Members is set out below:

Members	Attendance at Meetings
Mr. Brian S. Forsgate, *Chairman*	2
Mr. M. K. Tan	1
Mr. T. Y. Ng	1

(i) The terms of reference of the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of Audit Committee:

(a) to consider the appointment of the external auditors and any questions of resignation or dismissal;

(b) to discuss with the external auditors before the audit commences, the nature and scope of the audit;

(c) to review the half-year and annual financial statements before submission to the Board, focusing particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from the audit;

(iv) the going concern assumption;

(v) compliance with accounting standards; and

(vi) compliance with stock exchange and legal requirements.

(d) to discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary); and

(I) AUDIT COMMITTEE *(Continued)*

(e) to review the audit programme, and ensure co-ordination with external auditors, of the internal audit function.

(ii) The work performed by the Audit Committee for the financial year ended 31st December, 2006 is summarised below:

(a) approval of the remuneration and terms of engagement of the external auditors;

(b) review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

(c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(c) above regarding the duties of the Audit Committee;

(d) discussion with the external auditors before the audit commences, the nature and scope of the audit;

(e) review of the audit programme and co-ordination between the external auditors and the internal audit function;

(f) review of the Group's financial controls, internal control and risk management systems; and

(g) meeting with the external auditors without executive Board members present.

(J) INTERNAL CONTROL

The Directors are ultimately responsible for the internal control system of the Group and, through the Audit Committee, have reviewed the effectiveness of the system. The internal control system comprises a well-defined organisational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. The head of Internal Audit Department reports to the Audit Committee. A full set of internal audit reports will also be provided to the external auditors.

(J) INTERNAL CONTROL *(Continued)*

A review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, was conducted by the Audit Committee and subsequently reported to the Board during the year 2006. Based on the result of the review, in respect of the year ended 31st December, 2006, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

(K) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31st December, 2006, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31st December, 2006:

(i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;

(ii) prudent and reasonable judgements and estimates are made; and

(iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(L) COMMUNICATION WITH SHAREHOLDERS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performances and activities. Annual and interim reports are printed and sent to all shareholders. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

The Company encourages its shareholders to attend Annual General Meetings to ensure a high level of accountability and to stay informed of the Group's strategy and goals.

The Company keeps shareholders informed of the procedure for voting by poll in all circulars to shareholders which are from time to time despatched to shareholders together with notices of general meetings of the Company.

(M) SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to the Hong Kong Companies Ordinance, on requisition of one or more shareholders in aggregate holding not less than 5% of the paid-up capital of the Company carrying the right to vote at general meetings, the Directors of the Company must convene an extraordinary general meeting.

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31st December, 2006.

PRINCIPAL ACTIVITIES AND OPERATIONS

The principal activity of the Company is investment holding and those of its principal subsidiaries and associates are set out on page 69.

An analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year is set out in Note 1 to the Financial Statements on pages 31 to 33.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31st December, 2006 are set out in the Consolidated Profit and Loss Account on page 26.

Appropriations of profits and movements in reserves during the financial year are set out in Note 21 to the Financial Statements on pages 50 to 51.

DIVIDENDS

An interim dividend of 5.0 cents per share was paid on 13th October, 2006. The Directors now recommend the payment on 17th May, 2007 of a final dividend of 24.0 cents per share in respect of the financial year ended 31st December, 2006, payable to shareholders on record as at 9th May, 2007. This recommendation has been disclosed in the Financial Statements.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 9 to the Financial Statements on pages 39 to 41.

DONATIONS

The Group made donations during the financial year totalling HK$750,000.

DIRECTORS

The Directors of the Company during the financial year were Mr. G. W. J. Li, Mr. B. S. Forsgate, Mr. T. Y. Ng, Mr. H. M. V. de Lacy Staunton and Mr. M. K. Tan.

Mr. B. S. Forsgate will retire from the Board in accordance with Article 103(A) at the forthcoming Annual General Meeting, and he has decided not to stand for re-election.

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company a party to any arrangement 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.

AUDITORS

The Financial Statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board
Wilson W. S. Chan
Secretary

Hong Kong, 7th March, 2007

SUPPLEMENTARY CORPORATE INFORMATION

(A) Biographical Details of Directors and Senior Managers

(I) Directors

Gonzaga Wei Jen LI, *Chairman (Age: 77)*

Mr. Li was appointed a Director of the Company in 1980 and became Chairman in 1989. He serves as the Chairman of the Company's Remuneration Committee as well. He is also the senior deputy chairman of the Company's holding company, namely, The Wharf (Holdings) Limited ("Wharf"), the senior deputy chairman of Wheelock and Company Limited ("Wheelock"), and also the chief executive officer and a director of Wharf China Limited. He is also a director of Wheelock Properties Limited ("WPL") and Joyce Boutique Holdings Limited ("Joyce"). He was formerly the chairman of WPL, Wheelock Properties (Singapore) Limited ("WPSL") in Singapore and Modern Terminals Limited.

Brian Stuart FORSGATE, *Director (Age: 59)*

Mr. Forsgate has been an independent Non-executive Director of the Company since 2001. He also serves as the chairman of the Company's Audit Committee and a member of the Company's Remuneration Committee. He is also the chairman and the managing director of Eralda Industries Limited.

Tze Yuen NG, *Director (Age: 59)*

Mr. Ng has been a Director of the Company since 1994 and serves as a member of the Company's Audit Committee. He is also a director of Wharf, Joyce, WPL and WPSL in Singapore. He is an associate member of both the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Hugh Maurice Victor de LACY STAUNTON, *Director (Age: 71)*

Mr. de Lacy Staunton has been an independent Non-executive Director of the Company since 2001. He was formerly a director of The Cross-Harbour (Holdings) Limited. He is a member of the investment sub-committee of The Community Chest and an advisor to The Bradbury Charitable Foundation.

SUPPLEMENTARY CORPORATE INFORMATION *(Continued)*

(A) Biographical Details of Directors and Senior Managers *(Continued)*

(I) Directors *(Continued)*

Man Kou TAN, *Director (Age: 71)*

Mr. Tan was appointed a Director of the Company in September 2004 and has since been an independent Non-executive Director. He also serves as a member of the Company's Audit Committee and Remuneration Committee. He is a consultant of Deloitte Touche Tohmatsu, Hong Kong and has over 30 years of public accounting experience. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Furthermore, he is a member of the Chinese People's Political Consultative Conference and a member of the Selection Committee of the Hong Kong Special Administrative Region. For community services, Mr. Tan has been a member, the honorary treasurer, and the chairman of the Hong Kong Housing Society for more than 20 years. He formerly was also a member of the Airport Consultative Committee.

Notes:

(1) Wheelock, Wharf, WF Investment Partners Limited and Wharf Estates Limited (of which Mr. G. W. J. Li and/or Mr. T. Y. Ng is/are director(s)) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

(2) The Company confirms that it has received written confirmation from each of the independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), and considers them independent.

(II) Senior Managers

During the year, the senior management responsibilities of the Group were vested with the Chairman in conjunction with the Group's Hotel Manager, namely, Marco Polo Hotels Management Limited, and the Group's Commercial Section Manager, namely, Harbour City Estates Limited.

