富豪酒店國際控股有限公司
Regal Hotels
International Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 78)

ANNOUNCEMENT OF 2005 GROUP RESULTS

FINANCIAL HIGHLIGHTS

	Year 2005 HK$'M	Year 2004 HK$'M (Restated)	% Change
Revenue	**1,141.1**	1,050.6	**+8.6%**
Net hotel and management income	**501.3**	429.0	**+16.9%**
Operating profit before depreciation and amortisation	**545.8**	388.3	**+40.6%**
Depreciation and amortisation	**131.5**	130.4	**+0.8%**
Operating profit	**414.3**	257.9	**+60.6%**
Profit for the year attributable to equity holders of the parent	**528.4**	367.9	**+43.6%**
Basic earnings per ordinary share attributable to equity holders of the parent	**HK6.3 cents**	HK4.5 cents	**+40.0%**
Proforma net asset value per ordinary share (based on market valuation of hotels)	**HK$1.47**	HK$0.85	**+72.9%**
Proposed final dividend	**HK0.55 cent**	HK0.5 cent	**+10.0%**
Total dividend	**HK0.8 cent**	HK0.5 cent	**+60.0%**

OPERATING HIGHLIGHTS

- For the year ended 31st December, 2005, the Group achieved an audited consolidated profit attributable to shareholders of HK$528.4 million, representing an increase of 43.6% over the corresponding figure of HK$367.9 million (as restated) attained in the 2004 financial year.
- Due to the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), the audited consolidated profit attributable to shareholders for the 2004 financial year has been restated from the HK$602.9 million, as previously announced, to HK$367.9 million. The restatement was principally related to the reversal of the write-back of impairment of a hotel property in the amount of HK$140.5 million and the provision of depreciation on hotel buildings and amortisation of leasehold land in the aggregate sum of HK$98.4 million.
- In the results for the year under review, depreciation and amortisation on hotel properties in an aggregate amount of HK$99.2 million have likewise been provided and on account of the rising interest rates, total interest expenses on bank loans have increased to HK$166.3 million. Taking these into consideration as well as the comparatively larger contribution from Regalia Bay recorded in the previous year of 2004, the profit growth of 43.6% achieved in the year under review can be considered to be rather satisfactory.
- More importantly, it should be noted that prior to 1st January, 2005, it was the Group's policy to state the value of the Group's hotel properties in Hong Kong at their open market valuations, which were appraised annually and not depreciated. Under the new and revised HKFRSs, these hotel properties are now stated in the audited financial statements at cost less accumulated depreciation and amortisation.
- In order to more fairly reflect the underlying net asset value of the Group and for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on a proforma basis to adjust for the professional open market valuations conducted on these hotel properties as at 31st December, 2005, is provided in the section headed "Management Discussion and Analysis" below.
- Other impact on the Group's audited financial statements under review arising from the adoption of the new and revised HKFRSs are also set out in the Notes to Consolidated Financial Statements below.

HOTELS

Hong Kong

- In 2005, Hong Kong received another new record number of over 23.3 million visitor arrivals, with the travel and tourism economy expected to contribute around 12.5% of Hong Kong's Gross Domestic Product.
- Benefiting from the increase in visitor arrivals, the hotel industry in Hong Kong on the whole continued to perform well. Although there was some short term pressure on overall hotel occupancy level on account of the opening of several new hotels, according to the report from the Hong Kong Tourism Board, the hotel room average occupancy rate for all hotels as a whole was still able to be maintained at 86% in 2005, albeit reflecting a modest decrease from 88% in 2004.
- During the year under review, the combined average room occupancy for the five Regal Hotels in Hong Kong was maintained at 81.6%, as compared with 83.9% in 2004, and if the Regal Airport Hotel was excluded, the combined average room occupancy for the other four Regal Hotels in Hong Kong would be 89.2%, maintaining very much the same level as that in 2004. In terms of the combined average achieved room rate for the five Regal Hotels as a whole, an increase of 13.5% was attained over that in 2004.
- Through increased marketing efforts, the other four Regal Hotels in Hong Kong were able to achieve an average occupancy level comparatively higher than the market average, even though there were some temporary disruptions in their business operations caused by the renovation programmes undertaken at the hotels. The Regal Airport Hotel is still catching up on its occupancy level on account of its relatively large number of room count and its unique market position and location. With gross operating profit margin maintained at over 46%, the five hotels together generated total operating profits (including hotel net rental income) of just over HK$500 million, representing an increase of more than 16% over that attained in 2004.
- The Regal Airport Hotel has been rated "The Best Airport Hotel Asia-Pacific" by TTG Asia in 2005 and by Business Traveller Asia-Pacific for five consecutive years since 2001. To cater to the rising demand in meeting and conference businesses, a sizable meeting and conference center comprising 13 new meeting rooms together with other ancillary facilities including a spa center are being added to this hotel.
- To enhance the image and market recognition of the Regal brand, various upgrading and refurbishment works have been planned for the other four Regal Hotels in Hong Kong. These works are being implemented in stages, with the renovation of the hotel lobbies and food and beverage outlets as well as some of the guest rooms at the Regal Kowloon Hotel and the Regal Riverside Hotel having been substantially completed recently.
- In order to maximise the utilisation of its hotel properties, the Group has started to embark on an asset enhancement programme which essentially entails the addition of a total of about 460 rooms to four Regal Hotels in Hong Kong (other than the Regal Kowloon Hotel), involving estimated total construction costs of about HK$250 million. Certain parts of the asset enhancement programme have already been commenced and the entire programme is scheduled to be completed in stages from the fourth quarter of 2006 to the first half of 2008.

