Annual Report 2005

KECK SENG INVESTMENTS (HONG KONG) LIMITED

(Stock Code: 0184)

Contents

Financial Highlights

For the year ended 31 December 2005

	2005	2004 (restated)	
	HK$'000	*HK$'000*	*+/(-)%*
Total Assets	**2,269,272**	2,245,448	1
Capital and Reserves	**1,545,271**	1,424,108	9
Issued Share Capital	**340,200**	340,200	–
Turnover	**586,063**	403,668	45
Profit Before Taxation	**193,985**	134,785	44
Profit Attributable to Equity Shareholders	**122,363**	97,446	26
Basic Earnings Per Share (cents)	**36.0**	28.6	26
Dividends attributable to the year (cents per share)	**8.0**	4.5	78

Corporate Information

DIRECTORS

HO Kian Guan – *Executive Chairman*
HO Kian Hock – *Deputy Executive Chairman*
TSE See Fan, Paul
* HO Kian Cheong
** CHAN Yau Hing, Robin
** KWOK Chi Shun, Arthur
** WANG Poey Foon, Angela

** Non-executive Director*
*** Independent Non-executive Director*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

SECRETARY

YUEN Chiu Yuk, Ida

AUDITORS

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

SHARE REGISTRARS & TRANSFER OFFICE

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

REGISTERED OFFICE

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

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the results of the Group for the year ended 31 December 2005.

RESULTS

The consolidated Group net profit attributable to shareholders for the year 2005 amounted to HK$122.36 million, an increase of 26% as compared to HK$97.45 million in the previous year. Earnings per share for the year 2005 amounted to HK$0.36 per share as compared to HK$0.286 in 2004.

Shareholders should note that this is the first year when annual results published by the Company are on the basis of having adopted a number of new or revised Hong Kong accounting standards which took effect as from 1 January 2005. The most significant of these is the adoption of HKAS 40 in the accounting treatment of the Group's investment properties with the valuation gains or losses flowing through the income statement. Set out below are the effects of this accounting policy on the Group's profit attributable to shareholders.

	Year ended 31 December			
	2005	**2004**	**Increase**	
	HK$'000	*HK$'000*	*HK$'000*	
Profit attributable to shareholders before taking into account valuation gains of investment properties and related tax effects	108,919	86,446	22,473	(26%)
Add:				
Net valuation gains	13,444	11,000	2,444	
Profit attributable to shareholders	122,363	97,446	24,917	(26%)

DIVIDENDS

The Board is recommending that a final dividend of HK$0.04 per share be paid for the year ended 31 December 2005. An interim dividend of HK$0.04 per share has already been paid. Total dividends for the year will be HK$0.08 per share.

REVIEW OF OPERATIONS

Turnover for the Group increased by 45% to HK$586 million, as compared to HK$403.7 million in 2004.

A summary and analysis of the operations are as follows.

Macau

On the back of strong economic growth and low unemployment, the Macau property market continued its upward momentum in 2005. Total revenue from Macau, your Group's major area of operation, increased by 11% to HK$205.4 million. Most of the revenue came from an increase in turnover arising from the sale of properties at ***Ocean Gardens,*** Macau. Satisfactory sale results were recorded by your Group's subsidiary in respect of the sale of Orchid Court, a luxurious residential block in Ocean Gardens. Profit before tax from Macau increased by 9%.

Vietnam

Sheraton Saigon Hotel & Towers and Executive Residences This complex, which houses the premier hotel of Ho Chi Minh City, continued to perform well in 2005. The market for visitor arrivals to Vietnam, and to Ho Chi Minh City in particular, remained buoyant throughout the year. Occupancy rate for the hotel improved to 77% for 2005, as compared to 68% in 2004. Average room rate improved to US$123 per room night, as compared to US$100 in 2004. Total revenue from Vietnam increased by 87% to HK$342 million. The hotel won a total of three awards in 2005, including the Best Business Hotel in Vietnam.

Caravelle Hotel For 2005, occupancy rate improved to 72%; average room rate improved to US$103 per room night. Contribution to the Group's profit after tax improved to HK$9.7 million. The hotel retained its position as one of the top hotels in Ho Chi Minh City.

The People's Republic of China

Holiday Inn Riverside Wuhan The hotel market in Wuhan remained competitive throughout 2005. With aggressive marketing and stringent cost control measures in place, the hotel managed to report a profit for the first time since opening in 1999. Turnover for the hotel increased by 13% to HK$46 million for the year. Occupancy rate for the hotel improved to 69% for 2005, as compared to 62% in 2004. Average room rate improved to RMB342 per room night, as compared to RMB322 in 2004.

Beijing Riviera Development comprised a total of 635 units of luxurious villas and apartments. 439 units have already been sold. Of the remaining 196 units, 161 units were leased out as at the end of 2005. Rental income remained stable as compared to 2004.

Canada

All three hotels reported improved results in 2005 as compared to the small profit reported in 2004, and the loss reported in 2003. The strength of the Canadian dollar in the first half of 2005 has somewhat deterred US visitor arrivals. There had not been any significant changes in occupancy rates and average room rates at both the ***Doubletree International Plaza Hotel*** and the ***Sheraton Ottawa Hotel***. Conscientious control of operating expenses, however, resulted in both hotels reporting improved earnings for the year. For the ***Four Points Hotel by Sheraton and Conference Centre*** in Quebec, improvement in occupancy rates and room rates and reduced capital expenditures resulted in the hotel reporting a positive gross operating profit for 2005 as compared to a loss in the previous year.

PROSPECTS

The property market in Macau, after witnessing dramatic increases in capital values during the period of 2003 up to the third quarter of 2005, began to consolidate towards the end of 2005. Underlying fundamentals, however, remain strong for the market, with strong economic growth led by overseas investments in Macau's gaming industry. The rise in the general wage level in Macau is expected to continue in the coming few years, thereby building a strong base for sustainable demand for residential properties. Your Group will continue to take advantage of its experience in this market, and will proactively seek opportunities to build a land bank.

Improvements in performance in your Group's hotels in Vietnam, China and Canada are expected to continue in 2006. Vietnam, in particular, is expected to continue to be a favoured destination for tourist as well as business travellers. The Sheraton Saigon Hotel and Towers, with strong management, an excellent location and good brand-name recognition, is well positioned to take advantage of this development.

The Wuhan hotel market, whilst growing, will remain competitive as a result of additional hotel room inventory being added. Your Group's Holiday Inn Riverside Wuhan, however, has built up a good reputation for good management and service quality and will be able to pursue goals beyond its fair market share.

Canada is a mature economy. The higher price of gasoline is beginning to impact the travel market. Your Group's hotels are well managed and are expected to continue to provide stable returns in the long run. Overall, your Group's hotels in Canada are expected to perform slightly better in 2006.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to express our sincere appreciation to the management and staff of your Group for their diligence, dedication and loyalty to the Group. Strong guidance and professional advice have also been provided by our independent non-executive directors, who have contributed valuable time and attention to the Group's affairs. The success of the Group owes a great deal to the collective efforts of all concerned.

HO Kian Guan
Executive Chairman

Hong Kong, 25 April 2006

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

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

The principal activities of the Company are investment holding and those of its subsidiaries are set out in Note 15 on the financial statements.

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

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2005:

(a) the aggregate amount of purchases attributable to the Group's five largest suppliers represented 55% of the Group's total purchases with the largest supplier accounting for 44% of the Group's total purchases.

    The directors, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong, have indirect interests in the largest supplier of the Group. Save as disclosed above, at 31 December 2005, none of the directors, their associates or shareholders (which to the knowledge of the directors owned more than 5% of the Company's issued share capital) had any interest in the above five largest suppliers.

(b) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 8% of the Group's total turnover.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2005 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 23 to 93.

An interim dividend of HK$0.04 per share (2004: HK$0.015 per share) was paid on 2 November 2005. The directors now recommend the payment of a final dividend of HK$0.04 (2004: HK$0.03) per share in respect of the year ended 31 December 2005.

TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of HK$122,363,000 (2004 (restated): HK$97,446,000) have been transferred to reserves.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$1,190,000 (2004: HK$Nil).

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in Note 13 on the financial statements.

DIRECTORS

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

Executive directors

HO Kian Guan (*Executive Chairman)*
HO Kian Hock (*Deputy Executive Chairman)*
TSE See Fan, Paul

Non-executive directors

HO Kian Cheong
* CHAN Yau Hing, Robin
* KWOK Chi Shun, Arthur
* WANG Poey Foon, Angela

* *Independent*

Messrs Ho Kian Hock and Ho Kian Cheong shall retire from the Board of Directors at the forthcoming annual general meeting in accordance with article 116 of the Company's articles of association and, being eligible, offer themselves for re-election.

The Company has received annual confirmation of independence from the three independent non-executive directors in accordance of Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The board has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.

The Company has not entered into service contracts with any of the above directors.

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

The directors of the Company who held office at 31 December 2005 had the following interests in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") at that date as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Number of Ordinary Shares (unless otherwise specified)

Long Positions:

Name of Company	Name of Directors	Personal Interests (1)	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Keck Seng Investments (Hong Kong) Ltd	Ho Kian Guan	480	–	197,516,320 (2)	–	197,516,800	58.06
	Ho Kian Hock	480	–	197,516,320 (2)	–	197,516,800	58.06
	Ho Kian Cheong	55,160,480	–	197,516,320 (2)	–	252,676,800	74.27
	Tse See Fan, Paul	288,720	–	–	–	288,720	0.08
	Chan Yau Hing, Robin	180,000	–	720,000 (3)	–	900,000	0.26
Lam Ho Investments Pte Ltd	Ho Kian Guan	–	–	495,000 (4)	–	495,000	9.90
	Ho Kian Hock	–	–	495,000 (4)	–	495,000	9.90
	Ho Kian Cheong	–	–	495,000 (4)	–	495,000	9.90
Shun Seng International Ltd	Ho Kian Guan	–	–	9,990 (4)	–	9,990	9.99
	Ho Kian Hock	–	–	9,990 (4)	–	9,990	9.99
	Ho Kian Cheong	–	–	9,990 (4)	–	9,990	9.99
Hubei Qing Chuan Hotel Co Ltd	Ho Kian Guan	–	–	US$5,216,000 (4)	–	US$5,216,000	32.00
	Ho Kian Hock	–	–	US$5,216,000 (4)	–	US$5,216,000	32.00
	Ho Kian Cheong	–	–	US$5,216,000 (4)	–	US$5,216,000	32.00
	Kwok Chi Shun, Arthur	–	–	US$489,000 (5)	–	US$489,000	3.00
Golden Crown Development Ltd	Ho Kian Guan	–	–	9,000,000 (6)	–	9,000,000	12.86
	Ho Kian Hock	–	–	9,000,000 (6)	–	9,000,000	12.86
	Ho Kian Cheong	–	–	9,000,000 (6)	–	9,000,000	12.86
	Tse See Fan, Paul	50,000	–	–	–	50,000	0.07
Ocean Gardens Management Co Ltd – quota of Ptc1,000	Ho Kian Guan	–	–	1 (4)	–	1	1.00
	Ho Kian Hock	–	–	1 (4)	–	1	1.00
	Ho Kian Cheong	–	–	1 (4)	–	1	1.00
Shun Cheong International Ltd	Ho Kian Guan	–	–	999 (4)	–	999	9.99
	Ho Kian Hock	–	–	999 (4)	–	999	9.99
	Ho Kian Cheong	–	–	999 (4)	–	999	9.99
	Kwok Chi Shun, Arthur	–	–	5,500 (7)	–	5,500	55.00
KSF Enterprises Sdn Bhd	Ho Kian Guan	–	–	7,500 (6)	–	7,500	75.00
	Ho Kian Hock	–	–	7,500 (6)	–	7,500	75.00
	Ho Kian Cheong	–	–	7,500 (6)	–	7,500	75.00
Chateau Ottawa Hotel Inc – common shares	Ho Kian Guan	–	–	450,000 (6)	–	450,000	5.00
	Ho Kian Hock	–	–	450,000 (6)	–	450,000	5.00
	Ho Kian Cheong	–	–	450,000 (6)	–	450,000	5.00
Chateau Ottawa Hotel Inc – preferred shares	Ho Kian Guan	–	–	370,000 (6)	–	370,000	5.00
	Ho Kian Hock	–	–	370,000 (6)	–	370,000	5.00
	Ho Kian Cheong	–	–	370,000 (6)	–	370,000	5.00

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

Notes:

(1) This represents interests held by the relevant directors as beneficial owner.