SUPPLEMENTARY CORPORATE INFORMATION *(Continued)*

(B) Directors' Interests in Shares

At 31st December, 2006, Directors of the Company had the following personal beneficial interests, all being long positions, in the ordinary shares of the Company's parent company, namely, Wharf, and the percentages which the shares represented to the issued share capital of Wharf are also set out below:

Names of Directors	Number of Shares (percentage of issued capital)
Mr. Gonzaga W. J. Li	686,549 (0.028%)
Mr. T. Y. Ng	178,016 (0.007%)

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers:

(i) there were no interests, both long and short positions, held as at 31st December, 2006 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and

(ii) there existed during the financial year no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

SUPPLEMENTARY CORPORATE INFORMATION *(Continued)*

(C) Substantial Shareholders' Interests

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 31st December, 2006, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

	Names	No. of Ordinary Shares (percentage of issued capital)
(i)	Upfront International Limited	210,379,500 (66.79%)
(ii)	Wharf Estates Limited	210,379,500 (66.79%)
(iii)	The Wharf (Holdings) Limited	210,379,500 (66.79%)
(iv)	WF Investment Partners Limited	210,379,500 (66.79%)
(v)	Wheelock and Company Limited	210,379,500 (66.79%)
(vi)	HSBC Trustee (Guernsey) Limited	210,379,500 (66.79%)
(vii)	Harson Investment Limited	25,357,500 (8.05%)

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (vi) above in that they represent the same block of shares.

All the interests stated above represented long positions and as at 31st December, 2006, there were no short position interests recorded in the Register.

(D) Directors' Interests in Competing Business

Set out below is information disclosed pursuant to paragraph 8.10 of the Listing Rules of the Stock Exchange:

Two Directors of the Company, namely, Messrs. G. W. J. Li and T. Y. Ng, being also directors of the Company's parent company, namely, Wharf, and/or subsidiaries of Wharf, are considered as having an interest in Wharf under paragraph 8.10 of the Listing Rules.

Ownership of property for letting and ownership of hotels by wholly-owned subsidiaries of Wharf constitute competing businesses to the Group.

The commercial premises at Harbour City, being in the vicinity of The Marco Polo Hongkong Hotel, owned by the Wharf group for rental purposes are considered as competing with the commercial premises in The Marco Polo Hongkong Hotel owned by the Group. In view of the Wharf group's extensive experience and expertise in property letting and management, the Group has appointed a subsidiary of Wharf (the "Agents") as the agent for a term up to 31st May, 2008 for the letting, reletting, management, licensing and re-licensing of the commercial premises in The Marco Polo Hongkong Hotel.

SUPPLEMENTARY CORPORATE INFORMATION *(Continued)*

(D) Directors' Interests in Competing Business *(Continued)*

Two hotels, namely, The Marco Polo Gateway and The Marco Polo Prince, owned by wholly-owned subsidiaries of Wharf are also considered as competing businesses of The Marco Polo Hongkong Hotel owned by the Group. In view of the Wharf group's expertise and very good track record in the management and operation of hotels throughout the Asia Pacific region, the Group has engaged a wholly-owned subsidiary (the "Operator") of Wharf to act as manager to operate, direct, manage and supervise The Marco Polo Hongkong Hotel. The Operator is also responsible for the operation of two hotels in Hong Kong, namely, The Marco Polo Gateway and The Marco Polo Prince, and some other hotels in the Asia Pacific region. The Operator has agreed, *inter alia*, to operate The Marco Polo Hongkong Hotel as a first class hotel, failing which, the Group has the right to unilaterally terminate the engagement of the Operator.

For safeguarding the interests of the Group, the independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's hotel and property leasing and management businesses are and continue to be run on the basis that they are independent of, and at arm's length from, those of the Wharf group.

(E) Major Customers and Suppliers

For the year ended 31st December, 2006:

(i) the aggregate amount of purchases (not including purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and

(ii) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(F) Bank Loans, Overdrafts and Other Borrowings

The Group did not have any loans, overdrafts and other borrowings outstanding as at 31st December, 2006.

(G) Interest Capitalised

No interest was capitalised by the Group during the financial year.

(H) Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

SUPPLEMENTARY CORPORATE INFORMATION *(Continued)*

(I) Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31st December, 2006.

(J) Disclosure regarding Continuing Connected Transaction

Set out below is information in relation to a continuing connected transaction involving the Company and/or its subsidiaries, which was substantially disclosed in the press announcement of the Company dated 23rd December, 2004 and was required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(I) Tenancy Agreement with the Wharf group

On 23rd December, 2004, a tenancy agreement (the "Agreement") in respect of Shop OT G64, Ground Floor, Ocean Terminal, Harbour City (the "Premises") for the period from 10th January, 2005 to 9th January, 2008 was entered into by The Hongkong Hotel Limited ("HHL"), a wholly-owned subsidiary of the Company, as the tenant with the landlord, namely, Wharf Realty Limited ("WRL"), which is a wholly-owned subsidiary of The Wharf (Holdings) Limited ("Wharf").

The aggregate rental payable by HHL to WRL under the Agreement for the three financial years ending 31st December, 2008 would be about HK$1.3 million per annum. There is a right for either party to early terminate the tenancy at any time after the expiry of the first 12 months of the term by serving on the other party a 3-month prior written notice without payment of any compensation by either party.

As the Company is a 67%-owned subsidiary of Wharf, the transaction constitutes a continuing connected transaction for the Company under the Listing Rules. The Premises are presently leased by WRL to HHL for use as a function and banquet room ancillary to The Marco Polo Hongkong Hotel which is owned by HHL, generating satisfactory revenue to HHL.

SUPPLEMENTARY CORPORATE INFORMATION *(Continued)*

(J) Disclosure regarding Continuing Connected Transaction *(Continued)*

(II) Confirmation from Directors etc.

The Directors, including the independent Non-executive Directors, of the Company have reviewed the continuing connected transaction mentioned above (the "Transaction") and confirmed that the Transaction was entered into:

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

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing such continuing connected transaction on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Furthermore, the auditors of the Company have advised the following:

(1) the Transaction had been approved by the Company's Board of Directors;

(2) nothing came to the attention of the auditors of the Company that caused them to believe that the Transaction was not entered into in accordance with the terms of the related agreement governing the Transaction; or, where there was no agreement, on terms no less favourable than those for similar transactions undertaken by the Group with independent third parties where available; and

(3) The relevant cap amount has not been exceeded during the year ended 31st December, 2006.

TO THE SHAREHOLDERS OF HARBOUR CENTRE DEVELOPMENT LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Harbour Centre Development Limited (the "Company") set out on pages 26 to 69 which comprise the consolidated and company balance sheets as at 31st December, 2006, the consolidated profit and loss account, consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

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

7th March, 2007

Consolidated Profit and Loss Account

For the year ended 31st December, 2006

	Note	**2006** **HK$ Million**	2005 HK$ Million
Turnover	1	**920.9**	526.8
Direct costs and operating expenses		**(508.5)**	(217.8)
Selling and marketing expenses		**(41.7)**	(19.1)
Depreciation and amortisation		**(25.3)**	(25.2)
Administrative and corporate expenses		**(4.6)**	(5.4)
Operating profit	2	**340.8**	259.3
Increase in fair value of investment properties		**94.3**	271.1
Other net income	3	**48.7**	42.6
		483.8	573.0
Share of profits less losses of associates		**6.2**	24.4
Profit before taxation	1	**490.0**	597.4
Taxation	4(b)	**(67.3)**	(80.3)
Profit attributable to shareholders	5	**422.7**	517.1
Dividends attributable to the year	6		
Interim dividend declared during the year		**15.8**	15.8
Final dividend proposed after the balance sheet date		**75.6**	37.8
		91.4	53.6
Earnings per share	7	**HK$1.34**	HK$1.64

The notes and principal accounting policies on pages 31 to 69 form part of these financial statements.