Macau

- In the announcement released by the Company dated 6th September, 2005, the Company announced certain plans with respect to a hotel development project in Cotai, Macau. In light of the apparent flurry of new hotel projects being developed in Macau, with the corresponding dramatic increase in related construction costs and the concern over the potential oversupply of hotel rooms at least in the near term, the Company has been carefully reconsidering the overall investment proposal and its merits. Predicating on a cautious approach, the Company has henceforth not been pursuing the project actively pending further review in due course.

The People's Republic of China

- The two hotels in Shanghai managed by the Group contributed increased management fee income during the year. In view of the buoyant economic outlook in China, the Group has plans to extend the Regal Hotels' network to certain key Mainland cities and is working actively on a number of proposals involving hotel investments, leasing and/or management opportunities.

PROPERTIES

Hong Kong

Regalia Bay, Stanley

- For the year under review, the Regalia Bay contributed to the Group a profit of HK$128.5 million, inclusive of write back of provision. There are 38 houses with a total gross area of about 174,000 square feet remaining unsold, which are mostly of larger sizes and/or on better locations in the development. The Group plans to release these remaining houses for sale in stages when market activities revive.

The People's Republic of China

Development project in the Central Business District of Beijing

- On 8th July, 2005, the Group entered into a Sale and Purchase Agreement with Paliburg Holdings Limited and certain of its wholly owned subsidiaries for the acquisition of a 50% equity interest in Hang Fok Properties Limited at a consideration of HK$145 million. Hang Fok is principally engaged, through two investee companies established in the PRC, in the development of a property project at Chao Yang Men Wai Da Jie in the Central Business District (CBD) of Beijing, planned to comprise office, residential, hotel, commercial and carparking accommodations with a total permissible gross floor area of about 4,630,000 square feet.
- In February 2006, one of the investee companies (which are currently 59% owned joint venture companies of Hang Fok) has formally entered into Land Grant Contracts with the Beijing Municipal Administration of State Land and Resources in respect of certain portions of the original development site with total permissible gross floor area of 280,833 square meters encompassing office, commercial and residential uses at a total consideration of approximately RMB390.5 million. The investee companies are continuing with their efforts with a view to further securing their rights to the remaining portion of the original development site.
- The consideration payable under the Land Grant Contracts is expected to be fully settled before the end of April 2006. While the detailed development plans for this project are being finalised, it is anticipated that the overall development scheme will comprise office, commercial, residential and carparking accommodations, to be complemented with a deluxe hotel. The land portions granted under the Land Grant Contracts are substantially vacant sites and in view of the Beijing Olympics to be held in August 2008, the joint venture parties are planning to proceed with the development of these land portions as the first phase of the project as soon as practicable.

OUTLOOK

- With the concerted efforts of the tourist industry working closely with the Hong Kong Government in the promotion of Hong Kong as a major international business and tourism hub, coupled with the positive outlook on economic growth worldwide and, more particularly, in Mainland China, the number of incoming visitors to Hong Kong is anticipated to further increase. Although it is expected that there will be some further supply of hotel rooms in Hong Kong, the additional supply will be relatively limited due to the high investment costs required on land acquisition and construction, and a large proportion of the new supply will be located in peripheral areas outside of the traditional business or tourist districts. Accordingly, it is widely perceived that the overall demand for hotel rooms in the foreseeable future should remain strong and room rates can expect to rise further.
- Businesses at the five Regal Hotels in Hong Kong continued to perform well in the first quarter of 2006, with average room rate and gross operating profits both attaining an encouraging double-digit growth as compared with the corresponding period in 2005.
- The Chek Lap Kok International Airport is embarking on a large expansion programme with the development of the vibrant Sky City. The first phase of the Sky City development includes the Asia World-Expo (an international exhibition centre), which was recently opened in December 2005, the Sky Plaza (an office and retail complex), the Sky Pier (a cross-boundary ferry terminal) and a 9-hole golf course. Moreover, apart from the Hong Kong Disneyland opened in September 2005, many other tourist attractions are also being rolled out in the Lantau Island, including the Ngong Ping 360 project with the Sky Rail cable car connecting to Tung Chung, scheduled to open in mid-June 2006. All these new developments and facilities will generate substantial additional demand for hotel rooms in this area from both business as well as leisure travelers and the Regal Airport Hotel is particularly well positioned to capture this growing market.
- When the asset enhancement programme is fully completed, the total hotel room count of the five Regal Hotels in Hong Kong will increase by about 14% to boost an aggregate of over 3,800 rooms. As the five Regal Hotels in Hong Kong are strategically positioned within the local hotel market to cater to different market segments in different localities, the Group anticipates that these hotels will be able to generate substantially increasing income.
- Having regard to the increasing confidence maintained over the future economic growth of Hong Kong, transaction volume in the high-end residential properties should gradually increase when the interest rates are seen as topping off, and with the scarcity of new supply, outlook of the luxury residential property market remains positive. The net carrying value of the 38 remaining houses in Regalia Bay is still significantly below their prevailing market valuation. Substantial cash flow and profits will be derived when these houses are gradually sold.
- Over the past years, it has been the trend for some major international hotel groups to reorganise and segregate their hotel ownership with their hotel operating and management businesses into separate entities. Having considered the benefits of such segregation and, in particular, the greater scope and flexibility that such segregation can bring to the continuing business expansion under two separate operating arms, the Group has been actively working with appointed investment banks on a proposal for the separate listing of a real estate investment trust involving its five Regal Hotels in Hong Kong.
- Overall, the Directors are confident that the Group will be able to achieve increasing profitability and business growth in the years ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