(2) This represents 100,869,360 shares held by Kansas Holdings Limited and 96,646,960 shares held by Goodland Limited, in which companies each of Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had 1/3 interests indirectly.

(3) This represents interests held by United Asia Enterprises Inc controlled by Chan Yau Hing, Robin.

(4) This represents interests held by Goodland Limited in which each of Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had 1/3 interests indirectly.

(5) This represents interests held by AKAA Project Management International Limited which was wholly owned by Kwok Chi Shun, Arthur.

(6) This represents same parcel of interests held by Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong through controlled corporations.

(7) This represents interests held by Larcfort Incorporated in which Kwok Chi Shun, Arthur had a controlling interest.

Save as mentioned above, at 31 December 2005, none of the directors of the Company or any of their associates had interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN SHARES

At 31 December 2005, the interests and short positions of those persons (other than the directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions:

Name	Capacity in which shares were held	Number of ordinary shares held	% of total issued share capital of the Company
Ocean Inc. *(Note 1, 2)*	Interests of controlled corporations	197,516,320	58.1%
Pad Inc *(Note 1)*	Interests of controlled corporations	96,646,960	28.4%
Lapford Limited *(Note 1)*	Interests of controlled corporations	96,646,960	28.4%
Kansas Holdings Limited *(Note 1)*	Interests of controlled corporations	96,646,960	28.4%
Kansas Holdings Limited *(Note 2)*	Beneficial owner	100,869,360	29.7%
Goodland Limited *(Note 1)*	Beneficial owner	96,646,960	28.4%
Kerry Group Limited *(Note 3)*	Interests of controlled corporations	20,325,600	6.0%
Kerry Holdings Limited *(Note 3)*	Interests of controlled corporations	20,325,600	6.0%

Notes:

(1) Ocean Inc, Pad Inc, Lapford Limited and Kansas Holdings Limited had deemed interests in the same 96,646,960 shares beneficially held by Goodland.

(2) Ocean Inc had deemed interests in the same 100,869,360 shares beneficially held by Kansas Holdings Limited.

(3) Kerry Holdings Limited is a wholly owned subsidiary of Kerry Group Limited and both had deemed interests in the same 20,325,600 shares held by the subsidiaries of Kerry Holdings Limited.

Save as mentioned above, at 31 December 2005, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT ARRANGEMENTS

During the year ended 31 December 2005, there existed the following arrangements for an indefinite period:

(1) Goodland acts as the project manager of Golden Crown's Ocean Gardens development in Taipa Island, Macau for a management fee and is also responsible for marketing the development. Goodland is also a major contractor for the development.

(2) Goodland provides management services to Ocean Incorporation Ltd. in return for a management fee.

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong each had 1/3 indirect interest in Goodland (while Messrs Ho Kian Guan and Ho Kian Hock are also directors of Goodland) and they are deemed to be interested in the aforesaid transactions.

DIRECTORS' INTERESTS IN CONTRACTS

For the year ended 31 December 2005, certain subsidiaries of the Company had transactions with Goodland as set out in Note 31 on the financial statements.

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong each had an interest in the above transactions as beneficial owners, through intermediate companies, of a substantial part of the issued capital of Goodland.

Apart from the foregoing and the management arrangements set out above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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

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

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group at 31 December 2005 are set out in Note 22 on the financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 94 of the annual report.

PROPERTIES

Particulars of the properties and property interests held by the Group are shown on pages 95 to 96 of the annual report.

PERSONNEL

At 31 December 2005, the Group had approximately 1,711 employees. A policy of localising as many of the positions as possible is in place throughout the Group, subject to suitable and sufficient local executives and staff with relevant qualifications and experience being available. Salary and remuneration is competitive and is based on varying conditions in the different countries in which the Company and its subsidiaries operate.

RETIREMENT SCHEMES

The Group has defined contribution retirement schemes in Hong Kong, the People's Republic of China and Vietnam. Particulars of these retirement schemes are set out in Note 28 on the financial statements.

AUDITORS

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

By Order of the Board
Ho Kian Guan
Executive Chairman

Hong Kong, 25 April 2006

FINANCIAL REVIEW

The Group's turnover was HK$586,063,000 for the year ended 31 December 2005, an increase of 45% over the corresponding period in 2004. This increase was due primarily to higher revenue generated from the operation of the Sheraton Saigon Hotel in Vietnam. Profit from operations was HK$169,454,000 for the year ended 31 December 2005 as compared to a profit of HK$128,097,000 (restated) in 2004. Profit attributable to equity shareholders amounted to HK$122,363,000.

As 31 December 2005, the Group has a total bank loans and other borrowings of HK$345,781,000 and cash equivalents of HK$639,303,000. Of the total amount of bank borrowings of HK$171,665,000, HK$46,279,000 is repayable within twelve months and the remaining of HK$125,386,000 is repayable within two to five years.

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

PLEDGE OF ASSETS

As 31 December 2005, the secured bank loan facilities granted to the Group were secured by mortgages over the Group's assets, including hotel properties and related assets and properties under development with an aggregate carrying value of approximately HK$1,020 million.

CONTINGENT LIABILITIES

At 31 December 2005, there were outstanding counter indemnities relating to guarantees issued by bankers of a subsidiary in favour of the Macau SAR Government in respect of properties under development amounting to HK$8,252,000 (2004: HK$6,311,000).

At 31 December 2005, guarantees given by the Company to banks to secure banking facilities made available to subsidiaries and associates amounted to HK$134.3 million and HK$69.1 million (2004: HK$134.5 million and HK$66.7 million) respectively.

At 31 December 2005, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to its associate amounted to HK$33.4 million (2004: HK$32.3 million).

DETAILS OF DIRECTORS PROFILES

Mr HO Kian Guan, aged 60, is the Executive Chairman of the Company. He was appointed as a director of the Company on 5 December 1979. Mr Ho entered into service contracts with two subsidiaries of the Company. He is also a director of Ocean Inc, Pad Inc, Lapford Limited, Goodland Limited and Kansas Holdings Limited (all being substantial shareholders of the Company) and a director of various members for the Group. Mr Ho is also the Executive Chairman and director of Keck Seng (Malaysia) Berhad (a company listed on the Bursa Malaysia Securities Berhad (the "BMSB")). He also serves on the board of Shangri-La Asia Limited (a company listed on The Hong Kong Stock Exchange), Petaling Garden Berhad, Pelangi Berhad (both companies listed on the BMSB), Parkway Holdings Limited (a company listed on the Singapore Exchange Securities Trading Limited) and Shangri-La Hotel Public Company Limited, Thailand (a company listed on the Stock Exchange of Thailand). He is a brother of Mr Ho Kian Hock and Mr Ho Kian Cheong.

Mr HO Kian Hock, aged 58, is the Deputy Executive Chairman of the Company. He was appointed as a director of the Company on 19 December 1979. Mr Ho entered into service contracts with two subsidiaries of the Company. He is also a director of Ocean Inc, Pad Inc, Lapford Limited, Goodland Limited and Kansas Holdings Limited (all being substantial shareholders of the Company) and a director of various members of the Group. Mr Ho is also the Managing Director of Keck Seng (Malaysia) Berhad and an alternate director of Petaling Garden Berhad and Pelangi Berhad (all three companies listed on the BMSB), and Parkway Holdings Limited (a company listed on the Singapore Exchange Securities Trading Limited). He also serves on the board of Shangri-La Asia Limited (a company listed on The Hong Kong Stock Exchange) as alternate director. He is a brother of Mr Ho Kian Guan and Mr Ho Kian Cheong.

Mr TSE See Fan, Paul, aged 51, is an executive director of the Company. He was appointed as a director of the Company on 5 December 1979. He is also a director of Lapford Limited, Goodland Limited and Kansas Holdings Limited (all being substantial shareholders of the Company) and a director of various members of the Group.

Mr HO Kian Cheong, aged 56, is a non-executive director of the Company. He was appointed as a director of the Company on 5 December 1979 and was re-designated as non-executive director on 17 April 2003. He is also a director of Keck Seng (Malaysia) Berhad (a company listed on the BMSB). He is a brother of Mr Ho Kian Guan and Mr Ho Kian Hock.

Dr CHAN Yau Hing, Robin, GBS, LLD, JP, aged 73, is an independent non-executive director of the Company. He was appointed as a director of the Company on 8 September 1988. He is also the Chairman of Asia Financial Holdings Limited and a director of K. Wah International Holdings Limited and Liu Chong Hing Bank Limited (companies listed on The Hong Kong Stock Exchange). He is also a director and adviser of numerous other companies with over 40 years experience in banking business. Dr Chan was awarded the Knight Commander (Second Class) of the Most Noble Order of the Crown of Thailand by His Majesty, the King of Thailand and the Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. He is also a Deputy to the Chinese National People's Congress and the Ex-officio Life Honorary Chairman of The Chinese General Chamber of Commerce, Hong Kong.

Mr KWOK Chi Shun, Arthur, aged 60, is an independent non-executive director of the Company. He was appointed as a director of the Company on 3 January 1995. He is a professional architect with extensive architectural, town planning and interior design experience and has wide business interests in property development, merchandise retailing and wholesale. He is also the Commandant of the Hong Kong Auxiliary Police Force.

Ms WANG Poey Foon, Angela, aged 48, was appointed as an independent non-executive director of the Company since 28 September 2004. Ms Wang holds an LLB (Hons) degree from the National University of Singapore, and is an Advocate and Solicitor (Singapore), Solicitor (Hong Kong and United Kingdom). She has practiced with major law firms in Singapore, Australia and Hong Kong and is currently the senior partner of a firm of solicitors in Hong Kong. She is also a non-executive director of Frasers Property (China) Limited and an independent non-executive director of Pan Sino International Holding Limited (both companies listed on The Hong Kong Stock Exchange).

The Board considers good corporate governance of the Company to be an essential element in the safeguarding of the interests of the shareholders, the enhancement of the integrity of the management, and ultimately the continuous improvement in the performance of the Group. The Company has applied the principles and has complied with all the applicable code provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 2005, except for the following deviations which are explained in the relevant paragraphs below:

1. deviation from provision A.1.1 of the Code, as the board has met twice in 2005 instead of four times as stipulated in the Code;

2. deviation from provision A.2.1 of the Code, as the role of chairman and chief executive officer of the Company is not segregated; and

3. deviation from provision A.4.1, as the non-executive directors are not appointed for a specific term.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted since 2004 the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All directors, followed specific enquiry by the Company, have confirmed that they have all complied with the standards as set out in the Model Code throughout the year ended 31 December 2005.

BOARD OF DIRECTORS

Composition and role

The board of directors of the Company comprises:

Executive Directors	:	HO Kian Guan *(Executive Chairman)*
	:	HO Kian Hock *(Deputy Executive Chairman)*
	:	TSE See Fan, Paul
Non-executive Director	:	HO Kian Cheong
Independent Non-executive Directors	:	CHAN Yau Hing, Robin
		KWOK Chi Shun, Arthur
		WANG Poey Foon, Angela

The board comprises of three executive directors and four non-executive directors. Of the four non-executive directors, three of them are independent non-executive directors which represent more than one-third of the board. In addition, all three of the independent non-executive directors possess respectively appropriate professional qualifications and financial management expertise. The directors' biographical information is set out on pages 13 to 14 of the annual report.