As at 31st December, 2006

	Note	2006 HK$ Million	2005 HK$ Million Restated
Non-current assets			
Fixed assets	9		
Investment properties		**1,663.0**	1,561.0
Leasehold land		**15.2**	15.3
Other properties, plant and equipment		**63.4**	61.0
Interest in associates	11	**0.8**	14.6
Available-for-sale investments	12	**1,490.0**	922.8
Long term receivables	13	**3.1**	–
Employee benefits	14	**6.7**	4.4
		3,242.2	2,579.1
Current assets			
Inventories	15	**7.6**	243.5
Trade and other receivables	16	**78.8**	105.8
Cash and cash equivalents		**1,840.2**	1,519.6
		1,926.6	1,868.9
Current liabilities			
Trade and other payables	17	**140.5**	134.0
Taxation payable	4(d)	**22.6**	9.1
		163.1	143.1
Net current assets		**1,763.5**	1,725.8
Total assets less current liabilities		**5,005.7**	4,304.9
Non-current liabilities			
Deferred income	18	**0.8**	1.6
Deferred taxation	19	**226.9**	207.0
		227.7	208.6
NET ASSETS		**4,778.0**	4,096.3
Capital and reserves			
Share capital	20	**157.5**	157.5
Reserves	21(a)	**4,620.5**	3,938.8
TOTAL EQUITY		**4,778.0**	4,096.3

The notes and principal accounting policies on pages 31 to 69 form part of these financial statements.

Gonzaga W. J. Li
Chairman

T. Y. Ng
Director

Company Balance Sheet

As at 31st December, 2006

	Note	2006 HK$ Million	2005 HK$ Million
Current assets			
Amounts due from subsidiaries	*10*	**–**	330.4
Trade and other receivables	*16*	**1.4**	1.0
Taxation recoverable		**0.4**	0.4
Cash and cash equivalents		**1,833.9**	1,446.3
		1,835.7	1,778.1
Current liabilities			
Amounts due to subsidiaries	*10*	**840.0**	786.7
Trade and other payables	*17*	**0.4**	0.6
		840.4	787.3
Net current assets		**995.3**	990.8
Non-current liabilities			
Deferred income	*18*	**0.8**	1.6
NET ASSETS		**994.5**	989.2
Capital and reserves			
Share capital	*20*	**157.5**	157.5
Reserves	*21(b)*	**837.0**	831.7
TOTAL EQUITY		**994.5**	989.2

The notes and principal accounting policies on pages 31 to 69 form part of these financial statements.

Gonzaga W. J. Li
Chairman

T. Y. Ng
Director

Consolidated Statement of Recognised Income and Expense

For the year ended 31st December, 2006

	Note	2006 HK$ Million	2005 HK$ Million
Surplus on revaluation of available-for-sale investments	*21*		
– by Company/subsidiaries		**309.8**	133.4
Revaluation reserve transferred to the consolidated profit and loss account upon disposal of available-for-sale investments			
– by Company/subsidiaries	*21*	**1.7**	–
– by associates	*21*	**–**	(1.5)
Actuarial gains on defined benefit pension schemes	*21*	**1.1**	3.5
Net income recognised directly in equity		**312.6**	135.4
Profit attributable to shareholders	*5*	**422.7**	517.1
Total recognised income and expense		**735.3**	652.5

The notes and principal accounting policies on pages 31 to 69 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December, 2006

	2006 *HK$ Million*	2005 *HK$ Million*
Operating activities		
Operating profit	**340.8**	259.3
Depreciation and amortisation	**25.3**	25.2
Dividend income from listed investments	**(30.0)**	(20.5)
Interest income	**(61.3)**	(41.1)
Operating profit before changes in working capital	**274.8**	222.9
Increase in deferred income	**–**	0.3
Increase in employee benefits	**(1.2)**	(0.4)
Decrease in property held for sale	**230.8**	–
Decrease/(increase) in hotel consumables	**0.6**	(0.1)
Decrease/(increase) in trade and other receivables	**18.4**	(32.9)
Increase in trade and other payables	**7.1**	31.0
Increase/(decrease) in amounts due to fellow subsidiaries (net)	**10.1**	(7.7)
Cash generated from operations	**540.6**	213.1
Interest received	**60.8**	40.4
Dividends received from associates	**20.0**	12.1
Dividend income from listed investments	**29.7**	20.5
Hong Kong profits tax paid	**(33.9)**	(41.7)
Net cash from operating activities	**617.2**	244.4
Investing activities		
Purchase of fixed assets	**(31.7)**	(476.4)
Net repayment from associates	**–**	38.7
Increase in long term receivables	**(3.5)**	–
Purchase of available-for-sale investments	**(1,207.8)**	–
Proceeds from sale of available-for-sale investments	**1,000.0**	29.0
Net cash used in investing activities	**(243.0)**	(408.7)
Financing activities		
Dividends paid	**(53.6)**	(53.6)
Net cash used in financing activities	**(53.6)**	(53.6)
Net increase/(decrease) in cash and cash equivalents	**320.6**	(217.9)
Cash and cash equivalents at 1st January	**1,519.6**	1,737.5
Cash and cash equivalents at 31st December	**1,840.2**	1,519.6

The notes and principal accounting policies on pages 31 to 69 form part of these financial statements.

1. SEGMENT REPORTING

(a) Business segments

(i) Revenue and results

	Segment revenue		Segment results	
	2006	2005	**2006**	2005
	HK$ Million	*HK$ Million*	***HK$ Million***	*HK$ Million*
Hotel and restaurants	**431.1**	370.9	**153.2**	117.0
Property investment	**120.2**	94.3	**104.3**	83.0
Property development	**278.3**	–	**(6.0)**	–
Investments	**91.3**	61.6	**89.3**	59.3
	920.9	526.8	**340.8**	259.3
Increase in fair value of investment properties			**94.3**	271.1
Other net income			**48.7**	42.6
Property development			**–**	40.7
Investments			**48.7**	1.9
			483.8	573.0
Associates			**6.2**	24.4
Property development			**6.2**	23.2
Investments			**–**	1.2
Profit before taxation			**490.0**	597.4

1. SEGMENT REPORTING *(Continued)*

(a) Business segments *(Continued)*

(ii) Assets and liabilities

	Assets		Liabilities	
	2006	2005	**2006**	2005
	HK$ Million	*HK$ Million* Restated	***HK$ Million***	*HK$ Million*
Hotel and restaurants	**132.1**	144.8	**82.0**	69.0
Property investment	**1,695.6**	1,595.4	**22.0**	20.8
Property development	**9.2**	264.3	**36.6**	44.9
Investments	**1,491.7**	923.9	**0.7**	0.9
	3,328.6	2,928.4	**141.3**	135.6
Unallocated	**1,840.2**	1,519.6	**249.5**	216.1
Total assets/liabilities	**5,168.8**	4,448.0	**390.8**	351.7

Included in the property development segment is the Group's attributable interest in property development projects undertaken by associates, which totals HK$0.8 million (2005: HK$14.6 million).

(iii) Other information

	Capital expenditure		Depreciation and amortisation	
	2006	2005	**2006**	2005
	HK$ Million	*HK$ Million*	***HK$ Million***	*HK$ Million*
Hotel and restaurants	**23.9**	34.8	**25.3**	25.2
Property investment	**7.8**	308.7	**–**	–
Property development	**–**	132.9	**–**	–
Total	**31.7**	476.4	**25.3**	25.2

The Group has no significant non-cash expenses other than depreciation and amortisation.