- During the year under review, net cash inflow from operating activities totalled HK$455.9 million (2004 – HK$409.2 million). Net interest payment for the year amounted to HK$182.5 million (2004 – HK$100.8 million). The increase in the net interest payment was largely due to the rising interest rates and the settlement during the year of the accrued preference dividends in arrears of HK$40.8 million (2004 – nil).
- As previously reported in the interim report of the Company for the six months ended 30th June, 2005 (the "2005 Interim Report"), prior to 1st January, 2005, it was the Group's policy to state the value of its owned and operated hotel properties at their open market valuations for existing use appraised annually and not depreciated. Under the new applicable HKFRSs which became effective as from 1st January, 2005, owner-occupied leasehold land interests can no longer be carried at fair market valuations. Accordingly, in the financial statements herein presented, the Group's five hotel properties in Hong Kong have been stated at cost less accumulated depreciation on buildings and amortisation on the leasehold land interests.
- Aggregate depreciation and amortisation provided for the year under review amounted to HK$131.5 million (2004 – HK$130.4 million, as restated). Additional depreciation on the hotel buildings and amortisation of the prepaid land lease payments charged to the income statement for the year due to the adoption of the new and revised HKFRSs aggregated to HK$99.2 million (2004 – HK$98.4 million, as restated), but this has no actual impact on the operating cash flows.
- Moreover, there is significant difference between the fair market values of the Group's hotel properties in Hong Kong based on their annual open market valuations and the values as stated in the financial statements herein presented, particularly that some of these properties were acquired and/or developed by the Group many years ago at relatively low costs. Due to its significant impact on the Group's net assets position, the Group considers it appropriate also to present to shareholders, as set out below, supplementary information on the Group's statement of net assets on a proforma basis to adjust for the open market valuations as at 31st December, 2005 of the Group's hotel properties in Hong Kong, which should more fairly reflect the underlying economic values of the property interests.

STATEMENT OF PROFORMA NET ASSETS

	31st December, 2005 HK$'M (Unaudited)	31st December, 2004 HK$'M *(Unaudited)*
NON-CURRENT ASSETS		
Property, plant and equipment	**2,920.2**	2,990.7
Prepaid land lease payments	**1,088.0**	1,110.2
Add: Revaluation surplus relating to hotel properties based on open market valuation*	**10,500.0**	5,743.7
	14,508.2	9,844.6
Other non-current assets	**2,366.4**	2,082.8
	16,874.6	11,927.4
CURRENT ASSETS	**543.4**	508.3
CURRENT LIABILITIES	**(2,044.7)**	(320.9)
NET CURRENT ASSETS/(LIABILITIES)	**(1,501.3)**	187.4
TOTAL ASSETS LESS CURRENT LIABILITIES	**15,373.3**	12,114.8
NON-CURRENT LIABILITIES	**(3,104.1)**	(5,035.4)
PROFORMA NET ASSETS	**12,269.2**	7,079.4
MINORITY INTERESTS	**(1.3)**	(0.8)
PROFORMA NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**12,267.9**	7,078.6
Proforma net asset value per ordinary share	**HK$1.47**	HK$0.85

* Surplus of independent professional valuations as at 31st December, 2005 over the carrying values of hotel properties (including furniture, fixture and equipment) at the respective balance sheet dates.

- As at 31st December, 2005, the Group's borrowings net of cash and bank balances amounted to HK$4,367.5 million (2004 – HK$4,747.0 million, as restated). The Group's gearing ratio based on total assets of HK$6,918.0 million per financial statements herein presented (2004 – HK$6,692.0 million, as restated) was 63.1% (2004 – 70.9%, as restated). However, based on the proforma total assets of HK$17,418.0 million as at 31st December, 2005 (2004 – HK$12,435.7 million), as adjusted for the revaluation surplus relating to the hotel properties as aforesaid, the gearing ratio would be 25.1% (2004 – 38.2%).
- As the Group's borrowings are primarily denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest determined with reference to interbank offered rates, the use of hedging instruments for currency or interest rates purposes is not considered to be necessary.
- Information in relation to the maturity profile of the borrowings, the pledge of assets and the contingent liabilities of the Group as of 31st December, 2005 is disclosed in the annual report of the Company for the year ended 31st December, 2005 (the "2005 Annual Report"), which will be despatched to shareholders on or before 30th April, 2006. During the year under review, the Company continued to adopt similar funding, treasury and remuneration policies as disclosed in the Company's 2005 Interim Report. Detailed information in such aspects is contained in the Company's 2005 Annual Report.
- The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Operating Highlights" and "Outlook" above.
- The Group's significant investments principally comprise its ownership and operating interests in the five Regal Hotels in Hong Kong and the investment in the jointly controlled Regalia Bay development. The performance of the Group's hotel operations during the year under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance as well as the progress and prospects on the Regalia Bay development are contained in the sections headed "Operating Highlights" and "Outlook" above, respectively.

DIVIDEND

- In view of the satisfactory results achieved, the Directors have resolved to recommend the payment of a final dividend of HK0.55 cent per ordinary share for the year ended 31st December, 2005 (2004 – HK0.5 cent), absorbing a total amount of approximately HK$46.1 million (2004 – HK$41.7 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 16th June, 2006. Together with the interim dividend of HK0.25 cent per ordinary share paid in November 2005 (2004 – nil), total dividends per ordinary share for the year ended 31st December, 2005 will amount to HK0.8 cent (2004 – HK0.5 cent), representing an increase of 60% over the total dividends paid for the 2004 financial year.

CLOSURE OF REGISTER

- The Register of Ordinary Shareholders will be closed from Tuesday, 13th June 2006 to Friday, 16th June, 2006, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares and/or subscriptions of the outstanding 2007 warrants, duly accompanied by the relevant certificates together with, where appropriate, the relevant subscription moneys, must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:00 p.m. on Monday, 12th June, 2006. The relevant dividend warrants are expected to be despatched on or about 30th June, 2006.