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

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

The independent non-executive directors also serve the important functions of ensuring and monitoring the basis for an effective corporate governance framework. The board considers that each independent non-executive director to be independent in character and judgment and that they all meet the specific independence criteria as required under the Listing Rules. The Company has received from each independent non-executive director an annual confirmation of his or her independence pursuant to Rule 3.13 of Chapter 3 of the Listing Rules and the Company still considers such directors to be independent. The independent non-executive directors are explicitly identified in all corporate communications.

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

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

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

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

There is no relationship between members of the board other than that Messrs. HO Kian Guan, HO Kian Hock and HO Kian Cheong are brothers.

During the year, the board has met twice and the individual attendance of each director is as follows:

Name of director	Number of board meetings attended	Attendance rate
HO Kian Guan	2/2	100%
HO Kian Hock	2/2	100%
TSE See Fan, Paul	2/2	100%
HO Kian Cheong	0/2	0%
CHAN Yau Hing, Robin	2/2	100%
KWOK Chi Shun, Arthur	2/2	100%
WANG Poey Foon, Angela	2/2	100%

EXECUTIVE CHAIRMAN

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

NUMBER OF BOARD MEETINGS

Due to traveling schedule of the board members, the board has met twice during the year at two regular meetings. Four board meetings have been scheduled for the year 2006.

AUDIT COMMITTEE

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

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

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

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

The Audit Committee has reviewed with the management and the auditors the accounting principles and practices adopted by the Group and discussed financial reporting matters and internal controls including a review of the accounts for the year ended 31 December 2005.

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

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

The Audit Committee had met twice with the Company's external auditors during 2005.

REMUNERATION COMMITTEE

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

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

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

In 2005, the Remuneration Committee held one meeting, during which the committee reviewed director's fees and remuneration for 2002 to 2005.

The attendance of each member is as follows:

Name of director	Number of meetings attended	Attendance rate
TSE See Fan, Paul	1/1	100%
CHAN Yau Hing, Robin	1/1	100%
KWOK Chi Shun, Arthur	1/1	100%
WANG Poey Foon, Angela	1/1	100%

NOMINATION OF DIRECTORS

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

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

INTERNAL CONTROLS

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

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

ACCOUNTABILITY AND AUDIT

The directors have responsibility for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for the period. In preparing the accounts for the year ended 31 December 2005, the directors have selected suitable accounting policies and applied them consistently, approved adoption of all appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made judgments and estimates which are prudent and reasonable, and have prepared the accounts on the going concern basis. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

AUDITORS' REMUNERATION

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

	2005	2004
	HK$'000	*HK$'000*
Auditors' remuneration		
– Audit services	**1,219**	1,016
– Other services	**306**	273
	1,525	1,289

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of directors. At the Company's annual general meeting held in June 2005, all the resolutions were dealt with on a show of hands. All resolutions were unanimously passed. In addition, procedures for demanding a poll will be included in the circular to shareholders dispatched together with the annual report.

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

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

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed amount of public float during the year 2005 and up to and including the date of this Annual Report as required by the Listing Rules.

Auditors' Report

TO THE SHAREHOLDERS OF KECK SENG INVESTMENTS (HONG KONG) LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 23 to 93 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

BASIS OF OPINION

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
Hong Kong, 25 April 2006

Consolidated Income Statement

For the year ended 31 December 2005

	Note	2005 HK$'000	2004 (restated) HK$'000
Turnover	*3*	**586,063**	403,668
Cost of sales		**(91,984)**	(81,680)
Gross profit		**494,079**	321,988
Valuation gains on investment properties		**13,444**	11,000
Other revenue	*4(a)*	**19,784**	10,629
Other net (loss)/income	*4(b)*	**(26,724)**	16,244
Direct operating expenses		**(113,968)**	(24,863)
Marketing and selling expenses		**(10,584)**	(14,446)
Depreciation and amortisation		**(89,896)**	(94,411)
Administrative and other operating expenses		**(116,681)**	(98,044)
Profit from operations		**169,454**	128,097
Finance costs	*5(a)*	**(10,328)**	(8,139)
Share of profits less losses of associates		**34,859**	14,827
Profit before taxation	*5*	**193,985**	134,785
Income tax	*6(a)*	**(14,500)**	(4,994)
Profit for the year		**179,485**	129,791
Attributable to:			
Equity shareholders of the Company	*9 & 26*	**122,363**	97,446
Minority interests		**57,122**	32,345
		179,485	129,791
Dividends attributable to the year:	*10*		
Interim dividend paid – HK$0.04 (2004: HK$0.015) per share		**13,608**	5,103
Proposed final dividend – HK$0.04 (2004: HK$0.03) per share		**13,608**	10,206
		27,216	15,309
Basic earnings per share	*11*	**36.0 cents**	28.6 cents

The notes on pages 30 to 93 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2005

		2005		2004 (restated)	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets	*13(a)*				
– Investment properties			**173,000**		158,000
– Other properties and fixed assets			**730,388**		808,875
– Interest in leasehold land held for own use under operating leases			**121,671**		123,481
			1,025,059		1,090,356
Interest in associates	*16*		**242,759**		353,677
Available-for-sale securities	*17*		**1,008**		818
Deferred tax assets	*24(b)*		**4,508**		–
			1,273,334		1,444,851
Current assets					
Properties under development	*14*	**126,255**		85,475	
Properties held for sale	*18*	**207,428**		238,833	
Inventories		**2,815**		3,761	
Trade and other receivables	*19*	**20,137**		27,734	
Cash and cash equivalents	*20*	**639,303**		444,794	
		995,938		800,597	
Current liabilities					
Bank overdrafts	*22*	**–**		39	
Bank loans	*22*	**46,279**		115,442	
Trade and other payables	*23*	**95,408**		92,770	
Amounts due to an affiliated company	*31(a)*	**26,339**		77,855	
Loans from associates		**1,364**		1,364	
Loans from minority shareholders	*25*	**26,625**		30,222	
Loan from an affiliated company	*31(a)*	**43,161**		–	
Taxation	*24(a)*	**48,135**		43,566	
		287,311		361,258	
Net current assets			**708,627**		439,339
Total assets less current liabilities			**1,981,961**		1,884,190

Consolidated Balance Sheet (Continued)

At 31 December 2005

		2005		2004 (restated)	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current liabilities					
Bank loans	*22*	**125,386**		170,265	
Loans from minority shareholders	*25*	**76,627**		100,669	
Deferred tax liabilities	*24(b)*	**4,528**		2,915	
			(206,541)		(273,849)
NET ASSETS			**1,775,420**		1,610,341
Capital and reserves					
Share capital	*26*		**340,200**		340,200
Reserves	*26*		**1,205,071**		1,083,908
Total equity attributable to equity shareholders of the Company			**1,545,271**		1,424,108
Minority interests			**230,149**		186,233
TOTAL EQUITY			**1,775,420**		1,610,341

Approved and authorised for issue by the board of directors on 25 April 2006

Ho Kian Guan
Executive Chairman

Tse See Fan, Paul
Executive Director

The notes on pages 30 to 93 form part of these financial statements.

Balance Sheet

At 31 December 2005

		2005		2004	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets	*13(b)*				
– Other properties and fixed assets			**3,786**		3,862
– Furniture and fixtures			**201**		301
Interest in subsidiaries	*15*		**757,810**		851,140
Interest in associates	*16*		**18,395**		134,875
Available-for-sale securities	*17*		**1,008**		818
			781,200		990,996
Current assets					
Properties held for sale	*18*	**12,647**		14,903	
Trade and other receivables	*19*	**459**		131	
Cash and cash equivalents	*20*	**220,678**		81,285	
		233,784		96,319	
Current liabilities					
Bank loans and overdrafts	*22*	**30,000**		83,656	
Trade and other payables	*23*	**1,186**		2,382	
Taxation	*24(a)*	**604**		–	
		31,790		86,038	
Net current assets			**201,994**		10,281
Total assets less current liabilities			**983,194**		1,001,277
Non-current liabilities					
Bank loans	*22*	**–**		31,060	
Amounts due to subsidiaries	*15*	**73**		540	
			(73)		(31,600)
NET ASSETS			**983,121**		969,677
Capital and reserves					
Share capital	*26*		**340,200**		340,200
Reserves	*26*		**642,921**		629,477
			983,121		969,677

Approved and authorised for issue by the board of directors on 25 April 2006

Ho Kian Guan
Executive Chairman

Tse See Fan, Paul
Executive Director

The notes on pages 30 to 93 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

	Note	2005 HK$'000	2004 (restated) HK$'000
Total equity at 1 January:			
Attributable to equity shareholders of the Company (as previously reported at 31 December 2004/2003)		**1,434,931**	1,341,808
Minority interests (as previously presented separately from liabilities and equity at 31 December 2004/2003)		**191,571**	176,725
		1,626,502	1,518,533
Prior period adjustments arising from changes in accounting policies	*2(a)*	**(16,161)**	(14,841)
At 1 January, after prior period adjustments		**1,610,341**	1,503,692
Gain on revaluation of available-for-sale securities	*26*	**190**	14
Exchange differences on translation of the financial statements of foreign entities	*26*	**376**	3,130
Net gains not recognised in the consolidated income statement		**566**	3,144
Profit attributable to equity shareholders of the Company		**122,363**	97,446
Profit attributable to minority interests		**57,122**	32,345
Net profit for the year (2004: as restated)	*26*	**179,485**	129,791
Credit balance arising from discounting the interest-free loan from minority shareholders	*26*	**22,048**	–
Minority interests' share of dividends paid by the subsidiaries	*26*	**(13,206)**	(17,781)
Dividend approved in respect of prior year	*10(b) & 26*	**(10,206)**	(3,402)
Dividend approved in respect of current year	*10(a) & 26*	**(13,608)**	(5,103)
Total equity at 31 December		**1,775,420**	1,610,341

The notes on pages 30 to 93 form part of these financial statements

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	Note	2005 HK$'000	2004 (restated) HK$'000
Operating activities			
Profit before taxation		**193,985**	134,785
Adjustments for:			
– Valuation gains on investment properties		**(13,444)**	(11,000)
– Depreciation and amortisation		**89,896**	94,411
– Finance costs		**10,328**	8,139
– Dividend income from available-for-sale listed securities		**(28)**	(24)
– Interest income		**(14,026)**	(6,244)
– Share of profits less losses of associates		**(34,859)**	(14,827)
– Loss on disposal of fixed assets		**193**	4,754
– Impairment of interest in an associate		**19,713**	–
– Effect of foreign exchange rates		**25,266**	(17,846)
Operating profit before changes in working capital		**277,024**	192,148
Increase in properties under development		**(40,780)**	(18,648)
Decrease in properties held for sale		**31,405**	66,493
Decrease/(increase) in inventories		**946**	(641)
Decrease in trade and other receivables		**7,597**	28,628
Increase in trade and other payables		**2,638**	11,189
Decrease in amounts due to an affiliated company		**(51,516)**	(27,487)
Cash generated from operations		**227,314**	251,682
Overseas tax paid		**(12,789)**	(3,589)
Net cash generated from operating activities		**214,525**	248,093
Investing activities			
Purchase of fixed assets		**(9,479)**	(28,279)
Proceeds from disposal of fixed assets		**939**	104
Repayment from associates		**113,086**	11,144
Interest received		**14,026**	6,244
Dividend received from an associate		**11,285**	–
Dividends received from available-for-sale listed securities		**28**	24
Net cash generated from/(used in) investing activities		**129,885**	(10,763)

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2005

	Note	2005	2004 (restated)
		HK$'000	*HK$'000*
Financing activities			
Draw down of new bank loans		**2,328**	49,507
Repayment of bank loans		**(116,370)**	(44,369)
Repayment to minority shareholders		**(5,591)**	(66,229)
Interest paid		**(10,328)**	(8,139)
Dividends paid		**(23,814)**	(8,505)
Dividends paid by the subsidiaries to minority shareholders		**(13,206)**	(17,781)
Loan received from an affiliated company		**43,161**	–
Net cash used in financing activities		**(123,820)**	(95,516)
Net increase in cash and cash equivalents		**220,590**	141,814
Effect of foreign exchange rates changes		**(26,042)**	15,361
Cash and cash equivalents at 1 January		**444,755**	287,580
Cash and cash equivalents at 31 December	*20*	**639,303**	444,755

The notes on pages 30 to 93 form part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2005 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 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 in the next year are discussed in Note 32.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries

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

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

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

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates

An associate is an entity in which the Group or Company has significant influence, over its management, including participation in the financial and operating policy decisions.