1. SEGMENT REPORTING *(Continued)*

(b) Geographical segments

	Segment revenue		Segment results	
	2006	2005	**2006**	2005
	HK$ Million	*HK$ Million*	***HK$ Million***	*HK$ Million*
Hong Kong	**896.0**	507.4	**315.9**	239.9
Singapore	**24.9**	19.4	**24.9**	19.4
	920.9	526.8	**340.8**	259.3

No inter-segment revenue has been recorded during the current and prior years.

2. OPERATING PROFIT

(a) Operating profit is arrived:

	2006	2005
	HK$ Million	*HK$ Million*
After charging:		
Cost of inventories sold	**291.7**	26.5
Depreciation and amortisation	**25.3**	25.2
Staff costs	**105.1**	92.9
Including:		
Contributions to defined contribution pension schemes (after deducting forfeiture of the Group's contribution of HK$0.4 million (2005: HK$0.6 million))	**2.3**	3.1
Increase in liability for defined benefit pension schemes	**0.3**	1.2
Total pension cost	**2.6**	4.3
Auditors' remuneration	**0.6**	0.5
and crediting:		
Gross rental income from investment properties	**120.2**	94.3
Less: direct outgoings	**(12.3)**	(8.4)
	107.9	85.9
Interest income on bank deposits	**61.3**	41.1
Dividend income from listed investments	**30.0**	20.5

2. OPERATING PROFIT *(Continued)*

(b) Directors' emoluments

	Fees HK$000	Basic salaries, housing and other allowances and benefits in kind HK$000	Discretionary bonuses and/or performance related bonuses HK$000	Retirement scheme contributions HK$000	**2006 Total HK$000**	2005 Total HK$000
Executive director						
G. W. J. Li	30	780	–	–	**810**	810
Non-executive director						
T. Y. Ng	40	–	–	–	**40**	36
Independent non-executive directors						
B. S. Forsgate	40	–	–	–	**40**	40
H. M. V. de Lacy Staunton	30	–	–	–	**30**	30
M. K. Tan	40	–	–	–	**40**	40
Past Directors						
C. C. Haung	–	–	–	–	**–**	14
P. Y. C. Tsui	–	–	–	–	**–**	3
	180	780	–	–	**960**	973
Total for 2005	193	780	–	–		973

For the year under review, total emoluments (including any reimbursement of expenses), being wholly in the form of Directors' fees, were paid/payable at the rate of HK$30,000 (2005: HK$30,000) per annum to each Independent Non-executive Director of the Company. Additional fees of HK$10,000 (2005: HK$10,000) per annum were paid to each audit committee member.

2. OPERATING PROFIT *(Continued)*

(c) Emoluments of the highest paid employees

Set out below are analyses of the emoluments (excluding amounts, if any, paid or payable by way of commissions on sales generated by the employees concerned) for the year ended 31st December, 2006 of the five highest paid employees of the Group, none of whom is a Director of the Company. The aggregate of the emoluments in respect of the individuals are as follows:

	2006 ***HK$ Million***	2005 *HK$ Million*
Basic salaries, housing allowances, and other allowances and benefits in kind	**4.6**	4.4
Retirement scheme contributions	**0.3**	0.3
Discretionary bonuses and/or performance-related bonuses	**0.5**	0.5
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–
	5.4	5.2

The emoluments of the five highest paid individuals are within the following bands:

Bands *(in HK$)*	**2006** ***Number of individuals***	2005 *Number of individuals*
Not more than $1,000,000	**1**	2
$1,000,001 – $1,500,000	**4**	3
$1,500,001 – $2,000,000	**–**	–

3. OTHER NET INCOME

	2006 HK$ Million	2005 HK$ Million
Release of deferred income	**0.8**	3.9
Profit/(loss) on disposal of available-for-sale investments (including HK$1.7 million (2005: HK$Nil) transferred from the investments revaluation reserve)	**47.9**	(2.0)
Write-back of provision for impairment in value of property held for redevelopment	**–**	40.7
	48.7	42.6

4. TAXATION

(a) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 17.5% (2005: 17.5%).

(b) Taxation in the consolidated profit and loss account represents:

	2006 HK$ Million	2005 HK$ Million
Current taxation		
Provision for Hong Kong profits tax for the year	**47.6**	31.8
Overprovision in respect of prior years	**(0.2)**	–
	47.4	31.8
Deferred taxation		
Origination and reversal of temporary differences	**3.4**	1.1
Change in fair value of investment properties	**16.5**	47.4
	19.9	48.5
Total tax charge	**67.3**	80.3

4. TAXATION *(Continued)*

(c) Reconciliation between the actual total tax charge and accounting profit at applicable tax rates:

	2006	2005
	HK$ Million	*HK$ Million*
Profit before taxation	**490.0**	597.4
Notional tax on accounting profit calculated at applicable tax rates	**85.8**	104.5
Tax effect of non-deductible expenses	**2.6**	1.2
Tax effect of non-taxable revenue	**(20.9)**	(25.4)
Overprovision in respect of prior years	**(0.2)**	–
Actual total tax charge	**67.3**	80.3

(d) None of the taxation payable in the consolidated balance sheet is expected to be settled after more than one year.

5. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders for the year is dealt with in the financial statements of the Company to the extent of HK$58.9 million (2005: HK$174.2 million).

6. DIVIDENDS

(a) Dividends attributable to the year

	2006	2005
	HK$ Million	*HK$ Million*
Interim dividend declared and paid of 5.0 cents (2005: 5.0 cents) per share	**15.8**	15.8
Final dividend of 24.0 cents proposed after the balance sheet date (2005: 12.0 cents) per share	**75.6**	37.8
	91.4	53.6

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

6. DIVIDENDS *(Continued)*

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

	2006	2005
	HK$ Million	*HK$ Million*
Final dividend in respect of the previous financial year, approved and paid during the year, of 12.0 cents per share (2005: 12.0 cents per share)	**37.8**	37.8

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of HK$422.7 million (2005: HK$517.1 million) and on 315.0 million (2005: 315.0 million) ordinary shares in issue throughout the year ended 31st December, 2006. For the year under review and the preceding year, there is no difference between the basic and diluted earnings per share.

8. CHANGES IN ACCOUNTING POLICIES

HKAS 19 "Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures"

In prior years, in calculating the Group's obligations in respect of defined benefit pension schemes, any cumulative unrecognised actuarial gain or loss exceeding 10% of the greater of the present value of the defined benefit obligations and the fair value of scheme assets, was recognised in the consolidated profit and loss account over the expected average remaining working lives of the employees participating in the schemes. Otherwise, the actuarial gain or loss was not recognised.

With effect from 1st January, 2006, the Group has adopted, retrospectively, the provisions set out in an amendment to HKAS 19 whereby all actuarial gains or losses of all defined benefit pension schemes may be recognised outside the profit and loss account. The effect of adoption of this revised policy is to decrease shareholders' equity as at 1st January, 2006 and 1st January, 2005 by HK$4.7 million and HK$8.2 million respectively. This change has no significant impact on the Group's results.