YEAR END RESULTS

Consolidated Income Statement

	Year ended 31st December, 2005 HK$'M	Year ended 31st December, 2004 HK$'M (Restated)
REVENUE (Notes 3 & 4)	**1,141.1**	1,050.6
Cost of sales	**(638.0)**	(615.3)
Gross profit	**503.1**	435.3
Other income and gains (Note 4)	**112.3**	3.5
Administrative expenses	**(69.6)**	(47.5)
Other operating expenses (Note 6)	**—**	(40.8)
Write-back of impairment of a long term investment	**—**	7.8
Write-back of impairment of a hotel property	**—**	30.0
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (Note 3)	**545.8**	388.3
Depreciation and amortisation	**(131.5)**	(130.4)
OPERATING PROFIT	**414.3**	257.9
Finance costs (Note 7)	**(199.8)**	(150.3)
Share of profits and losses of:		
Jointly controlled entity	**128.5**	219.7
Associates	**83.8**	0.9
PROFIT BEFORE TAX	**426.8**	328.2
Tax (Note 8)	**101.7**	39.7
PROFIT FOR THE YEAR	**528.5**	367.9
Attributable to:		
Equity holders of the parent	**528.4**	367.9
Minority interests	**0.1**	—
	528.5	367.9
DIVIDENDS		
Interim	**21.1**	—
Proposed final	**46.1**	41.7
	67.2	41.7
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 9)		
Basic	**HK6.3 cents**	HK4.5 cents
Diluted	**HK5.2 cents**	HK4.1 cents

Consolidated Balance Sheet

	31st December, 2005 HK$'M	31st December, 2004 HK$'M (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	**2,920.2**	2,990.7
Prepaid land lease payments	**1,088.0**	1,110.2
Interest in a jointly controlled entity	**1,804.7**	1,844.6
Interests in associates	**260.7**	22.3
Equity investments at fair value through profit or loss/Long term investments	**140.8**	78.6
Other loan	**62.1**	78.0
Deferred expenditure	**—**	45.0
Deferred tax assets	**98.1**	14.3
Total non-current assets	**6,374.6**	6,183.7
CURRENT ASSETS		
Hotel and other inventories	**16.3**	34.4
Debtors, deposits and prepayments (Note 10)	**134.0**	98.4
Equity investments at fair value through profit or loss	**9.7**	—
Pledged time deposits	**—**	5.0
Time deposits	**356.5**	348.3
Cash and bank balances	**26.9**	22.2
Total current assets	**543.4**	508.3
CURRENT LIABILITIES		
Creditors and accruals (Note 11)	**224.6**	183.3
Promissory note payable	**145.0**	—
Derivative financial instrument	**5.4**	9.4
Interest bearing bank and other borrowings	**1,668.7**	122.6
Tax payable	**1.0**	5.6
Total current liabilities	**2,044.7**	320.9
NET CURRENT ASSETS/(LIABILITIES)	**(1,501.3)**	187.4
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,873.3**	6,371.1
NON-CURRENT LIABILITIES		
Convertible bonds	**(188.4)**	(183.0)
Convertible preference shares	**(126.9)**	(166.9)
Interest bearing bank and other borrowings	**(2,766.9)**	(4,650.0)
Deferred tax liabilities	**(21.9)**	(35.5)
Total non-current liabilities	**(3,104.1)**	(5,035.4)
Net assets	**1,769.2**	1,335.7
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**83.7**	83.4
Equity component of convertible bonds	**21.8**	21.8
Reserves	**1,616.3**	1,188.0
Proposed final dividend	**46.1**	41.7
	1,767.9	1,334.9
Minority interests	**1.3**	0.8
Total equity	**1,769.2**	1,335.7

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the derivative financial instrument and equity investments, which have been measured at fair value.

The basis of preparation and accounting policies adopted in the preparation of the annual financial statements are the same as those used in the annual financial statements for the year ended 31st December, 2004, except in relation to the following new and revised HKFRSs that affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 12, 14, 18, 19, 21, 23, 27, 28, 31, 33, 36, 37 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's consolidated financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior years, the Group's share of tax attributable to associates and jointly controlled entity was presented as a component of the Group's total tax credit in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates and jointly controlled entity is presented net of the Group's share of tax attributable to associates and jointly controlled entity.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 16 Property, Plant and Equipment
HKAS 17 Leases
HK-Int 2 The Appropriate Accounting Policies for Hotel Properties

In prior years, the Group's hotel properties were stated at their open market values for existing use on the basis of annual professional valuations. No depreciation was provided on the hotel properties on the basis that they were maintained in such condition that their residual values were not diminished by the passage of time and that any element of depreciation was insignificant.

Upon the adoption of HKAS 16 and HK-Int 2, the Group's leasehold interest in the hotel buildings is now stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in hotel land and buildings is separated into leasehold land and buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term.

The effects of the above changes are summarised in Note 2 below. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

(b) HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity securities

In prior years, the Group classified its investments in equity securities as long term investments, which were held for non-trading purposes and were stated at their fair values on an individual basis with gains and losses recognised as movements in the long term investments revaluation reserve.

Upon the adoption of HKAS 39, these securities held by the Group at 1st January, 2005 in the amount of HK$78.6 million are designated as equity investments at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

Upon the adoption of HKAS 39, the investments in equity securities for trading purposes held by the Group at 31st December, 2005 in the amount of HK$9.7 million are designated as equity investments at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The effects of the above changes are summarised in Note 2 below. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(ii) Convertible bonds

In prior years, convertible bonds were stated at cost. Upon the adoption of HKAS 32, convertible bonds are split into liability and equity components.

The effects of the above changes are summarised in Note 2 below. In accordance with HKAS 32, comparative amounts have been restated.