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

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

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

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

(e) Goodwill

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

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

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

On disposal of an associate during the year, any attributable amount of purchased goodwill is included in the income statement on disposal.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investments in equity securities

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

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

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

(g) Fixed assets

(i) Investment properties

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

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

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

(ii) Hotel properties

Hotel properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed assets (Continued)

(iii) Furniture, fixtures and equipment

Furniture, fixtures and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(iv) Other properties and fixed assets

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

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

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

(h) Depreciation

(i) Investment properties

No depreciation is provided on investment properties.

(ii) Properties under development

No depreciation is provided on properties under development.

(iii) Hotel properties

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Depreciation (Continued)

(iv) Other properties and fixed assets

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

Land and buildings and other properties	– unexpired period of the lease
Furniture, fixtures and equipment	– 3 to 5 years
Motor vehicles	– $6^2/_3$ years

Where parts of an item of fixed assets have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Leased assets

(i) Classification of assets leased to the Group

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

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see Note 1(g)(i)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property. Information on accounting policies for land held under operating leases for development for sale is provided in accounting policy Note 1(s)(i).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets

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

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

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

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

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

(ii) Impairment of other assets

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

– fixed assets (other than investment properties carried at revalued amounts).

– pre-paid interests in leasehold land classified as being held under an operating lease.

– investments in subsidiaries and associates.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories

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

Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value.

The cost of acquiring land held under operating leases is amortised on a straight line basis over the lease term. If the property is in the course of development or re-development the amortisation charge is included as part of the costs of the property under development. In all other cases the amortisation charge for the period is recognised in the income statement immediately. In all other respects, inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

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

– Completed property held for sale

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

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

(m) Interest-bearing borrowings

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

(n) Trade and other payables

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

(o) Cash equivalents

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

(p) Employee benefits

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

1. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(p) Employee benefits (Continued)

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and central pension schemes operated by the local governments in Mainland China are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

(iii) Contributions to the social insurance fund schemes operated by the local governments in Vietnam are recognised as an expense in the income statement as incurred, except to the extent that they are incurred during the construction period, in which case they are capitalised as part of properties under development.

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

(q) Income tax

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

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 Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    - the same taxable entity; or

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

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

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

(s) Revenue recognition

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

(i) Revenue arising from the sale of properties is recognised upon the completion of the sales agreements or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under trade and other payables.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

(iii) Hotel and club revenue from room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(iv) Interest income from bank deposits and overdue interest received from purchasers of properties is recognised as it accrues using the effective interest rate.

(v) Management fees are recognised when the services are rendered.

(t) Translation of foreign currencies

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

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

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

(u) Borrowing costs

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Affiliated companies

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

(w) Related parties

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

(x) Segment reporting

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

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

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2. CHANGES IN ACCOUNTING POLICIES

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

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 33).

The following sets out the information on the changes in accounting policies for the annual accounting period beginning on 1 January 2005.

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

(i) Effect on opening balance of total equity at 1 January 2005 (as adjusted)

The following table sets out the adjustments that have been made to the opening balances at 1 January 2005. These represent the aggregate effect of retrospective adjustments to the net assets as at 31 December 2004.

	Note	Revenue reserves	Capital and other reserves	Total	Minority interests	Total equity
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Effect of new policy (increase/(decrease))						
Prior period adjustments:						
HKAS 17						
Leasehold land and buildings held for own use	*2(c)*	**(8,474)**	**–**	**(8,474)**	**(4,772)**	**(13,246)**
HKAS 40						
Investment properties	*2(b)(i)*	**19,576**	**(19,576)**	**–**	**–**	**–**
HK(SIC) Interpretation 21						
Deferred taxation	*2(b)(ii)*	**(2,349)**	**–**	**(2,349)**	**(566)**	**(2,915)**
		17,227	**(19,576)**	**(2,349)**	**(566)**	**(2,915)**
Total effect at 1 January 2005		**8,753**	**(19,576)**	**(10,823)**	**(5,338)**	**(16,161)**

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Summary of the effect of changes in the accounting policies (Continued)

(ii) Effect on opening balance of total equity at 1 January 2004 (as adjusted)

The following table sets out only those adjustments that have been made to the opening balances at 1 January 2004.

	Note	Revenue reserves HK$'000	Capital and other reserves HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Effect of new policy (increase/(decrease))						
HKAS 17						
Leasehold land and buildings held for own use	*2(c)*	(8,474)	–	(8,474)	(4,772)	(13,246)
HKAS 40						
Investment properties	*2(b)(i)*	10,927	(10,927)	–	–	–
HK(SIC) Interpretation 21						
Deferred taxation	*2(b)(ii)*	(1,311)	–	(1,311)	(284)	(1,595)
		9,616	(10,927)	(1,311)	(284)	(1,595)
Total effect at 1 January 2004		1,142	(10,927)	(9,785)	(5,056)	(14,841)

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Summary of the effect of changes in the accounting policies (Continued)

(iii) Effect on profit after taxation for the year ended 31 December 2005 (estimated) and 31 December 2004 (as adjusted)

In respect of the year ended 31 December 2005, the following table provides estimates of the extent to which the profits for that period are higher or lower than they would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

In respect of the year ended 31 December 2004, the table discloses the adjustments that have been made to the profits as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs.

		Year ended 31 December 2005			Year ended 31 December 2004		
		Equity shareholders of the Company	**Minority interests**	**Total**	Equity shareholders of the Company	Minority interests	Total
	Note	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Effect of new policy (increase/(decrease))							
HKAS 40							
Investment properties	*2(b)(i)*	**10,375**	**3,069**	**13,444**	8,649	2,351	11,000
HK(SIC) Interpretation 21							
Deferred taxation	*2(b)(ii)*	**(1,245)**	**(368)**	**(1,613)**	(1,038)	(282)	(1,320)
Total effect for the period		**9,130**	**2,701**	**11,831**	7,611	2,069	9,680
Effect on earnings per share:							
– basic		**HK2.7 cents**			HK2.2 cents		

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Summary of the effect of changes in the accounting policies (Continued)

(iv) Effect on net income recognised directly in equity for the year ended 31 December 2005 (estimated) and 31 December 2004 (as adjusted)

In respect of the year ended 31 December 2005, the following table provides estimates of the extent to which the income or expenses recognised directly in equity are higher or lower than they would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

In respect of the year ended 31 December 2004, the table discloses the adjustments that have been made to the net income or expenses as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs.

		Year ended 31 December 2005			Year ended 31 December 2004		
		Equity shareholders of the Company	**Minority interests**	**Total**	Equity shareholders of the Company	Minority interests	Total
	Note	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Effect of new policy (increase/(decrease))							
HKAS 40							
Investment properties							
– effect on investment property revaluation reserve	*2(b)(i)*	**(10,375)**	**–**	**(10,375)**	(8,649)	–	(8,649)
Total effect for the period		**(10,375)**	**–**	**(10,375)**	(8,649)	–	(8,649)

2. CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

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

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

Upon adoption of HKAS 40 with effect from 1 January 2005:

– all changes in the fair value of investment properties are recognised directly in the income statement in accordance with the fair value model set out in HKAS 40; and

– land held for an undetermined future purpose is recognised as investment property if the property is freehold or, if the property is leasehold, the Group has chosen to recognise such land as investment property rather than as land held under an operating lease.

Further details of the new policy for investment properties are set out in Note 1(g).

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

In prior years, the Group was required to apply the tax rate that would be applicable to the sale of investment property to determine whether any amounts of deferred tax should be recognised on the revaluation of investment property. Consequently, deferred tax was only provided to the extent that tax allowances already given would be clawed back if the property were disposed of at its carrying value, as there would be no additional tax payable on disposal.

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

2. CHANGES IN ACCOUNTING POLICIES (Continued)

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

(iii) Description of transitional provisions and effect of adjustments

All the above changes in accounting policies relating to investment properties have been adopted retrospectively. The adjustments for each financial statement line affected for the years ended 31 December 2004 and 2005 are set out in Notes 2(a).

(c) Leasehold land and buildings (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and impairment losses. Depreciation on hotel properties was provided on a straight line basis over the shorter of the joint venture period and 25 years on the cost of the hotel properties. Depreciation on land and buildings and other properties was provided on a straight line basis over the unexpired period of the lease.

With the adoption of HKAS 17 with effect from 1 January 2005, the leasehold interest in land held for own use is accounted for as being held under operating leases where the fair value of the interest in any buildings situated on the leasehold land can be separately identified from the fair value of the leasehold interest in the land at the time 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.

Any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term. If the property is in the course of development or re-development, or the property is otherwise being used in the production of inventory, the amortisation charge is included as part of the costs of the property under development or other inventory. In all other cases the amortisation charge for the period is recognised in the income statement immediately.

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. The buildings are stated at cost less accumulated depreciation, to be consistent with the new policy required to be adopted for the land element.

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the classification of leasehold land relating to hotel properties and other properties and the depreciation thereof.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(c) Leasehold land and buildings (HKAS 17, Leases) (Continued)

The change in accounting policy has been adopted retrospectively which has had the effect of reducing the opening balance of revenue reserves as of 1 January 2005 and 2004 by HK$8,474,000, after considering the minority interests' effect of HK$4,772,000. In prior years the Group did not commence amortisation of the costs of land use rights until the buildings which were constructed thereon were completed and had started to generate revenue for the Group. The retrospective adjustment represents the amortisation of such land use rights from the date of acquisition as required by HKAS 17.

This change in accounting policy does not have a material effect on the financial statements for the years ended 31 December 2005 and 2004.

(d) Changes in presentation (HKAS 1, Presentation of financial statements)

(i) Presentation of share of associates' taxation (HKAS 1, Presentation of financial statements)

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

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

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

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to the presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the Company. Further details of the new policy are set out in Note 1(c). These changes in presentation have been applied retrospectively with comparatives restated as shown in the consolidated balance sheet and income statement.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

3. TURNOVER

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

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

	2005	2004
	HK$'000	*HK$'000*
Proceeds from the sale of properties	**180,201**	162,330
Hotel and club operations	**389,829**	227,346
Rental income	**10,878**	9,005
Management fee income	**5,155**	4,987
	586,063	403,668

4. OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2005 HK$'000	2004 HK$'000
(a) Other revenue		
Interest income from bank deposits	**14,026**	6,244
Dividend income from available-for-sale listed securities	**28**	24
Other revenue from hotel operations and miscellaneous income	**5,730**	4,361
	19,784	10,629
(b) Other net (loss)/income		
Exchange (loss)/gain	**(26,531)**	20,998
Loss on disposal of fixed assets	**(193)**	(4,754)
	(26,724)	16,244

5. PROFIT BEFORE TAXATION

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

	2005 HK$'000	2004 HK$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**4,908**	4,858
Interest on other loans	**5,354**	3,189
Interest paid on amounts due to an affiliated company	**71**	67
Other borrowing costs	**27**	28
Total borrowing costs	**10,360**	8,142
Less: Borrowing costs capitalised into properties under development*	**(32)**	(3)
	10,328	8,139

* The borrowing costs have been capitalised at a rate of 2.3% per annum (2004: 2.3% per annum) for properties under development.