9. FIXED ASSETS

	Group					
	Investment properties *HK$ Million*	Property held for redevelopment *HK$ Million*	Hotel property *HK$ Million*	Other fixed assets *HK$ Million*	Leasehold land *HK$ Million*	Total *HK$ Million*
(a) Cost or valuation						
Balance at 1st January, 2005	973.0	57.9	67.2	155.9	15.9	1,269.9
Additions	316.9	141.4	16.3	24.0	–	498.6
Disposals	–	–	–	(21.8)	–	(21.8)
Provision for impairment written back	–	40.7	–	–	–	40.7
Reclassification	–	(240.0)	–	–	–	(240.0)
Revaluation surplus	271.1	–	–	–	–	271.1
Balance at 31st December, 2005 and at 1st January, 2006	**1,561.0**	**–**	**83.5**	**158.1**	**15.9**	**1,818.5**
Additions	**7.7**	**–**	**2.1**	**25.5**	**–**	**35.3**
Disposals	**–**	**–**	**–**	**(22.3)**	**–**	**(22.3)**
Revaluation surplus	**94.3**	**–**	**–**	**–**	**–**	**94.3**
Balance at 31st December, 2006	**1,663.0**	**–**	**85.6**	**161.3**	**15.9**	**1,925.8**
Accumulated depreciation and amortisation						
Balance at 1st January, 2005	–	–	55.5	121.7	0.6	177.8
Charge for the year	–	–	5.8	19.4	–	25.2
Written back on disposals	–	–	–	(21.8)	–	(21.8)
Balance at 31st December, 2005 and at 1st January, 2006	**–**	**–**	**61.3**	**119.3**	**0.6**	**181.2**
Charge for the year	**–**	**–**	**6.2**	**19.0**	**0.1**	**25.3**
Written back on disposals	**–**	**–**	**–**	**(22.3)**	**–**	**(22.3)**
Balance at 31st December, 2006	**–**	**–**	**67.5**	**116.0**	**0.7**	**184.2**
Net book value						
At 31st December, 2006	**1,663.0**	**–**	**18.1**	**45.3**	**15.2**	**1,741.6**
At 31st December, 2005	1,561.0	–	22.2	38.8	15.3	1,637.3

9. FIXED ASSETS *(Continued)*

	Group					
	Investment properties *HK$ Million*	Property held for redeve-lopment *HK$ Million*	Hotel property *HK$ Million*	Other fixed assets *HK$ Million*	Leasehold land *HK$ Million*	Total *HK$ Million*
(b) The analysis of cost or valuation of the above assets is as follows:						
2006 valuation	**1,663.0**	**–**	**–**	**–**	**–**	**1,663.0**
Cost less provisions	**–**	**–**	**85.6**	**161.3**	**15.9**	**262.8**
	1,663.0	**–**	**85.6**	**161.3**	**15.9**	**1,925.8**
2005 valuation	1,561.0	–	–	–	–	1,561.0
Cost less provisions	–	–	83.5	158.1	15.9	257.5
	1,561.0	–	83.5	158.1	15.9	1,818.5
(c) Tenure of title to properties at cost or valuation:						
Long term lease held in Hong Kong						
Over 50 years	1,663.0	–	85.6	–	15.9	1,764.5

(d) Properties valuation

The Group's investment properties in Hong Kong have been revalued as at 31st December, 2006 by Knight Frank Petty Limited, an independent firm of professional surveyors, on an open market value basis. The surplus or deficit arising on revaluation is recognised directly in the consolidated profit and loss account.

9. FIXED ASSETS *(Continued)*

(e) Properties schedule at 31st December, 2006

Address	Lot number	Year of completion	Stage of completion	Lease expiry	Site area *(sq.ft.)*	Approximate gross floor areas *(sq.ft.)*	Usage	Attributable interest
Investment properties								
The Marco Polo Hongkong Hotel (Commercial Section) Harbour City Tsimshatsui	KML 91 S.A. & KML 10 S.B.	1969	Completed	2863	*	34,000	Office	100%
						136,700	Retail	100%
Various units at Star House Tsimshatsui	KML 10 S.A.	1966	Completed	2863	N/A	50,780	Retail	100%
Hotel property								
The Marco Polo Hongkong Hotel Harbour City Tsimshatsui	KML 91 S.A. & KML 10 S.B.	1969	Completed	2863	58,814	664 rooms	Hotel	100%

* *This investment property forms part of The Marco Polo Hongkong Hotel.*

(f) The Group leases out its investment properties under operating leases which generally run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments may contain a contingent rent element which is based on various percentages of tenants' sales receipts.

Contingent rental income earned by the Group for the year amounted to HK$27.4 million (2005: HK$21.6 million).

(g) The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2006 ***HK$ Million***	2005 *HK$ Million*
Within 1 year	**68.6**	80.2
After 1 year but within 5 years	**65.9**	126.1
	134.5	206.3

10. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries are unsecured, recoverable/repayable on demand and interest free.

Details of subsidiaries at 31st December, 2006 are shown on page 69.

11. INTEREST IN ASSOCIATES

	Group	
	2006	2005
	HK$ Million	*HK$ Million*
Share of net tangible assets	**0.8**	14.6

Details of associates at 31st December, 2006 are shown on page 69.

(a) Summary financial information on associates:

	2006		2005	
	Total	**Attributable interest**	Total	Attributable interest
	HK$ Million	***HK$ Million***	*HK$ Million*	*HK$ Million*
Assets	**273.8**	**54.8**	388.1	77.6
Liabilities	**(270.0)**	**(54.0)**	(315.1)	(63.0)
Equity	**3.8**	**0.8**	73.0	14.6
Revenues	**49.3**	**9.9**	215.2	43.0
Profit before taxation	**35.8**	**7.2**	140.8	28.9
Taxation	**(5.0)**	**(1.0)**	(22.3)	(4.5)
Profit after taxation	**30.8**	**6.2**	118.5	24.4

12. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2006	2005
	HK$ Million	*HK$ Million*
Listed investments in Hong Kong	**276.7**	23.5
Listed investments outside Hong Kong	**1,172.3**	870.0
Unlisted investments	**41.0**	29.3
	1,490.0	922.8
Market value of listed investments	**1,449.0**	893.5

Included in the above equity securities are investments in a listed company, the carrying value of which constituted more than 10% of the Group's total assets at 31st December, 2006. Details of this listed company are shown as follows:

Name of company	**Place of incorporation**	**Percentage of total issued ordinary shares held**
Hongkong Land Holdings Limited	Bermuda	1.55%

13. LONG TERM RECEIVABLES

Long term receivables represent receivables due after more than one year.

14. EMPLOYEE BENEFITS

(a) Defined benefit pension schemes

	Group	
	2006	2005
	HK$ Million	*HK$ Million*
		Restated
Defined benefit pension schemes	**6.7**	4.4

The Group makes contributions to defined benefit pension schemes that provide pension benefits for certain employees upon retirement. The assets of the schemes are held separately by independently administered funds. The schemes are funded by contribution from both employers and employees, which are in accordance with recommendations made by actuaries based on their valuation. The latest valuations of the schemes as at 31st December, 2006 were performed either internally or by Watson Wyatt Hong Kong Limited, using the projected unit credit method with funding ratios 110.1% and 108.3% respectively.