(iii) Convertible preference shares

In prior years, convertible preference shares were stated at their par values under equity and the related share premium had been cancelled to offset against the Group's accumulated losses in a capital reorganisation in 2002. Upon the adoption of HKAS 32, the conversion options of the convertible preference shares are separated from the liability component of the convertible preference shares. In accordance with HKAS 32, comparative amounts of the liability component of the convertible preference shares have been restated. The conversion options of the convertible preference shares are derivative financial instruments and are stated at fair value. In accordance with the transitional provisions of HKAS 39, comparative amounts of the derivative financial instruments have not been restated.

The effects of the above changes are summarised in Note 2 below. In accordance with HKAS 32, comparative amounts of the liability component have been restated and reclassified.

(c) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to the options granted to employees on or before 7th November, 2002. The adoption of HKFRS 2 has had no impact on the retained profits as at 31st December, 2003 and at 31st December, 2004. The Group has recognised the cost of options which were granted during the year in the current year's income statement in accordance with the new accounting standards,

The effects of adopting HKFRS 2 are summarised in Note 2 below.

(d) HKFRS 3 – Business Combinations

In prior years, goodwill and negative goodwill arising on acquisitions prior to 1st January, 2001 were eliminated against the consolidated capital reserve in the year of acquisition and were not recognised in the income statement until disposal or impairment of the acquired businesses.

The adoption of HKFRS 3 has no impact on the carrying amount of consolidated capital reserve as the previously recognised goodwill was fully impaired at 31st December, 2003 and 31st December, 2004.

HKFRS 3 requires that any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiary companies and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the consolidated income statement. Upon the adoption of HKFRS 3, the negative goodwill in the interests in associates was derecognised as at 1st January, 2005 against the opening balance of accumulated losses.

The effects of the above changes are summarised in Note 2 below. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior year adjustments and opening adjustments are summarised as follows:

(a) Effect on the consolidated balance sheet

	Effect of adopting									
At 1st January, 2005	HKAS 16 and HK-Int 2#	HKAS 17#	HKASs 16 and 17#	HKASs 32# and 39*	HKAS 39*	HKASs 32# and 39*	HKASs 32# and 39*	HKASs 32# and 39*	HKFRS 3*	
Effect of new policies (Increase/(Decrease))	Hotel properties	Amortisation of prepaid land lease payments	Change in classification of property, plant & equipment	Change in classification of equity investments	Cumulative loss in fair value of financial asset	Convertible bonds	Convertible preference shares	Interest bearing bank and other borrowings	Derecognition of negative goodwill	Total
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Assets										
Property, plant and equipment	(5,528.9)	–	(1,325.0)	–	–	–	–	–	–	(6,853.9)
Prepaid land lease payments	–	(214.8)	1,325.0	–	–	–	–	–	–	1,110.2
Interests in associates	–	–	–	–	–	–	–	–	2.6	2.6
Long term investments	–	–	–	(78.6)	–	–	–	–	–	(78.6)
Equity investments at fair value through profit or loss	–	–	–	78.6	–	–	–	–	–	78.6
Other loan	–	–	–	–	(20.5)	–	–	–	–	(20.5)
Deferred expenditure	–	–	–	–	–	–	–	(45.0)	–	(45.0)
Deferred tax assets	2.3	–	–	–	–	–	–	–	–	2.3
										(5,804.3)
Liabilities/Equity										
Creditors and accruals	–	–	–	–	–	(1.8)	–	–	–	(1.8)
Derivative financial instrument	–	–	–	–	–	–	14.4	–	–	14.4
Convertible bonds	–	–	–	–	–	(17.0)	–	–	–	(17.0)
Convertible preference shares	–	–	–	–	–	–	166.9	–	–	166.9
Deferred tax liabilities	(21.5)	–	–	–	–	–	–	–	–	(21.5)
Interest bearing bank and other borrowings	–	–	–	–	–	–	–	(45.0)	–	(45.0)
Issued capital	–	–	–	–	–	–	(1.3)	–	–	(1.3)
Equity component of convertible bonds	–	–	–	–	–	21.8	–	–	–	21.8
Revaluation reserves	(4,752.1)	–	–	–	–	–	–	–	–	(4,752.1)
Accumulated losses/(Retained profits)	(753.0)	(214.8)	–	–	(20.5)	(3.0)	(138.9)	–	2.6	(1,127.6)
Dividends	–	–	–	–	–	–	(41.1)	–	–	(41.1)
										(5,804.3)