5. PROFIT BEFORE TAXATION (Continued)

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

		2005 HK$'000	2004 HK$'000
(b)	Staff costs		
	Contributions to defined contribution retirement plans	**1,766**	1,264
	Salaries, wages and other benefits	**48,096**	38,788
		49,862	40,052
(c)	Other items		
	Cost of properties sold (including the release of provisions for construction costs *(note)*)	**34,298**	55,988
	Cost of inventories	**54,724**	25,692
	Impairment of interest in an associate	**19,713**	–
	Auditors' remuneration		
	Audit services	**1,219**	1,016
	Other services	**306**	273
	Operating lease charges for hire of premises	**271**	254
	Rentals receivable from investment properties less direct outgoings	**(9,602)**	(8,002)
	Other rental income less direct outgoings	**(17,948)**	(15,618)

Note: The financial statements include provisions for construction costs for work performed, which are estimated based on information available to the directors, including independent surveyors' reports, where applicable. Upon completion of certain units of a property development during the year ended 31 December 2004, the directors have reassessed the adequacy of provisions for construction costs for this property development based on information provided by an independent surveyor on 8 July 2004, and provisions for construction costs amounting to HK$16,866,000 were released to cost of sales in the consolidated income statement for the year ended 31 December 2004.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2005	2004 (restated)
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	–	–
Current tax – Overseas		
Provision for the year	18,130	16,755
Net over-provision in respect of prior years *(note)*	(735)	(13,081)
	17,395	3,674
Deferred tax		
Change in value of investment properties	1,613	1,320
Origination and reversal of temporary differences	(105)	–
Future benefit of tax losses recognised	(4,403)	–
	(2,895)	1,320
	14,500	4,994

The provision for Hong Kong profits tax for 2005 is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year.

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

Share of associates' tax for the year ended 31 December 2005 of HK$5,998,000 (2004: HK$1,706,000) is included in the share of profits less losses of associates.

Note: In prior years, the directors provided for Macau complementary tax based on information available to the Group at that time. During the year ended 31 December 2005, the directors have reassessed the adequacy of those provisions and as a result of this evaluation, provisions for Macau complementary tax totalling HK$817,000 (2004: HK$13,106,000) have been released to the consolidated income statement for the year ended 31 December 2005.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

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

	2005	2004 (restated)
	HK$'000	*HK$'000*
Profit before tax	**193,985**	134,785
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	**23,548**	18,442
Tax effect of non-deductible expenses	**7,334**	2,149
Tax effect of non-taxable revenue	**(8,767)**	(13,117)
Tax effect of unused tax losses not recognised	**490**	12,073
Tax effect of prior years' unrecognised tax losses now recognised	**(4,403)**	–
Tax losses utilised this year	**(2,999)**	(972)
Net over-provision in prior years	**(735)**	(13,081)
Others	**32**	(500)
Actual tax expense	**14,500**	4,994

7. DIRECTORS' REMUNERATION

Directors' remuneration is set out as follows:

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

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	2004 Total HK$'000
Executive directors					
HO Kian Guan	100	–	–	–	100
HO Kian Hock	50	–	–	–	50
TSE See Fan, Paul	50	–	–	–	50
Non-executive director					
HO Kian Cheong	50	–	–	–	50
Independent non-executive directors					
CHAN Yan Hing, Robin	45	–	–	–	45
KWOK Chi Shun, Arthur	45	–	–	–	45
WANG Poey Foon, Angela	6	–	–	–	6
	346	–	–	–	346

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2004: none) are directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other three (2004: five) individuals are as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries and other emoluments	**1,896**	3,783
Discretionary bonuses	**1,013**	2,085
Retirement scheme contributions	**71**	237
	2,980	6,105

The emoluments of the three (2004: five) individuals with the highest emoluments are within the following bands:

	2005	2004
	Number of individuals	Number of individuals
HK$Nil – HK$1,000,000	**2**	1
HK$1,000,001 – HK$1,500,000	**1**	4

9. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$37,223,000 (2004: HK$51,374,000) which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2005 HK$'000	2004 HK$'000
Interim dividend declared and paid of HK$0.04 (2004: HK$0.015) per share	**13,608**	5,103
Final dividend proposed after the balance sheet date of HK$0.04 (2004: HK$0.03) per share	**13,608**	10,206
	27,216	15,309

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

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

	2005 HK$'000	2004 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.03 (2004: HK$0.01) per share	**10,206**	3,402

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$122,363,000 (2004 (restated): HK$97,446,000) and on the 340,200,000 ordinary shares in issue during both years ended 31 December 2005 and 2004.

12. SEGMENT REPORTING

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

(a) Geographical segments by the location of assets

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

	2005					
	Macau	PRC	Vietnam	Canada	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	192,648	46,069	339,764	905	6,677	586,063
Other revenue						
– allocated	12,744	2,941	2,245	–	–	17,930
– unallocated	–	–	–	–	1,854	1,854
Total revenue	205,392	49,010	342,009	905	8,531	605,847
Segment results	130,191	(11,065)	53,981	217	(3,870)	169,454
Finance costs	(204)	(1,686)	–	–	(8,438)	(10,328)
Share of profits less losses of associates	(10)	20,407	9,694	4,742	26	34,859
Profit/(loss) before taxation	129,977	7,656	63,675	4,959	(12,282)	193,985
Income tax						(14,500)
Profit after taxation						179,485
Minority interests	32,731	4,090	21,127	–	(826)	57,122
Profit attributable to equity shareholders						122,363
Depreciation and amortisation	4,164	8,944	76,612	–	176	89,896
Impairment of interest in an associate	–	19,713	–	–	–	19,713
Capital expenditure incurred during the year	45,720	2,273	4,072	–	–	52,065
Segment assets#	571,515	180,578	619,862	–	16,010	1,387,965
Interest in associates	–	144,000	35,197	58,564	4,998	242,759
Unallocated assets	–	–	–	–	638,548	638,548
Total assets	571,515	324,578	655,059	58,564	659,556	2,269,272
Segment liabilities#	73,051	18,351	52,542	66	155,042	299,052
Unallocated liabilities	–	–	–	–	194,800	194,800
Total liabilities	73,051	18,351	52,542	66	349,842	493,852
Minority interests						230,149

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

12. SEGMENT REPORTING (Continued)

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

	2004 (restated)					
	Macau	PRC	Vietnam	Canada	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	179,557	40,746	181,903	861	601	403,668
Other revenue						
– allocated	5,113	2,319	1,374	–	–	8,806
– unallocated	–	–	–	–	1,823	1,823
Total revenue	184,670	43,065	183,277	861	2,424	414,297
Segment results	119,224	(5,381)	5,044	351	8,859	128,097
Finance costs	(170)	(1,857)	–	–	(6,112)	(8,139)
Share of profits less losses of associates	(15)	6,438	8,530	(123)	(3)	14,827
Profit/(loss) before taxation	119,039	(800)	13,574	228	2,744	134,785
Income tax						(4,994)
Profit after taxation						129,791
Minority interests	34,516	(4,094)	1,863	–	60	32,345
Profit attributable to equity shareholders						97,446
Depreciation and amortisation	4,040	13,480	76,715	–	176	94,411
Impairment of interest in an associate	–	–	–	–	–	–
Capital expenditure incurred during the year	19,107	10,890	16,930	–	–	46,927
Segment assets #	554,123	184,513	689,741	–	17,887	1,446,264
Interest in associates	–	143,306	153,906	51,491	4,974	353,677
Unallocated assets	–	–	–	–	445,507	445,507
Total assets	554,123	327,819	843,647	51,491	468,368	2,245,448
Segment liabilities #	89,217	76,637	47,869	8	242,852	456,583
Unallocated liabilities	–	–	–	–	178,524	178,524
Total liabilities	89,217	76,637	47,869	8	421,376	635,107
Minority interests						186,233

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

12. SEGMENT REPORTING (Continued)

(b) Business segments

The Group comprises the following main business segments:

(i) Property development, investment and management

(ii) Hotel and club operations

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

	2004 (restated)			
	Property development, investment and management	Hotel and club operations	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	176,322	227,346	–	403,668
Segment assets #	714,788	1,080,179	450,481	2,245,448
Contribution to profit from operations	127,991	106	–	128,097
Capital expenditure incurred during the year	19,107	27,820	–	46,927

Segment assets are before elimination of inter-segment balances.

13. FIXED ASSETS

(a) The Group

	Investment properties HK$'000	Hotel properties HK$'000	Other properties and fixed assets HK$'000	Furniture, fixtures and equipment HK$'000	Interest in leasehold land held for own use HK$'000	Total HK$'000
Cost or valuation:						
At 1 January 2005						
As previously reported	158,000	821,053	100,646	342,976	–	1,422,675
Prior year adjustment	–	(153,997)	(1,629)	–	155,626	–
As restated	158,000	667,056	99,017	342,976	155,626	1,422,675
Additions	1,556	280	676	6,516	451	9,479
Disposals	–	–	(335)	(3,492)	–	(3,827)
Surplus on revaluation	13,444	–	–	–	–	13,444
Exchange adjustments	–	2,566	37	1,506	1,204	5,313
At 31 December 2005	173,000	669,902	99,395	347,506	157,281	1,447,084
Representing:						
Cost	–	669,902	99,395	347,506	157,281	1,274,084
Valuation – 2005	173,000	–	–	–	–	173,000
	173,000	669,902	99,395	347,506	157,281	1,447,084
Accumulated depreciation:						
At 1 January 2005						
As previously reported	–	100,304	28,502	190,267	–	319,073
Prior year adjustment	–	(18,460)	(439)	–	32,145	13,246
As restated	–	81,844	28,063	190,267	32,145	332,319
Charge for the year	–	31,352	4,078	51,198	3,268	89,896
Written back on disposals	–	–	(335)	(2,360)	–	(2,695)
Exchange adjustments	–	696	22	1,590	197	2,505
At 31 December 2005	–	113,892	31,828	240,695	35,610	422,025
Net book value:						
At 31 December 2005	173,000	556,010	67,567	106,811	121,671	1,025,059

13. FIXED ASSETS (Continued)

(a) The Group (Continued)

	Investment properties HK$'000	Hotel properties HK$'000	Other properties and fixed assets HK$'000	Furniture, fixtures and equipment HK$'000	Interest in leasehold land held for own use HK$'000	Total HK$'000
Cost or valuation:						
At 1 January 2004						
As previously reported	147,000	807,114	100,682	331,054	–	1,385,850
Prior year adjustment	–	(145,949)	(1,629)	–	147,578	–
As restated	147,000	661,165	99,053	331,054	147,578	1,385,850
Additions	–	6,538	931	13,292	7,518	28,279
Disposals	–	(2,625)	(956)	(2,297)	–	(5,878)
Surplus on revaluation	11,000	–	–	–	–	11,000
Exchange adjustments	–	1,978	(11)	927	530	3,424
At 31 December 2004	158,000	667,056	99,017	342,976	155,626	1,422,675
Representing:						
Cost	–	667,056	99,017	342,976	155,626	1,264,675
Valuation – 2004	158,000	–	–	–	–	158,000
	158,000	667,056	99,017	342,976	155,626	1,422,675
Accumulated depreciation:						
At 1 January 2004						
As previously reported	–	63,631	24,859	136,295	–	224,785
Prior year adjustment	–	(12,623)	(374)	–	26,243	13,246
As restated	–	51,008	24,485	136,295	26,243	238,031
Charge for the year	–	30,607	4,013	53,960	5,831	94,411
Written back on disposals	–	–	(442)	(578)	–	(1,020)
Exchange adjustments	–	229	7	590	71	897
At 31 December 2004	–	81,844	28,063	190,267	32,145	332,319
Net book value:						
At 31 December 2004	158,000	585,212	70,954	152,709	123,481	1,090,356

13. FIXED ASSETS (Continued)

(a) The Group (Continued)

(i) The investment properties comprise various units of Luso International Bank Building and Ocean Gardens in Macau. The lease of Luso International Bank Building is for a period of 50 years, commencing from 6 May 1957 and thereafter renewable for successive periods of 10 years up to 19 December 2049. The lease of Ocean Gardens is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

(ii) The investment properties were revalued by Chesterton Petty Limited, an independent firm of professional surveyors, at 31 December 2005 on an open market value basis, after taking into consideration the net rental income allowing for reversionary potential.

(iii) At 31 December 2005, certain investment properties, other fixed assets and a hotel property together with its integral fixtures and fittings with a net book value of HK$1,019,553,000 (2004 (restated): HK$946,719,000) were mortgaged to various banks to secure banking facilities granted to the Group (Note 22).