14. EMPLOYEE BENEFITS *(Continued)*

(a) Defined benefit pension schemes *(Continued)*

(i) The amount recognised in the consolidated balance sheet is as follows:

	2006 **HK$ Million**	2005 *HK$ Million* Restated
Present value of funded obligations	**(76.9)**	(60.2)
Fair value of scheme assets	**83.6**	64.6
	6.7	4.4

(ii) Scheme assets consist of the following:

	2006 **HK$ Million**	2005 *HK$ Million*
Equity securities	**61.0**	35.9
Debt securities	**18.4**	26.3
Deposits and cash	**4.2**	2.4
	83.6	64.6

(iii) Movements in the present value of the defined benefit obligations are as follows:

	2006 **HK$ Million**	2005 *HK$ Million*
At 1st January	**60.2**	68.3
Net benefits paid and transferred	**5.1**	(11.2)
Employee contributions	**0.6**	0.6
Current service cost	**2.3**	3.1
Interest cost	**2.5**	2.6
Actuarial losses/(gains)	**6.2**	(3.2)
At 31st December	**76.9**	60.2

14. EMPLOYEE BENEFITS *(Continued)*

(a) Defined benefit pension schemes *(Continued)*

(iv) Movements in the scheme assets are as follows:

	2006	2005
	HK$ Million	*HK$ Million*
At 1st January	**64.6**	68.8
Contributions paid	**1.5**	1.6
Net benefits paid and transferred	**5.1**	(11.2)
Employee contributions	**0.6**	0.6
Expected return on scheme assets	**4.5**	4.7
Actuarial gains	**7.3**	0.1
At 31st December	**83.6**	64.6

(v) Expense recognised in the consolidated profit and loss account is as follows:

	2006	2005
	HK$ Million	*HK$ Million*
Current service cost	**2.3**	3.1
Interest cost	**2.5**	2.6
Expected return on scheme assets	**(4.5)**	(4.7)
Net actuarial losses recognised	**–**	0.2
	0.3	1.2

The expense is recognised in the following line items in the consolidated profit and loss account:

	2006	2005
	HK$ Million	*HK$ Million*
Direct costs and operating expenses	**0.2**	1.0
Selling and marketing expenses	**0.1**	0.2
	0.3	1.2
Actual return on scheme assets	**11.8**	4.9

14. EMPLOYEE BENEFITS *(Continued)*

(a) Defined benefit pension schemes *(Continued)*

(vi) The principal actuarial assumptions used as at 31st December, 2006 (expressed as a range) are as follows:

		2006	2005
Discount rate at 31st December		**3.75-5%**	4.25-5%
Expected rate of return on scheme assets		**5-8%**	5-8%
Future salary increases	2006	**N/A**	2-4%
	2007 onwards	**2-4%**	2-4%

(vii) Historical information:

	2006	2005
	HK$ Million	*HK$ Million*
Present value of the defined benefit obligations	**(76.9)**	(60.2)
Fair value of scheme assets	**83.6**	64.6
Surplus in the schemes	**6.7**	4.4
Experience adjustments arising on scheme liabilities	**3.5**	(2.0)
Experience adjustments arising on scheme assets	**7.3**	0.1

(viii) The Group recognised actuarial gains amounted to HK$1.1 million (2005: HK$3.5 million) for the year ended 31st December, 2006 directly in the consolidated statement of recognised income and expense. The cumulative amount of actuarial losses recognised amounted to HK$3.6 million (2005: HK$4.7 million) as at 31st December, 2006.

(b) Defined contribution pension schemes

A number of defined contribution pension schemes (including the Mandatory Provident Fund) are available to the employees of the Group. For defined contribution pension schemes, both the Group and the employees contribute respectively to the schemes sums which represent percentages of the employees' salaries as defined under the relevant trust deeds. The contributions are expensed as incurred and may be reduced by contributions forfeited by those employees who have left the scheme prior to vesting fully in the contributions.

15. INVENTORIES

	Group	
	2006	2005
	HK$ Million	*HK$ Million*
Property held for sale/under development for sale	**4.7**	240.0
Hotel consumables	**2.9**	3.5
	7.6	243.5

(a) Property under development for sale is stated at the lower of cost and net realisable value. The total carrying value of property stated at net realisable value at 31st December, 2006 was HK$4.7 million (2005: HK$240.0 million).

(b) At 31st December, 2006, the carrying value of long term leasehold land situated in Hong Kong included in property held for sale was HK$2.8 million (2005: property under development for sale, HK$158.5 million).

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$ Million	*HK$ Million*	***HK$ Million***	*HK$ Million*
Trade debtors				
Due within 30 days	**48.4**	39.3	**–**	–
Due after 30 days but within 60 days	**6.6**	2.5	**–**	–
Due after 60 days but within 90 days	**0.9**	0.1	**–**	–
Over 90 days	**–**	0.1	**–**	–
	55.9	42.0	**–**	–
Other receivables	**12.2**	49.5	**1.4**	1.0
Amounts due from fellow subsidiaries	**10.7**	14.3	**–**	–
	78.8	105.8	**1.4**	1.0

The Group has defined credit policies for each of its core business. The general credit terms allowed range from 0 to 60 days. The amounts due from fellow subsidiaries are unsecured, interest free and recoverable on demand. The above includes deposits paid amounting to HK$0.7 million (2005: HK$0.9 million) which are expected to be recovered after one year.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$ Million	*HK$ Million*	***HK$ Million***	*HK$ Million*
Trade creditors				
Due within 30 days	**14.0**	11.2	**–**	–
Due after 30 days but within 60 days	**5.6**	3.9	**–**	–
Due after 60 days but within 90 days	**–**	0.4	**–**	–
Over 90 days	**–**	–	**–**	–
	19.6	15.5	**–**	–
Other payables and provisions	**81.8**	88.5	**0.4**	0.6
Amounts due to fellow subsidiaries	**11.3**	4.8	**–**	–
Amounts due to associate	**27.8**	25.2	**–**	–
	140.5	134.0	**0.4**	0.6

The amounts due to fellow subsidiaries and an associate are unsecured, interest free and repayable on demand. The above includes deposits received amounting to HK$16.5 million (2005: HK$18.6 million) which are expected to be settled after one year.

18. DEFERRED INCOME

The movements of deferred income of the Group and Company are as follows:

	Group and Company	
	2006	2005
	HK$ Million	*HK$ Million*
Balance at 1st January	**1.6**	5.2
Additions	**–**	0.3
Credited to the consolidated profit and loss account	**(0.8)**	(3.9)
Balance at 31st December	**0.8**	1.6

19. DEFERRED TAXATION

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

	Group			
	Depreciation allowances in excess of the related depreciation *HK$ Million*	**Revaluation of investment properties** *HK$ Million*	**Retirement scheme assets** *HK$ Million*	**Total** *HK$ Million*
Balance at 1st January, 2005	12.9	144.1	1.5	158.5
Charged to the consolidated profit and loss account	1.1	47.4	–	48.5
Balance at 31st December, 2005 and at 1st January, 2006	**14.0**	**191.5**	**1.5**	**207.0**
Charged/(credited) to the consolidated profit and loss account	**3.7**	**16.5**	**(0.3)**	**19.9**
Balance at 31st December, 2006	**17.7**	**208.0**	**1.2**	**226.9**

(b) No deferred tax assets and liabilities have been recognised by the Company as there were no material temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding tax bases at 31st December, 2006 and 2005.