* Adjustments taken effect prospectively from 1st January, 2005

\# Adjustments/Presentation taken effect retrospectively

	Effect of adopting										
At 31st December, 2005	HKAS 16 and HK-Int 2	HKAS 17	HKASs 16 and 17	HKAS 39	HKASs 32 and 39	HKASs 32 and 39	HKASs 32 and 39	HKASs 32 and 39	HKFRS 3	HKFRS 2	
Effect of new policies (Increase/ (Decrease))	Hotel properties	Amortisation of prepaid land lease payments	Change in classification of property, plant & equipment	Cumulative loss in fair value of financial asset	Change in classification of equity investments	Convertible bonds	Convertible preference shares	Interest bearing bank and other borrowings	Derecognition of negative goodwill	Equity-settled share option arrangements	Total
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Assets											
Property, plant and equipment	(5,605.9)	–	(1,110.2)	–	–	–	–	–	–	–	(6,716.1)
Prepaid land lease payments	–	(237.0)	1,110.2	–	–	–	–	–	–	–	873.2
Interests in associates	–	–	–	–	–	–	–	–	2.4	–	2.4
Short term investments	–	–	–	–	(9.7)	–	–	–	–	–	(9.7)
Long term investments	–	–	–	–	(140.8)	–	–	–	–	–	(140.8)
Equity investments at fair value through profit or loss	–	–	–	–	150.5	–	–	–	–	–	150.5
Other loan	–	–	–	(15.9)	–	–	–	–	–	–	(15.9)
Deferred expenditure	–	–	–	–	–	–	–	(33.1)	–	–	(33.1)
Deferred tax assets	39.2	–	–	–	–	–	–	–	–	–	39.2
											(5,850.3)
Liabilities/Equity											
Derivative financial instrument	–	–	–	–	–	–	5.4	–	–	–	5.4
Convertible bonds	–	–	–	–	–	(11.6)	–	–	–	–	(11.6)
Convertible preference shares	–	–	–	–	–	–	126.9	–	–	–	126.9
Deferred tax liabilities	1.2	–	–	–	–	–	–	–	–	–	1.2
Interest bearing bank and other borrowings	–	–	–	–	–	–	–	(33.1)	–	–	(33.1)
Issued capital	–	–	–	–	–	–	(1.3)	–	–	–	(1.3)
Equity component of convertible bonds	–	–	–	–	–	21.8	–	–	–	–	21.8
Share option reserve	–	–	–	–	–	–	–	–	–	5.7	5.7
Revaluation reserves	(4,752.1)	–	–	–	(62.2)	–	–	–	–	–	(4,814.3)
Accumulated losses/(Retained profits)	(815.8)	(237.0)	–	(15.9)	62.2	(10.2)	(124.1)	–	2.4	(5.7)	(1,144.1)
Dividends	–	–	–	–	–	–	(6.9)	–	–	–	(6.9)
											(5,850.3)

(b) Effect on the balances of equity at 1st January, 2004 and 1st January, 2005

Effect of new policies (Increase/(Decrease))	HKAS 16 and HK-Int 2 Hotel properties	HKAS 17 Amortisation of prepaid land lease payments	HKAS 39 Cumulative loss in fair value of financial asset	HKASs 32 and 39 Convertible bonds	HKASs 32 and 39 Convertible preference shares	HKFRS 3 Derecognition of negative goodwill	Total
	Effect of adopting						
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
1st January, 2004							
Issued capital	—	—	—	—	(1.3)	—	(1.3)
Revaluation reserve	(2,280.0)	—	—	—	—	—	(2,280.0)
Retained profits	(550.7)	(192.6)	—	—	(167.5)	—	(910.8)
							(3,192.1)
1st January, 2005							
Issued capital	—	—	—	—	(1.3)	—	(1.3)
Equity component of convertible bonds	—	—	—	21.8	—	—	21.8
Revaluation reserve	(4,752.1)	—	—	—	—	—	(4,752.1)
Retained profits	(753.0)	(214.8)	(20.5)	(3.0)	(180.0)	2.6	(1,168.7)
							(5,900.3)

(c) Effect on the consolidated income statement for the years ended 31st December, 2005 and 2004

Effect of new policies	HKAS 1 Share of post-tax profits and losses of associates	HKAS 16 and HK-Int 2 Depreciation of hotel properties	HKAS 17 Amortisation of prepaid land lease payments	HKASs 16 and 17 Deferred tax	HKAS 39 Equity investments at fair value through profit or loss	HKASs 32 and 39 Other loan	HKASs 32 and 39 Convertible bonds	HKASs 32 and 39 Convertible preference shares	HKFRS 2 Equity-settled share option arrangements	HKFRS 3 Derecognition of negative goodwill	Total
	Effect of adoption										
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Year ended 31st December, 2005											
Increase/(Decrease) in other income and gains	—	—	—	—	62.2	4.6	—	9.0	—	(0.2)	75.6
Increase in administrative expenses	—	—	—	—	—	—	—	—	(5.7)	—	(5.7)
Increase in depreciation and amortisation	—	(77.0)	(22.2)	—	—	—	—	—	—	—	(99.2)
Increase in finance costs	—	—	—	—	—	—	(7.2)	(7.6)	—	—	(14.8)
Decrease in share of profits and losses of associates	(0.1)	—	—	—	—	—	—	—	—	—	(0.1)
Increase in tax	0.1	—	—	14.2	—	—	—	—	—	—	14.3
Total increase/(decrease) in profit	—	(77.0)	(22.2)	14.2	62.2	4.6	(7.2)	1.4	(5.7)	(0.2)	(29.9)
Increase/(Decrease) in basic earnings per share (cents)	—	(0.92)	(0.26)	0.17	0.74	0.05	(0.09)	0.02	(0.07)	—	(0.36)
Increase/(Decrease) in diluted earnings per share (cents)	—	(0.74)	(0.21)	0.14	0.59	0.04	(0.07)	0.01	(0.05)	—	(0.29)

Effect of new policies	HKAS 1 Share post-tax profits and losses of associates	HKASs 16 and HK-Int 2 Depreciation of hotel properties	HKAS 17 Amortisation of prepaid land lease payments	HKASs 16 and 17 Deferred tax	HKASs 16 and 17 Write-back of impairment loss	HKASs 32 and 39 Convertible bonds	HKASs 32 and 39 Convertible preference shares	Total
	Effect of adoption							
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Year ended 31st December, 2004								
Decrease in write-back of impairment of a hotel property	—	—	—	—	(140.5)	—	—	(140.5)
Increase in depreciation and amortisation	—	(76.2)	(22.2)	—	—	—	—	(98.4)
Increase in finance costs	—	—	—	—	—	(3.0)	(7.5)	(10.5)
Decrease in share of profits and losses of associates	(0.1)	—	—	—	—	—	—	(0.1)
Increase in tax	0.1	—	—	14.4	—	—	—	14.5
Total increase/(decrease) in profit	—	(76.2)	(22.2)	14.4	(140.5)	(3.0)	(7.5)	(235.0)
Increase/(Decrease) in basic earnings per share (cents)	—	(0.94)	(0.27)	0.18	(1.74)	(0.04)	(0.09)	(2.90)
Increase/(Decrease) in diluted earnings per share (cents)	—	(0.84)	(0.25)	0.16	(1.56)	(0.03)	(0.08)	(2.60)

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the hotel ownership and management segment is engaged in hotel operations and the provision of hotel management services;

(b) the property development and investment segment includes investments in properties for sale and for their rental income, and the provision of property agency and management services; and

(c) the others segment mainly comprises the Group's securities trading, other investment business, brewery operations, provision of laundry services and bakery operations.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st December, 2005 and 2004.