(iv) Land use rights were granted to the subsidiaries for their hotel properties in (a) Wuhan, the PRC with a period of 50 years after receiving an approval for extension of 20 years in 2004 in addition to the initial period of 30 years commencing on 21 August 1995, and (b) Vietnam with a period of 48 years commencing on 7 May 1994.

(v) A club house situated in Ocean Gardens is classified under other properties and other fixed assets. The lease of the club house is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

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

The gross amount of investment properties of the Group held for use in operating leases was HK$173,000,000 (2004: HK$158,000,000).

(vii) The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2005	2004
	HK$'000	*HK$'000*
Within 1 year	**25,931**	20,450
After 1 year but within 5 years	**17,930**	21,950
After 5 years	**–**	2,056
	43,861	44,456

13. FIXED ASSETS (Continued)

(b) The Company

	Other properties and fixed assets HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost:			
At 1 January 2005 and 31 December 2005	**4,013**	**503**	**4,516**
Accumulated depreciation:			
At 1 January 2005	**151**	**202**	**353**
Charge for the year	**76**	**100**	**176**
At 31 December 2005	**227**	**302**	**529**
Net book value:			
At 31 December 2005	**3,786**	**201**	**3,987**

	HK$'000	HK$'000	HK$'000
Cost:			
At 1 January 2004	4,013	1,035	5,048
Disposals	–	(532)	(532)
At 31 December 2004	4,013	503	4,516
Accumulated depreciation:			
At 1 January 2004	76	633	709
Charge for the year	75	101	176
Written back on disposals	–	(532)	(532)
At 31 December 2004	151	202	353
Net book value:			
At 31 December 2004	3,862	301	4,163

13. FIXED ASSETS (Continued)

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

The Group

	Investment properties *HK$'000*	Hotel properties *HK$'000*	Other properties and fixed assets *HK$'000*	Interest in leasehold land held for own use *HK$'000*	Total *HK$'000*
Net book value or valuation:					
At 31 December 2005					
Held in Hong Kong					
Long lease	**–**	**–**	**3,785**	**–**	**3,785**
Held outside Hong Kong					
Short lease	**142,000**	**–**	**61,756**	**449**	**204,205**
Medium lease	**31,000**	**556,010**	**–**	**121,312**	**708,322**
	173,000	**556,010**	**65,541**	**121,761**	**916,312**
Net book value or valuation:					
At 31 December 2004					
Held in Hong Kong					
Long lease	–	–	3,861	–	3,861
Held outside Hong Kong					
Short lease	–	–	–	45	45
Medium lease	158,000	585,212	65,307	123,436	931,955
	158,000	585,212	69,168	123,481	935,861

The Company

	Other properties and fixed assets **2005** ***HK$'000***	2004 *HK$'000*
Net book value:		
Held in Hong Kong under long leases	**3,785**	3,861

14. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Properties under development for sale	**126,255**	85,475

The subsidiary has mortgaged its land and buildings on Taipa Island to a bank to secure banking facilities to the extent of HK$85,000,000 (2004: HK$85,000,000) granted to the subsidiary. At 31 December 2005, HK$Nil of the bank facilities was utilised (2004: HK$20,000,000) (see Note 22).

At 31 December 2005, the carrying value of the medium term leasehold land held outside Hong Kong included in properties under development was HK$8,891,000 (2004: HK$8,891,000).

15. INTEREST IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**43,823**	43,823
Less: Dividend paid out of pre-acquisition profits	**(4,156)**	(4,156)
	39,667	39,667
Amounts due from subsidiaries		
– Current account	**718,143**	811,473
	757,810	851,140
Amounts due to subsidiaries	**73**	540

Amounts due from/to subsidiaries are unsecured, interest-free and will not be settled within next twelve months.

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

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

15. INTEREST IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ operation	Issued equity capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
Ocean Incorporation Ltd.	Macau	Two quotas of Ptc9,999,000 and Ptc1,000 respectively totalling Ptc10,000,000	100%	100%	–	Property investment and investment holding
Carrigold Limited*	British Virgin Islands	1 share of US$1	100%	100%	–	Investment holding
Compton Developments Limited*	British Virgin Islands	1 share of US$1	100%	100%	–	Investment holding
Crichton Assets Limited*	British Virgin Islands	1 share of US$1	100%	100%	–	Investment holding
Labond Developments Limited*	British Virgin Islands	1 share of US$1	100%	100%	–	Investment holding
KSB Enterprises Limited*	Canada	1 share of no par value issued at CA$1	100%	100%	–	Investment holding
Bardney Investment Limited*	Republic of Liberia/Macau	2 shares of no par value issued at HK$5,000 each	100%	–	100%	Financial investment
Lam Ho Investments Pte Limited	Singapore	5,000,000 shares of S$1 each	90.10%	–	90.10%	Investment holding
Shun Seng International Limited	Hong Kong	100,000 shares of HK$1 each	75.01%	–	75.01%	Investment holding
Golden Crown Development Limited ("Golden Crown")	Macau	70,000,000 shares of Ptc1 each	70.61%	–	70.61%	Property development

15. INTEREST IN SUBSIDIARIES (Continued)

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

* Companies not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflect total net assets and total turnover constituting approximately 10.21% (2004: 9.2%) and 8.74% (2004: 11.3%) respectively of the related consolidated totals.

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

16. INTEREST IN ASSOCIATES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**5**	5
Share of net assets	**216,451**	191,184	**–**	–
Loans to associates	**46,021**	162,493	**18,390**	134,870
	262,472	353,677	**18,395**	134,875
Less: impairment loss	**(19,713)**	–	**–**	–
	242,759	353,677	**18,395**	134,875

Notes:

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

(ii) At 31 December 2005, the Group assessed the carrying amount of the investment in associates. Based on this assessment, the carrying amount of an associate was written down by HK$19,713,000 (included in "Administrative and other operating expenses"). The estimates of recoverable amount were based on the Group's share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment.

16. INTEREST IN ASSOCIATES (Continued)

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

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
Chateau Ottawa Hotel Inc – *note (a)*	Incorporated	Canada	50%	–	50%	Operation of a hotel
Worldwide Properties Limited	Incorporated	Macau	50%	–	50%	Dormant
Trans-International Development Limited	Incorporated	Macau	40%	–	40%	Dormant
Shun Cheong International Limited – *note (b)*	Incorporated	Hong Kong	35.01%	–	35.01%	Property investment
Porchester Assets Limited ("PAL") – *note (c)*	Incorporated	British Virgin Islands	49%	49%	–	Investment holding
Crown Pacific Development Limited ("Crown Pacific") – *note (d)*	Incorporated	Hong Kong	24%	–	24%	Investment holding
KSF Enterprises Sdn Bhd ("KSF") – *note (e)*	Incorporated	Malaysia	25%	25%	–	Investment holding

Summary of financial information on associates

	Assets *HK$'000*	Liabilities *HK$'000*	Equity *HK$'000*	Revenues *HK$'000*	Profit *HK$'000*
2005					
100 per cent	**1,944,691**	**1,111,764**	**832,927**	**447,985**	**140,104**
Group's effective interest	**590,012**	**373,561**	**216,451**	**162,526**	**34,859**
2004					
100 per cent	1,810,354	1,108,726	701,628	434,895	46,741
Group's effective interest	553,409	362,225	191,184	147,846	14,827

16. INTEREST IN ASSOCIATES (Continued)

Notes:

(a) Chateau Ottawa Hotel Inc owns a hotel in Ottawa licensed with Sheraton Inns Canada operating as the Sheraton Ottawa Hotel.

(b) Shun Cheong International Limited is engaged in property investment in the PRC.

(c) PAL has a wholly owned subsidiary, Glynhill Investments (Vietnam) Pte Ltd ("Glynhill"), which holds 51% in Chains Caravelle Hotel Joint Venture Company Limited ("CCH"). CCH is a joint venture company established under the laws of Vietnam between Glynhill and a local Vietnamese entity for the purpose of developing, renovating and operating the Caravelle Hotel in Vietnam. In accordance with the joint venture agreement and the subsequent increase in registered share capital on 19 May 1997, the legal capital of CCH is HK$143.8 million (US$18.6 million). Glynhill contributed HK$73.3 million (US$9.5 million) and the remaining balance of HK$70.5 million (US$9.1 million) was contributed by the Vietnamese joint venture partner in the form of the right of use to a parcel of land (2,612 sq.m.) for a term of 40 years. In addition, Glynhill is committed to secure on behalf of CCH or, alternatively, to provide further finance of up to HK$305.0 million (US$39.4 million) in the form of an interest bearing shareholder's loan towards the costs of developing and renovating the hotel and for general working capital requirements. As at 31 December 2005, PAL has advanced interest bearing loans totalling HK$Nil million (US$Nil million) (2004: HK$281.9 million (US$36.3 million)) to CCH. The joint venture has a duration of 40 years from 8 October 1992 and may be extended for a further period subject to the mutual agreement of the joint venture partners and approval from the relevant local authority.

(d) Crown Pacific is engaged in the development for resale and investment purposes of a residential compound in Beijing in the PRC through Beijing Hong Gong Garden Villa House Property Development Co Limited ("BHGG"), a Sino-foreign cooperative joint venture company established in the PRC with a local Beijing party. In accordance with the joint venture agreement, the legal capital of BHGG is approximately HK$256.0 million (US$33.1 million), which has been fully paid up. Crown Pacific is entitled to share 100% of the financial results and net assets of BHGG save for a distribution of profit of a fixed sum of HK$2.8 million to the local Beijing party.

The joint venture lasts for a period of 30 years from 15 January 1993 to 14 January 2023. All four phases of the development have been completed and most of the units have been sold.

(e) KSF has a wholly owned subsidiary, KSD Enterprises Limited, which operates the Doubletree International Plaza Hotel in Toronto, Canada and the Four Points Sheraton Gatineau-Ottawa Hotel & Conference Centre in Quebec, Canada.

17. AVAILABLE-FOR-SALE SECURITIES

	The Group and the Company	
	2005	2004
	HK$'000	*HK$'000*
Listed shares outside Hong Kong, at market value	**1,008**	818

18. PROPERTIES HELD FOR SALE

Properties held for sale comprise:

(a) Ocean Park held by the Company

The property is freehold and situated in Singapore.

(b) Heng Fa Chuen held by the Company

The property is held under a long lease and situated in Hong Kong.

(c) Properties in Macau held by a subsidiary

(i) Ocean Industrial Centre II

The lease is for a period of 30 years, commencing from 9 June 1973 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

(ii) Keck Seng Industrial Centre III

The lease is for a period of 30 years, commencing from 4 September 1973 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

(iii) Ocean Gardens

These are completed units of a property development on Taipa Island in Macau. The lease is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

At 31 December 2005, the carrying value of the medium term leasehold land held outside Hong Kong included in properties held for sale was HK$10,244,000 (2004: HK$12,063,000).

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount expected to be recoverable:				
– within 1 year	**19,789**	27,382	**459**	131
– after 1 year	**348**	352	**–**	–
Trade and other receivables	**20,137**	27,734	**459**	131

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

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Current	**4,060**	3,065
1 to 3 months overdue	**8,008**	17,907
More than 3 months overdue but less than 12 months overdue	**518**	57
More than 12 months overdue	**–**	4
	12,586	21,033

The Group's credit policy is set out in Note 27(a).