20. SHARE CAPITAL

	2006		2005	
	No. of shares ***Million***	***HK$ Million***	No. of shares *Million*	*HK$ Million*
Authorised				
Ordinary shares of HK$0.50 each	**380.0**	**190.0**	380.0	190.0
Issued and fully paid				
Ordinary shares of HK$0.50 each	**315.0**	**157.5**	315.0	157.5

21. RESERVES

	Share premium *HK$ Million*	Investments revaluation reserve *HK$ Million*	Revenue reserve *HK$ Million*	Total *HK$ Million*
(a) The Group				
Balance at 1st January, 2005				
As previously reported	542.0	272.5	2,533.6	3,348.1
Prior year adjustment for HKAS 19	–	–	(8.2)	(8.2)
As restated	542.0	272.5	2,525.4	3,339.9
Net income recognised directly in equity				
Surplus on revaluation of available-for-sale investments	–	133.4	–	133.4
Transferred to the consolidated profit and loss account on disposal of available-for-sale investments – Associate	–	(1.5)	–	(1.5)
Actuarial gains on defined benefit pension schemes	–	–	3.5	3.5
	–	131.9	3.5	135.4
Profit for the year	–	–	517.1	517.1
Total recognised income and expense	–	131.9	520.6	652.5
Dividend approved in respect of the previous year	–	–	(37.8)	(37.8)
Dividend declared in respect of the current year	–	–	(15.8)	(15.8)
Balance at 31st December, 2005 (as restated)	542.0	404.4	2,992.4	3,938.8
Balance at 1st January, 2006				
As previously reported	**542.0**	**404.4**	**2,997.1**	**3,943.5**
Prior year adjustment for HKAS 19	**–**	**–**	**(4.7)**	**(4.7)**
As restated	**542.0**	**404.4**	**2,992.4**	**3,938.8**
Net income recognised directly in equity				
Surplus on revaluation of available-for-sale investments	**–**	**309.8**	**–**	**309.8**
Transferred to the consolidated profit and loss account on disposal of available-for-sale investments	**–**	**1.7**	**–**	**1.7**
Actuarial gains on defined benefit pension schemes	**–**	**–**	**1.1**	**1.1**
	–	**311.5**	**1.1**	**312.6**
Profit for the year	**–**	**–**	**422.7**	**422.7**
Total recognised income and expense	**–**	**311.5**	**423.8**	**735.3**
Dividend approved in respect of the previous year	**–**	**–**	**(37.8)**	**(37.8)**
Dividend declared in respect of the current year	**–**	**–**	**(15.8)**	**(15.8)**
Balance at 31st December, 2006	**542.0**	**715.9**	**3,362.6**	**4,620.5**

21. RESERVES *(Continued)*

	Share premium *HK$ Million*	Investments revaluation reserve *HK$ Million*	Revenue reserve *HK$ Million*	Total *HK$ Million*
(b) The Company				
Balance at 1st January, 2005	542.0	–	169.1	711.1
Profit for the year	–	–	174.2	174.2
Dividend approved in respect of the previous year	–	–	(37.8)	(37.8)
Dividend declared in respect of the current year	–	–	(15.8)	(15.8)
Balance at 31st December, 2005 and at 1st January, 2006	**542.0**	**–**	**289.7**	**831.7**
Profit for the year	**–**	**–**	**58.9**	**58.9**
Dividend approved in respect of the previous year	**–**	**–**	**(37.8)**	**(37.8)**
Dividend declared in respect of the current year	**–**	**–**	**(15.8)**	**(15.8)**
Balance at 31st December, 2006	**542.0**	**–**	**295.0**	**837.0**

Notes:

(i) The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance. The investments revaluation reserve has been set up and will be dealt with in accordance with the accounting policies adopted by the Group for the revaluation of available-for-sale investments.

(ii) Reserves of the Company available for distribution to shareholders at 31st December, 2006 amounted to HK$295.0 million (2005: HK$289.7 million).

22. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the financial year, there was in existence a management agreement with a subsidiary of the ultimate holding company for the management of the Group's hotel operations. Fees payable under this arrangement during the current year amounted to HK$34.2 million (2005: HK$28.1 million) which included management fees of HK$28.4 million (2005: HK$23.2 million) and marketing fees of HK$5.8 million (2005: HK$4.9 million). The management fees included a basic fee and an incentive fee which are calculated based on the relevant percentage of gross revenue and gross operating profit respectively. The marketing fee is calculated based on a percentage of gross revenue. The management agreement, entered into on 2nd January, 2004, and the relevant transactions thereunder constitute connected transactions as defined under the Listing Rules but are exempted under the provisions of the Listing Rules which were in force prior to 31st March, 2004 from the requirements relating to connected transactions.

(b) The Group has a tenancy agreement with Lane Crawford (Hong Kong) Limited, which is indirectly wholly owned by a trust of which the chairman of the Company's ultimate holding company is the settlor, in respect of the lease of shops situated on G/F, 1/F & 2/F of The Marco Polo Hongkong Hotel. The duration of tenancy is from 11th April, 2003 to 10th April, 2009. The rental income earned by the Group from the above agreement during the current year, including contingent rental income, amounted to HK$73.8 million (2005: HK$61.7 million). Such a transaction does not constitute a connected transaction under the Listing Rules.

23. CONTINGENT LIABILITIES

As at 31st December, 2006, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank overdrafts and credit facilities up to HK$3.1 million (2005: HK$41.5 million). At 31st December, 2005, HK$38.4 million of such facilities was secured by a deposit with bank of HK$38.4 million.

24. COMMITMENTS

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

	Group	
	2006	2005
	HK$ Million	*HK$ Million*
Contracted but not provided for	**78.9**	27.4
Authorised but not contracted for	**4.6**	6.2
	83.5	33.6

25. POST BALANCE SHEET EVENTS

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in Note 6(a).

26. COMPARATIVE FIGURES

Certain comparative figures in the consolidated balance sheet have been adjusted as a result of the changes in accounting policies for defined benefit pension schemes and the consolidated statement of changes in equity has been replaced by the consolidated statement of recognised income and expense in accordance with the requirement in the amendment to HKAS 19.

27. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and foreign currency risks arises in the normal course of the Group's business.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place in each of its core business and the exposures to these credit risks are monitored on an ongoing basis. The Group does not have a significant concentration of credit risk.

(b) Liquidity risk

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

(c) Foreign currency risk

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Hong Kong dollars.

(d) Fair value

The fair values of debtors, bank balances and other liquid funds, creditors and accruals and current provisions approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

28. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Note 14 contain information about the assumptions and their risk factors relating to defined benefit pension scheme obligations. Other key sources of estimation uncertainty are as follows:

– *Valuation of investment properties*

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

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to sales evidence as available on the market and the appropriate capitalisation rate.

– *Assessment of the useful economic lives for depreciation of fixed assets*

In assessing the estimated useful lives of fixed assets, management takes into account factors such as the expected usage of the asset by the Group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgment based on the experience of the Group.

Management reviews the useful lives of fixed assets periodically. If expectations are significantly different from previous estimates of useful economic lives, the useful lives and, therefore, the depreciation rate for the future periods will be adjusted accordingly.

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

Management considers that there are no critical accounting judgements in applying the Group's accounting policies.

29. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations that may impact the Group's financial statements. These new statements have not been adopted since they are only effective after 31st December, 2006.

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

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

30. PARENT AND ULTIMATE HOLDING COMPANY

The parent and ultimate holding company is The Wharf (Holdings) Limited, a company incorporated and listed in Hong Kong.

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 7th March, 2007.

(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 principal accounting policies adopted by the Group is set out below.

(B) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31st December, 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 where stated otherwise in the accounting policies set out below.

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 are discussed in Note 28.

(C) BASIS OF CONSOLIDATION

(i) Subsidiaries and controlled companies

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

An investment in a 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.

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

(ii) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account reflects the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. If there is evidence of impairment in value of the assets transferred, the unrealised losses will be recognised immediately in the consolidated profit and loss account.

In the Company's balance sheet, an investment in an associate is stated at cost less impairment losses.

(C) BASIS OF CONSOLIDATION *(Continued)*

(iii) 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. 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 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 the consolidated profit and loss account.

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.

(D) FIXED ASSETS

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

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

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, 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 (G).

(ii) Hotel property

Hotel property is stated at cost less accumulated depreciation and impairment losses.

(D) FIXED ASSETS *(Continued)*

(iii) Other fixed assets

Other fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

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

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

(E) DEPRECIATION OF FIXED ASSETS

(i) Investment properties

No depreciation is provided on investment properties.