Group

	Hotel ownership and management 2005 HK$'M	Hotel ownership and management 2004 HK$'M (Restated)	Property development and investment 2005 HK$'M	Property development and investment 2004 HK$'M	Others 2005 HK$'M	Others 2004 HK$'M	Eliminations 2005 HK$'M	Eliminations 2004 HK$'M (Restated)	Consolidated 2005 HK$'M	Consolidated 2004 HK$'M (Restated)
Segment revenue:										
Sales to external customers	1,082.7	995.2	1.6	6.6	56.8	48.8	—	—	1,141.1	1,050.6
Intersegment sales	2.4	2.4	0.3	0.3	8.9	10.1	(11.6)	(12.8)	—	—
Total	1,085.1	997.6	1.9	6.9	65.7	58.9	(11.6)	(12.8)	1,141.1	1,050.6
Segment results before depreciation and amortisation	484.8	389.9	0.2	2.7	63.5	10.6	—	—	548.5	403.2
Depreciation and amortisation	(128.7)	(125.0)	(0.1)	(0.1)	(2.7)	(5.3)	—	—	(131.5)	(130.4)
Segment operating results	356.1	264.9	0.1	2.6	60.8	5.3	—	—	417.0	272.8
Interest income and unallocated non-operating and corporate gains									25.9	1.2
Unallocated non-operating and corporate expenses, net									(28.6)	(16.1)
Operating profit									414.3	257.9
Finance costs									(199.8)	(150.3)
Share of profits and losses of:										
Jointly controlled entity	—	—	128.5	219.7	—	—	—	—	128.5	219.7
Associates	(0.4)	(0.4)	87.9	—	(3.7)	1.3	—	—	83.8	0.9
Profit before tax									426.8	328.2
Tax									101.7	39.7
Profit for the year									528.5	367.9
Attributable to:										
Equity holders of the parent									528.4	367.9
Minority interests									0.1	—
Profit for the year									528.5	367.9
Segment assets	4,142.1	4,157.8	3.6	3.7	152.7	145.2	(0.7)	(0.5)	4,297.7	4,306.2
Interest in associates	7.1	4.8	239.8	—	13.8	17.5	—	—	260.7	22.3
Interest in a jointly controlled entity	—	—	1,804.7	1,844.6	—	—	—	—	1,804.7	1,844.6
Cash and unallocated assets									554.9	518.9
Total assets									6,918.0	6,692.0
Segment liabilities	(179.4)	(136.0)	(0.4)	(0.4)	(3.6)	(41.0)	0.7	0.5	(182.7)	(176.9)
Bank and other borrowings and unallocated liabilities									(4,966.1)	(5,179.4)
Total liabilities									(5,148.8)	(5,356.3)
Other segment information:										
Write-back of impairment losses recognised in the income statement	—	(30.0)	—	—	—	(7.8)				
Capital expenditure	76.4	44.2	—	—	1.4	7.8				
Other non-cash expenses	—	0.1	—	—	0.1	—				

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31st December, 2005 and 2004.

Group

	Hong Kong 2005 HK$'M	Hong Kong 2004 HK$'M (Restated)	Mainland China 2005 HK$'M	Mainland China 2004 HK$'M	Eliminations 2005 HK$'M	Eliminations 2004 HK$'M	Consolidated 2005 HK$'M	Consolidated 2004 HK$'M (Restated)
Segment revenue:								
Sales to external customers	1,104.1	1,000.2	37.0	50.4	—	—	1,141.1	1,050.6
Other segment information:								
Segment assets	4,278.9	4,234.8	18.8	71.4	—	—	4,297.7	4,306.2
Capital expenditure	76.4	44.2	1.4	7.8				

4. Revenue, other income and gains include the following items:

	2005 HK$'M	2004 HK$'M
Revenue		
Hotel operations and management services	**1,058.7**	974.3
Other operations, including estate management, estate agency, laundry services, brewery and bakery operations	**33.8**	55.4
Rental income from hotel properties	**24.0**	20.9
Proceeds from sale of equity investments at fair value through profit or loss	**24.6**	—
	1,141.1	1,050.6

	2005 HK$'M	2004 HK$'M
Other income and gains		
Bank interest income	**3.9**	0.4
Interest income arising from other loan	**4.6**	—
Dividend income from listed investments	**1.7**	2.3
Amortisation of negative goodwill	**—**	0.2
Settlement amount received less expenses for the business interruption claims in relation to the Group's hotel operations	**20.9**	—
Excess over the cost of an associate	**6.7**	—
Fair value gains on equity instruments at fair value through profit or loss, net	**62.3**	—
Fair value gain on derivative instrument	**9.0**	—
Gain on disposal of a subsidiary company	**0.7**	—
Others	**2.5**	0.6
	112.3	3.5

5. An analysis of profit on sale of investments is as follows:

	2005 HK$'M	2004 HK$'M
Profit on disposal of listed investments	**0.9**	—

6. Other operating expenses include the following item:

	2005 HK$'M	2004 HK$'M
Termination fee in respect of cancellation of the disposal of a hotel property	**—**	39.0

7. There was no amortisation cost in 2005 upon the adoption of HKAS 39. Included in the Group's finance costs for the prior year was HK$40.4 million representing the amortisation and write off of loan costs.