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

	The Group		The Company	
	2005	2004	**2005**	2004
	'000	*'000*	***'000***	*'000*
United States Dollars	**USD 1,097**	USD 972	**USD –**	USD –

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits with banks and other financial institutions	**587,756**	368,951	**220,389**	81,136
Cash at bank and in hand	**51,547**	75,843	**289**	149
Cash and cash equivalents in the balance sheet	**639,303**	444,794	**220,678**	81,285
Bank overdrafts *(Note 22)*	**–**	(39)		
Cash and cash equivalents in the consolidated cash flow statement	**639,303**	444,755		

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

	The Group				The Company			
		2005		2004		**2005**		2004
		'000		*'000*		***'000***		*'000*
Australian Dollars	**AUD**	**15,395**	AUD	15,027	**AUD**	**7,205**	AUD	4,877
Canadian Dollars	**CAD**	**5,311**	CAD	5,053	**CAD**	**2,168**	CAD	1,451
Euro	**EUR**	**18,704**	EUR	22,114	**EUR**	**4,232**	EUR	2,817
United States Dollars	**USD**	**19,083**	USD	2,049	**USD**	**12,998**	USD	277

21. NON-CURRENT INTEREST-BEARING BORROWINGS

The analysis of the carrying amount of non-current interest-bearing borrowings is as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans *(Note 22)*				
– secured	**125,386**	168,315	**–**	31,060
– unsecured	**–**	1,950	**–**	–
	125,386	170,265	**–**	31,060

None of the non-current interest-bearing borrowings are expected to be settled within one year.

22. BANK LOANS AND OVERDRAFTS

At 31 December 2005, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans and overdrafts:				
– Within 1 year or on demand	**46,279**	115,481	**30,000**	83,656
Bank loans:				
– after 1 year but within 2 years	**16,275**	29,162	**–**	15,530
– after 2 years but within 5 years	**80,500**	81,410	**–**	15,530
– after 5 years	**28,611**	59,693	**–**	–
	125,386	170,265	**–**	31,060
	171,665	285,746	**30,000**	114,716

At 31 December 2005, the bank loans and overdraft were secured as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unsecured bank overdrafts *(Note 20)*	**–**	39	**–**	–
Bank loans				
– secured	**141,665**	211,731	**–**	46,590
– unsecured	**30,000**	73,976	**30,000**	68,126
	171,665	285,707	**30,000**	114,716

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

	The Group		The Company	
	2005	2004	**2005**	2004
	'000	*'000*	***'000***	*'000*
United States Dollars	**USD 18,262**	USD 26,335	**USD –**	USD 6,910

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Creditors and accruals	**83,352**	82,227	**924**	2,163
Sales deposits and receipts in advance	**12,056**	10,543	**262**	219
	95,408	92,770	**1,186**	2,382

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

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Due within 1 month or on demand	**19,179**	16,482
Due after 1 month but within 3 months	**–**	5,572
Due after 3 months but within 6 months	**87**	35
	19,266	22,089

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

	The Group		The Company	
	2005	2004	**2005**	2004
	'000	*'000*	***'000***	*'000*
United States Dollars	**USD 6,789**	USD 6,181	**USD –**	USD –

24. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Provision for overseas taxation for the year	**18,130**	16,755	**604**	–
Tax paid for the year	**(12,789)**	(3,589)	**–**	–
Balance of overseas tax provision relating to prior years	**42,794**	30,400	**–**	–
	48,135	43,566	**604**	–

24. INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax assets and liabilities recognised:

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

	Surplus on revaluation of investment properties	Tax losses recognised	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004 (restated)	1,595	–	–	1,595
Charged to the income statement	1,320	–	–	1,320
At 31 December 2004 (restated)	2,915	–	–	2,915
At 1 January 2005	2,915	–	–	2,915
Charged/(credited) to the income statement	1,613	(4,403)	(105)	(2,895)
At 31 December 2005	4,528	(4,403)	(105)	20

	The Group		The Company	
	2005	2004 (restated)	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Net deferred tax asset recognised in the balance sheet	**(4,508)**	–	**–**	–
Net deferred tax liability recognised in the balance sheet	**4,528**	2,915	**–**	–
	20	2,915	**–**	–

At 31 December 2005, the major component of unprovided deferred taxation of the Group is the future benefit of tax losses, which have been agreed with the relevant tax authorities, of HK$13,178,000 (2004: HK$4,955,000). The future benefit of tax losses which are subject to agreement by the relevant tax authorities at 31 December 2005 amounted to HK$20,814,000 (2004: HK$89,574,000). The future benefit of tax losses are not recognised as it is not probable that there will be sufficient appropriate taxable profits before expiry of tax losses in the respective tax jurisdictions.

24. INCOME TAX IN THE BALANCE SHEET (Continued)

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

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

As at 31 December 2005, the Company does not have any material deferred taxation assets and liabilities (2004: HK$Nil).

25. LOANS FROM MINORITY SHAREHOLDERS

At 31 December 2005, loans from minority shareholders are unsecured, non-interest bearing, and payable on demand, except for the face value of the loan amounting to HK$98,675,000 (before taking into the discounting effect of HK$22,048,000; see Note 26 (a)) which is repayable on 30 April 2010.

At 31 December 2004, loans from minority shareholders were unsecured, non-interest bearing, and had no fixed terms of repayment, except for HK$30,222,000 which was payable on demand.

26. CAPITAL AND RESERVES

(a) The Group

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Legal reserve	Other capital reserve	Exchange reserve	Investment properties revaluation reserve	Fair value reserve	Revenue reserve	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004											
– as previously reported	340,200	158,105	12,758	–	14,824	10,927	212	804,782	1,341,808	176,725	1,518,533
– prior period adjustments in respect of:											
– HKAS 17	–	–	–	–	–	–	–	(8,474)	(8,474)	(4,772)	(13,246)
– HKAS 40	–	–	–	–	–	(10,927)	–	10,927	–	–	–
– HK(SIC) Interpretation 21	–	–	–	–	–	–	–	(1,311)	(1,311)	(284)	(1,595)
– as restated	340,200	158,105	12,758	–	14,824	–	212	805,924	1,332,023	171,669	1,503,692
Dividends approved in respect of the previous year *(Note 10)*	–	–	–	–	–	–	–	(3,402)	(3,402)	–	(3,402)
Dividends paid by the subsidiaries to minority interests	–	–	–	–	–	–	–	–	–	(17,781)	(17,781)
Exchange difference on translation of financial statements of overseas subsidiaries and associates	–	–	–	–	3,130	–	–	–	3,130	–	3,130
Available-for-sale securities:											
– changes in fair value	–	–	–	–	–	–	14	–	14	–	14
Profit for the year (restated)	–	–	–	–	–	–	–	97,446	97,446	32,345	129,791
Dividends approved in respect of the current year *(Note 10)*	–	–	–	–	–	–	–	(5,103)	(5,103)	–	(5,103)
At 31 December 2004 (as restated)	340,200	158,105	12,758	–	17,954	–	226	894,865	1,424,108	186,233	1,610,341
At 1 January 2005:											
– as previously reported	340,200	158,105	12,758	–	17,954	19,576	226	886,112	1,434,931	191,571	1,626,502
– prior period adjustments in respect of:											
– HKAS 17	–	–	–	–	–	–	–	(8,474)	(8,474)	(4,772)	(13,246)
– HKAS 40	–	–	–	–	–	(19,576)	–	19,576	–	–	–
– HK(SIC) Interpretation 21	–	–	–	–	–	–	–	(2,349)	(2,349)	(566)	(2,915)
– as restated	340,200	158,105	12,758	–	17,954	–	226	894,865	1,424,108	186,233	1,610,341
Dividends approved in respect of the previous year *(Note 10)*	–	–	–	–	–	–	–	(10,206)	(10,206)	–	(10,206)
Dividends paid by the subsidiaries to minority interests	–	–	–	–	–	–	–	–	–	(13,206)	(13,206)
Exchange difference on translation of financial statements of overseas subsidiaries and associates	–	–	–	–	376	–	–	–	376	–	376
Available-for-sale securities:											
– changes in fair value	–	–	–	–	–	–	190	–	190	–	190
Profit for the year	–	–	–	–	–	–	–	122.363	122,363	57,122	179,485
Credit balance arising from discounting the interest-free loans from minority shareholders	–	–	–	22,048	–	–	–	–	22,048	–	22,048
Dividends approved in respect of the current year *(Note 10)*	–	–	–	–	–	–	–	(13,608)	(13,608)	–	(13,608)
At 31 December 2005	340,200	158,105	12,758	22,048	18,330	–	416	993,414	1,545,271	230,149	1,775,420

26. CAPITAL AND RESERVES (Continued)

(b) The Company

	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Fair value reserve HK$'000	Revenue reserve HK$'000	Total HK$'000
At 1 January 2004	340,200	158,105	891	212	427,386	926,794
Dividends approved in respect of the previous year *(Note 10)*	–	–	–	–	(3,402)	(3,402)
Available-for-sale securities:						
– changes in fair value	–	–	–	14	–	14
Profit for the year	–	–	–	–	51,374	51,374
Dividends approved in respect of the current year *(Note 10)*	–	–	–	–	(5,103)	(5,103)
At 31 December 2004	340,200	158,105	891	226	470,255	969,677
At 1 January 2005	340,200	158,105	891	226	470,255	969,677
Dividends approved in respect of the previous year *(Note 10)*	–	–	–	–	(10,206)	(10,206)
Available-for-sale securities:						
– changes in fair value	–	–	–	190	–	190
Profit for the year	–	–	–	–	37,223	37,223
Realisation of exchange gain from sale of properties	–	–	(155)	–	–	(155)
Dividends approved in respect of the current year *(Note 10)*	–	–	–	–	(13,608)	(13,608)
At 31 December 2005	340,200	158,105	736	416	483,664	983,121

26. CAPITAL AND RESERVES (Continued)

(c) Share capital

	2005 No. of shares '000	2005 HK$'000	2004 No. of shares '000	2004 HK$'000
Authorised:				
Ordinary shares of HK$1 each	**500,000**	**500,000**	500,000	500,000
Ordinary shares, issued and fully paid:				
At 1 January and at 31 December	**340,200**	**340,200**	340,200	340,200

(d) Nature and purpose of reserves

(i) Share premium reserve

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

(ii) Legal reserve

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

(iii) Exchange reserve

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

(iv) Fair value reserve

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

(v) Other capital reserve

Other capital reserve represents the credit balance arising from discounting, at a market related rate, the nominal value of the interest-free loans due to minority shareholders which are used to finance a subsidiary's operations.

27. FINANCIAL INSTRUMENTS

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

(a) Credit risk

Substantially all the Group's cash and cash equivalents are deposited with financial institutions in Hong Kong, Macau, the PRC, Singapore, and Vietnam.

The Group's credit risk is primarily attributable to trade and other receivables. The Group has a defined credit policy. The general credit terms allowed range from 0 to 30 days. Trade receivables with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. The exposures to these credit risks (including loans to associates) are monitored on an ongoing basis.

The Group does not have significant concentration of credit risk.

(b) Liquidity risk

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

(c) Foreign currency risk

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

27. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk

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

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

The Group

	2005					
	Effective interest rate	**Total**	**One year or less**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Repricing dates for assets/ (liabilities) which reprice before maturity						
Cash and cash equivalents	**2.6**	**639,303**	**639,303**	**–**	**–**	**–**
Bank loans	**5.1**	**(171,665)**	**(46,279)**	**(16,275)**	**(80,500)**	**(28,611)**
		467,638	**593,024**	**(16,275)**	**(80,500)**	**(28,611)**

	2004					
	Effective interest rate	Total	One year or less	1 – 2 years	2 – 5 years	More than 5 years
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Repricing dates for assets/ (liabilities) which reprice before maturity						
Cash and cash equivalents	1.7	444,794	444,794	–	–	–
Bank overdrafts	8.7	(39)	(39)	–	–	–
Bank loans	2.8	(285,707)	(115,442)	(29,162)	(81,410)	(59,693)
		159,048	329,313	(29,162)	(81,410)	(59,693)

27. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk (Continued)

The Company

	2005					
	Effective interest rate	**Total**	**One year or less**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Repricing dates for assets/ (liabilities) which reprice before maturity						
Cash and cash equivalents	**2.8**	**220,678**	**220,678**	**–**	**–**	**–**
Bank loans	**3.9**	**(30,000)**	**(30,000)**	**–**	**–**	**–**
		190,678	**190,678**	**–**	**–**	**–**

	2004					
	Effective interest rate	Total	One year or less	1 – 2 years	2 – 5 years	More than 5 years
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Repricing dates for assets/ (liabilities) which reprice before maturity						
Cash and cash equivalents	1.5	81,285	81,285	–	–	–
Bank loans	2.8	(114,716)	(83,656)	(15,530)	(15,530)	–
		(33,431)	(2,371)	(15,530)	(15,530)	–

27. FINANCIAL INSTRUMENTS (Continued)

(e) Fair values

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

Interest-free loans due to minority shareholders were renewed during the year ended 31 December 2005 with a repayment date at 30 April 2010. At 31 December 2005, the carrying amount of the loans from minority shareholders was HK$76,627,000, approximating its fair value, with the face value of loans in the amount of HK$98,675,000. The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The fair value of non-current interest-bearing borrowings is estimated at the present value of future cash flows, discounted at current market interest rates for similar financial instruments, which is not materially different from the carrying amount.