(ii) Hotel property

Depreciation is provided on the cost of the leasehold land of hotel property over the unexpired period of the lease. Costs of buildings thereon are depreciated on a straight-line basis over their estimated useful lives of 40 years.

(iii) Other fixed assets

Other assets comprising plant, machinery, furniture, fixtures and equipment are depreciated at annual rates of 10% to 20% on a straight-line basis on cost.

(F) IMPAIRMENT OF ASSETS

(i) Impairment of financial assets

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

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

  Impairment losses recognised in the consolidated profit and loss account in respect of available-for-sale equity investments are not reversed through the profit and loss account. Any subsequent increase in the fair value of such assets is recognised directly in the investments revaluation reserve in equity.

(ii) The carrying amounts of non-current assets, other than properties carried at revalued amounts and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses are recognised as an expense in the consolidated profit and loss account. The recoverable amount of an asset is the greater of its net selling price and value in use. 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 impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated profit and loss account in the year in which the reversals are recognised.

(G) LEASED ASSETS

(i) Classification of leased assets

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 an 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

Where 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 (N)(ii).

(iii) Operating lease charges

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

(b) 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.

(H) AVAILABLE-FOR-SALE INVESTMENTS

Investments in securities classified as available-for-sale investments 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 the investments revaluation reserves in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in the consolidated profit and loss account. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the consolidated profit and loss account. When these investments are derecognised, the cumulative gain or loss previously recognised directly in the investments revaluation reserves in equity is recognised in the consolidated profit and loss account.

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

(I) INVENTORIES

(i) Property held for sale

Property held for sale is stated at lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised, attributable to unsold units. Net realisable value is estimated by the management, based on prevailing market conditions.

The amount of any write down of or provision for property held for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated profit and loss account in the period in which the reversal occurs.

(ii) Hotel consumables

Inventories comprise hotel consumables and are stated at the lower of cost, calculated on weighted average basis, and net realisable value. Net realisable value represents the estimated selling price less direct selling costs.

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, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(J) 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, except where the receivables are interest-free 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.

(K) 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.

(L) CASH AND CASH EQUIVALENTS

The Group defines cash and cash equivalents as cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which were within three months of maturity at acquisition.

(M) FOREIGN CURRENCIES

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange differences arising from the above are dealt with in the consolidated profit and loss account.

(N) RECOGNITION OF REVENUE

(i) Income from hotel operations is recognised at the time when the services are rendered.

(ii) Rental income under operating leases is recognised in the consolidated profit and loss account 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 assets. Lease incentives granted are recognised in the consolidated profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income from bank deposits is recognised as it accrues using the effective interest method.

(iv) Interest on a loan advanced to an associate involved in a property development project is deferred and is recognised when the associate starts to generate profit from the property development project based on the percentage of total area sold to the total area available for sale.

(N) RECOGNITION OF REVENUE *(Continued)*

(v) Dividend income from investments is recognised when the shareholder's right to receive the payment is established.

(vi) Income arising from the sale of properties held for sale is recognised upon the execution of the formal sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under other payables.

(O) BORROWING COSTS

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

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

(P) INCOME TAX

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

(P) INCOME TAX *(Continued)*

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

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

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

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the 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 Group intends either to settle on a net basis, or to realise the assets and settle the liabilities 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.

(Q) EMPLOYEE BENEFITS

(i) Defined contribution pension scheme

Contributions to the scheme are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(ii) Defined benefit pension schemes

The Group's net obligation in respect of the defined benefit pension schemes is calculated separately for each scheme 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 scheme 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 using the projected unit credit method.

When the benefits of a scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the consolidated profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated profit and loss account.

Any actuarial gains and losses are recognised directly in equity immediately.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the present value of any future refunds from the scheme or reductions in future contributions to the scheme less past service cost.

(iii) Mandatory provident fund

Contributions to the Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred.

(iv) Salaries, annual bonuses, paid annual leave, leave passage and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(R) 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.

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. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

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

(S) RELATED PARTIES

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

(i) the party has the ability, directly or indirectly through one or more intermediates, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Company's parent or a close family member of such an individual or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

(T) PROVISIONS AND CONTINGENT LIABILITIES

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

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

As at 31st December, 2006

Subsidiaries	Place of incorporation/ operation	Issued share capital (all being ordinary shares and fully paid up except otherwise stated)	Percentage of equity attributable to the Group	Principal activities
#Harbour Centre (Hong Kong) Limited	British Virgin Islands	500 US$1 shares	100	Holding company
#Ocean New Investments Limited	British Virgin Islands	500 US$1 shares	100	Holding company
Algebra Assets Limited	British Virgin Islands	500 US$1 shares	100	Investment
Insight Ever International Limited	British Virgin Islands	500 US$1 shares	100	Investment
Mandelson Investments Limited	British Virgin Islands	500 US$1 shares	100	Investment
Manniworth Company Limited	Hong Kong	10,000 HK$1 shares	100	Property investment
The Hongkong Hotel Limited	Hong Kong	100,000 HK$1 shares	100	Hotel and property

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to the Group	Principal activities
Kowloon Properties Company Limited	Hong Kong	Ordinary	20	Property development

All the subsidiaries listed above were, as at 31st December, 2006, indirectly held by the Company except where marked #, which are held directly by the Company.

	2002 *HK$ Million* Restated	2003 *HK$ Million*	2004 *HK$ Million* Restated	2005 *HK$ Million* Restated	**2006** ***HK$ Million***
Consolidated profit and loss account					
Turnover	335.2	308.7	445.0	526.8	**920.9**
Group profit attributable to shareholders	16.2	169.4	250.7	517.1	**422.7**
Prior year adjustment *(notes 1 & 2)*	(3.4)	–	121.0	–	**–**
Restated amount	12.8	169.4	371.7	517.1	**422.7**
Consolidated balance sheet					
Fixed assets *(note 2)*	2,404.6	2,541.8	1,092.1	1,637.3	**1,741.6**
Interest in associates	884.2	387.9	42.4	14.6	**0.8**
Available-for-sale investments	523.0	550.0	820.4	922.8	**1,490.0**
Long term receivables	–	–	–	–	**3.1**
Employee benefits *(note 3)*	9.3	8.6	8.7	4.4	**6.7**
Current assets	601.3	1,313.0	1,792.3	1,868.9	**1,926.6**
Current liabilities	(77.6)	(76.5)	(86.6)	(143.1)	**(163.1)**
Deferred income	(95.8)	(25.3)	(5.2)	(1.6)	**(0.8)**
Deferred taxation *(notes 1 & 2)*	(9.3)	(12.9)	(158.5)	(207.0)	**(226.9)**
	4,239.7	4,686.6	3,505.6	4,096.3	**4,778.0**
Representing:					
Share capital	157.5	157.5	157.5	157.5	**157.5**
Reserves *(notes 1 to 3)*	4,082.2	4,529.1	3,348.1	3,938.8	**4,620.5**
Shareholders' equity	4,239.7	4,686.6	3,505.6	4,096.3	**4,778.0**

Notes:

(1) The figures for 2002 have been restated pursuant to the adoption of SSAP 12 (revised) "Income taxes" as explained in note 9 to the 2003 financial statements.

(2) The figures for 2004 have been restated pursuant to the adoption of HKAS 40, HKAS-INT 21 and HK-INT 2 as explained in note 8 to the 2005 financial statements.

(3) The figures for 2005 have been restated pursuant to the adoption of HKAS 19 (amendment) as explained in note 8 to the financial statements. Figures for 2004 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit to shareholders.