8. The tax credit for the year arose as follows:

	2005 HK$'M	2004 HK$'M (Restated)
Group:		
Current – Hong Kong		
Provision for tax in respect of profits for the year	**0.1**	0.1
Prior year overprovision	**(5.0)**	—
Current – Overseas		
Provision for tax in respect of profits for the year	**0.6**	0.3
Prior year overprovision	**—**	(16.7)
Deferred tax	**(97.4)**	(23.4)
Total tax credit for the year	**(101.7)**	(39.7)

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2004 – 17.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

Tax on the profits of subsidiary companies operating overseas is calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing legislation, practices and interpretations thereof.

No provision for tax is required for the jointly controlled entity as no assessable profits were earned by the jointly controlled entity during the year (2004 – Nil).

The share of tax attributable to associates amounting to HK$0.1 million (2004 – HK$0.1 million) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

Deferred tax income has been calculated by applying the rate that is expected to apply in the year when the asset is realised or the liability is settled.

9. The calculation of basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK$528.4 million (2004 – HK$367.9 million, as restated) and on the weighted average of 8,387.6 million (2004 – 8,091.2 million) ordinary shares of the Company in issue during the year.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2005 is based on the adjusted profit for the year attributable to equity holders of the parent of HK$539.6 million as adjusted for the interest savings arising from the conversion of the convertible bonds into ordinary shares of the Company, and on the adjusted weighted average of 10,459.6 million ordinary shares of the Company that would have been in issue during the year assuming all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into, and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for, ordinary shares of the Company at the beginning of the year. The conversion of the outstanding convertible preference shares of the Company is anti-dilutive for the year. In addition, the exercise price of share options of the Company outstanding during the year is higher than the average market price of the Company's ordinary shares and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2004 was based on the adjusted profit for that year attributable to equity holders of the parent of HK$372.7 million (as restated) as adjusted for the interest savings arising from the conversion of the convertible bonds into ordinary shares of the Company, and on the adjusted weighted average of 9,033.5 million ordinary shares of the Company that would have been in issue during that year assuming all outstanding convertible bonds (including optional convertible bonds) of the Group were converted into, and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for, ordinary shares of the Company at the beginning of that year or their respective dates of issue, whichever was later. The conversion of the outstanding convertible preference shares of the Company was anti-dilutive for that year. In addition, the exercise price of share options of the Company outstanding during that year was higher than the average market price of the Company's ordinary shares and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

10. Included in debtors, deposits and prepayments is an amount of HK$73.0 million (2004 – HK$52.8 million) representing the trade debtors of the Group. The aged analysis of such debtors, based on the invoice date, is as follows:

	2005 HK$'M	2004 HK$'M
Outstanding balances with ages:		
Within 3 months	**64.6**	47.9
Between 4 to 6 months	**1.9**	1.7
Between 7 to 12 months	**4.0**	1.8
Over 1 year	**3.6**	11.4
	74.1	62.8
Provisions	**(1.1)**	(10.0)
	73.0	52.8

Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amount less provisions for doubtful debts which are made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

11. Included in creditors and accruals is an amount of HK$45.8 million (2004 – HK$54.8 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	2005 HK$'M	2004 HK$'M
Outstanding balances with ages:		
Within 3 months	**45.0**	47.9
Between 4 to 6 months	**0.8**	3.2
Between 7 to 12 months	**—**	1.3
Over 1 year	**—**	2.4
	45.8	54.8

The trade creditors are non-interest-bearing and are normally settled on 30 to 60-day terms.

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

- During the year, the Company repurchased a total of 87,994,000 ordinary shares of the Company at an aggregate consideration of HK$43,785,260 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the repurchases of such shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest (HK$)	Lowest (HK$)	Aggregate purchase price (HK$)
October 2005	40,864,000	0.510	0.475	19,963,480
November 2005	47,130,000	0.560	0.495	23,821,780
Total	87,994,000			43,785,260
		Total expenses on shares repurchased		274,207
				44,059,467

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of any listed securities of the Company during the year.

REVIEW OF RESULTS

- The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2005, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

- The Company has complied with the Code Provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31st December, 2005, except that the roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity on account of the Group's corporate operating structure. Moreover, the Non-Executive Directors and the Independent Non-Executive Directors of the Company were not appointed for specific terms, but arrangements have been put in place such that the Non-Executive Directors and the Independent Non-Executive Directors would retire and subject to re-election either by rotation in accordance with the provisions of the Bye-laws of the Company or on a voluntary basis, at least once every three years.

ANNUAL GENERAL MEETING

- An Annual General Meeting of the Company will be convened on Friday, 16th June, 2006. The Notice of the Annual General Meeting will be published in newspapers and sent to the shareholders of the Company, together with the Company's 2005 Annual Report, in due course.

BOARD OF DIRECTORS

- As at the date of this announcement, the Board comprises the following members:

Executive Directors:
Mr. LO Yuk Sui
(Chairman and Managing Director)
Mr. Donald FAN Tung
Mr. Jimmy LO Chun To
Miss LO Po Man
Mr. Kenneth NG Kwai Kai
Ms. Belinda YEUNG Bik Yiu

Non-Executive Directors:
Dr. Francis CHOI Chee Ming, JP
(Vice Chairman)
Mr. Kai Ole RINGENSON

Independent Non-Executive Directors:
Ms. Alice KAN Lai Kuen
Mr. NG Siu Chan
Mr. WONG Chi Keung

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 18th April, 2006