28. EMPLOYEE BENEFITS

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

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

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

28. EMPLOYEE BENEFITS (Continued)

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

29. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2005 not provided for in the financial statements as follows:

	2005	2004
	HK$'000	*HK$'000*
Contracted for	**7,688**	47,579
Authorised but not contracted for	**–**	1,004
	7,688	48,583

(b) At 31 December 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2005	2004
	HK$'000	*HK$'000*
– within one year	**192**	192

30. CONTINGENT LIABILITIES

(a) At 31 December 2005, there were outstanding counter indemnities relating to guarantees issued by bankers of a subsidiary in favour of the Macau SAR Government in respect of properties under development amounting to HK$8,252,000 (2004: HK$6,311,000).

(b) At 31 December 2005, guarantees given by the Company to banks to secure banking facilities made available to certain subsidiaries and associates amounted to HK$134,347,000 (2004: HK$134,451,000) and HK$69,077,000 (2004: HK$66,680,000) respectively.

(c) At 31 December 2005, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to its associate amounted to HK$33,435,000 (CA$5,000,000) (2004: HK$32,275,000 (CA$5,000,000)).

30. CONTINGENT LIABILITIES (Continued)

(d) During the year ended 31 December 2004, an intermediate subsidiary provided a guarantee to a bank to secure a banking facility made available to the Company to finance the capital expenditure of its subsidiary. At 31 December 2004, the guarantee given by the subsidiary amounted to HK$62,120,000 (US$8,000,000). During the year ended 31 December 2005, the aforesaid arrangement was terminated.

31. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) During the year, certain subsidiaries of the Company had the following transactions, which were on normal commercial terms, with Goodland Limited ("Goodland"), an affiliated company which held 28% of the issued shares of the Company at 31 December 2005:

(i) Amounts due to an affiliated company represent the amounts due to Goodland of HK$26,339,000 at 31 December 2005 (2004: HK$77,855,000) which comprise:

– interest bearing current accounts with certain subsidiaries amounting to HK$1,552,000 at 31 December 2005 (2004: HK$1,231,000). The interest charge for the year ended 31 December 2005 payable by the subsidiaries was HK$71,000 (2004: HK$67,000).

– non-interest bearing accounts with certain subsidiaries amounting to HK$24,787,000 at 31 December 2005 (2004: HK$76,624,000).

(ii) Loan from an affiliated company represents an interest-free loan to a subsidiary made by Goodland during the year ended 31 December 2005 amounting to HK$43,161,000 (2004: HK$Nil), which is unsecured and payable on demand.

(iii) Loans from minority shareholders classified under non-current liabilities at 31 December 2005 include amounts due to Goodland of HK$67,923,000 in nominal value (before the effect of discounting in the amount of HK$15,177,000), which are unsecured, non-interest bearing, and payable on 30 April 2010.

At 31 December 2004, included in loans from minority shareholders, an amount due to Goodland of HK$74,027,000, was unsecured, non-interest bearing and had no fixed terms of repayment.

31. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(iv) A subsidiary of the Company rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to HK$1,095,000 for the year ended 31 December 2005 (2004: HK$1,011,000).

(v) Certain subsidiaries of the Company paid to Goodland management fees amounting to HK$3,437,000 (2004: HK$6,280,000) for the year ended 31 December 2005.

(vi) A subsidiary of the Company incurred building construction costs payable to Goodland in respect of the construction of certain development projects of the Ocean Gardens projects amounting to HK$38,000,000 for the year ended 31 December 2005 (2004: HK$16,500,000).

(vii) The Company, Goodland, Larch Management Incorporated and AKAA Project Management International Limited provided a guarantee, on a joint and several basis, to a bank in connection with a term loan facility obtained by a subsidiary of the Company.

A term loan facility of up to an aggregate principal amount of US$3,800,000 (approximately HK$29,484,000) was made available by the bank for a period of three years subject to the terms and conditions of a facility agreement between the subsidiary and the bank entered into on 26 March 2004. The interest rate shall be the sum of 1.46% per annum and 3 or 6 months' LIBOR at the subsidiary's option. It is intended that the subsidiary will choose whichever the lower interest rate is on an interest payment date.

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong each had 1/3 indirect interest in Goodland (while Messrs Ho Kian Guan and Ho Kian Hock are also directors of Goodland) and they are deemed to be interested in the aforesaid transactions.

(b) On 15 February 2005, the Company sold to Ms Alexia Ho Wen Tsi, daughter of Mr Ho Kian Guan, the Executive Chairman of the Company, and an independent third party a residential property in Singapore held by Company, which was vacant at 31 December 2004. The consideration was SGD1,200,000 (equivalent to approximately HK$5,694,000). The consideration was arrived at after arm's length negotiations between the Company and the purchasers on normal commercial terms with reference to a property valuation report conducted on 9 November 2004 by independent professional surveyors, CKS Property Consultants Pte Ltd at an open market value of SGD1,200,000. There were no transaction records for similar properties during that period. The book value of the property as at 31 December 2004 was HK$2,255,000. The sale was completed on 12 April 2005.

32. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Note 27 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

Impairment of assets

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

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

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

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

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2005

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 December 2005 and which have not been adopted in these financial statements.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

		Effective for accounting periods beginning on or after
Amendments to HKAS 21	The effects of changes in foreign exchange rates – Net investment in a foreign operation	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendments to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

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

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

34. COMPARATIVE FIGURES

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

35. POST BALANCE SHEET EVENTS

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

Five Year Financial Summary

	2005	2004 (restated)	2003 (restated)	2002 (restated)	2001 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Consolidated income statement					
Turnover	**586,063**	403,668	339,524	224,502	246,589
Operating profit/(loss)	**159,126**	119,958	35,667	5,236	(8,257)
Share of profits less losses of associates	**34,859**	14,827	12,844	15,694	29,978
Profit before taxation	**193,985**	134,785	48,511	20,930	21,721
Income tax	**(14,500)**	(4,994)	(13,543)	6,401	11,535
Profit for the year	**179,485**	129,791	34,968	27,331	33,256
Attributable to:					
Equity shareholders of the Company	**122,363**	97,446	35,676	28,315	34,813
Minority interests	**57,122**	32,345	(708)	(984)	(1,557)
Profit for the year	**179,485**	129,791	34,968	27,331	33,256
Consolidated balance sheet					
Fixed assets	**1,025,059**	1,090,356	1,147,819	1,148,500	458,684
Properties under development	**–**	–	–	–	731,163
Interest in associates	**242,759**	353,677	346,906	358,301	369,814
Available-for-sale securities	**1,008**	818	804	780	636
Deferred tax assets	**4,508**	–	–	–	–
Current assets	**995,938**	800,597	719,219	631,810	606,182
	2,269,272	2,245,448	2,214,748	2,139,391	2,166,479
Share capital	**340,200**	340,200	340,200	340,200	340,200
Share premium	**158,105**	158,105	158,105	158,105	158,105
Other reserves	**1,046,966**	925,803	833,718	796,175	781,534
Minority interests	**230,149**	186,233	171,669	185,984	212,384
Non-current liabilities	**206,541**	273,849	337,275	312,883	346,782
Current liabilities	**287,311**	361,258	373,781	346,044	327,474
	2,269,272	2,245,448	2,214,748	2,139,391	2,166,479
Other data					
Basic earnings per share (cents)	**36.0**	28.6	10.5	8.3	10.2
Dividends per share (cents)	**8.0**	4.5	2.0	1.0	Nil
Dividend cover (times)	**4.5**	6.4	5.2	8.3	Nil

Note: The figure for the years ended 31 December 2001, 2002, 2003 and 2004 have been restated pursuant to the adoption of HKAS 1, HKAS 17, HKAS 40 and HK(SIC) Interpretation 21.

Schedule of Principal Properties

At 31 December 2005

PROPERTIES HELD FOR RENTAL/INVESTMENT

Properties	Group's interest	Type	No. of units	Gross floor area (sq. ft.)	Lease term
Luso International Bank Building 1, 3 and 3A Rua Do Dr. Pedro Jose Lobo Macau	100%	Office	40	30,264	Short lease
Ocean Plaza, I & II Ocean Gardens, Macau	70.61%	Commercial	48	94,525	Short lease
Ocean Tower Ocean Gardens, Macau	70.61%	Office	19	49,703	Short lease
Sheraton Ottawa Hotel Ottawa, Canada	50%	Hotel	236	193,408	Freehold
Doubletree International Plaza Hotel Toronto Airport, Canada	25%	Hotel	433	450,000	Freehold
Four Points Sheraton Gatineau-Ottawa Hotel & Conference Centre Gatineau, Canada	25%	Hotel	201	121,206	Freehold
Caravelle Hotel Ho Chi Minh City, Vietnam	25%	Hotel	335	247,500	Medium lease
Holiday Inn Riverside Wuhan Wuhan, PRC	41.26%	Hotel	336	295,224	Medium lease
Sheraton Saigon Executive Residences Ho Chi Minh City, Vietnam	63.07%	Serviced apartments	92	202,650	Medium lease
Sheraton Saigon Hotel & Towers Ho Chi Minh City, Vietnam	63.07%	Hotel	382	472,850	Medium lease
Beijing Riviera Beijing, PRC	24%	Residential	196	611,062	Long lease

Schedule of Principal Properties (Continued)

At 31 December 2005

PROPERTIES HELD FOR SALE

Properties	Group's interest	Type	No. of units	Gross floor area (sq. ft.)	Lease term
Ocean Industrial Centre, Phase II Rua dos Pescadores, Macau	100%	Industrial	3	22,921	Short lease
Ocean Park 530 East Coast Road, Singapore	100%	Residential	5	10,550	Freehold
Heng Fa Chuen Chaiwan, Hong Kong	100%	Residential	2	1,812	Long lease
Rose Court Ocean Gardens, Macau	70.61%	Residential	3	11,121	Short lease
Begonia Court Ocean Gardens, Macau	70.61%	Residential	4	10,548	Short lease
Orchid Court Ocean Gardens, Macau	70.61%	Residential	19	50,103	Short lease
Sakura Court Ocean Gardens, Macau	70.61%	Residential	42	155,694	Short lease
Lily Court Ocean Gardens, Macau	70.61%	Residential	29	53,005	Short lease

PROPERTIES UNDER DEVELOPMENT

Properties	Group's interest	Type	Gross floor area (sq. ft.)	Stage of completion	Estimated completion
Aster Court Ocean Gardens, Macau	70.61%	Residential	113,200	All works completed	Occupation permit expected in mid 2006
Bamboo Court Ocean Gardens, Macau	70.61%	Residential	113,200	All works completed	Occupation permit expected in mid 2006

Aerial View of
Ocean Gardens, Macau
澳門海洋花園鳥瞰圖

Ocean Gardens, Macau
澳門海洋花園

Newly developed project in Ocean Gardens:
Aster Court and Bamboo Court
海洋花園新近發展項目：翠菊苑及翠竹苑

Living and Dining Room
客廳及飯廳

Newly completed show flat in Orchid Court
新近完成海蘭苑示範單位

Kitchen
廚房

Master Bedroom
主人套房