商界展關懷
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HONG KONG FERRY (HOLDINGS) CO. LTD.
香 港 小 輪 （集 團） 有 限 公 司

(Stock code 股份代號: 50)

Annual Report 2005 年報

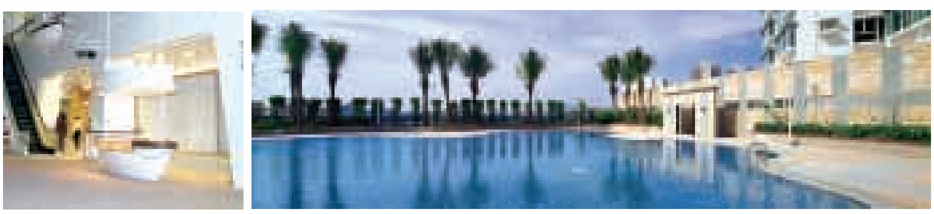
商界展關懷

caringcompany 2003/06

Hong Kong Ferry (Holdings) Co. Ltd.

Annual Report 2005

Q-Mark Presentation Ceremony in 2005　二零零五年Q嘜准用證頒發典禮



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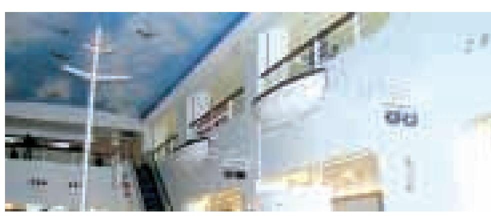

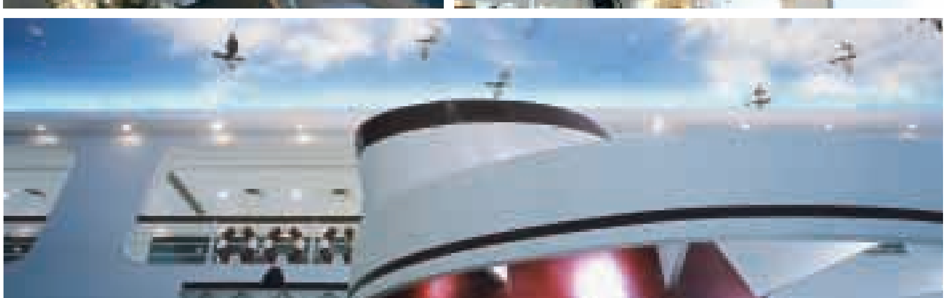

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning

Non-Executive Directors:

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie
Dr. Lee Shau Kee
Mr. Leung Hay Man
Mr. Wong Man Kong, Peter

Independent Non-Executive Directors:

Mr. Ho Hau Chong, Norman
Mr. Kan Yuet Loong, Michael
Mr. Wu King Cheong

GROUP GENERAL MANAGER

Dr. Ho Chi Shing, David

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter

QUALIFIED ACCOUNTANT

Mr. Tse Chuen Chi, Pollux

AUDITORS

KPMG

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Mizuho Corporate Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd

REGISTERED OFFICE

98 Tam Kon Shan Road
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

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HONG KONG STOCK EXCHANGE STOCK CODE

00050

REGISTRARS

Standard Registrars Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Directors' & Senior Management's Profile

DIRECTORS' PROFILE

Mr. Lam Ko Yin, Colin, *BSc(Hon), ACIB, MBIM, FCILT*, aged 54, appointed on 1 July 1986, is the Chairman of the Company. Mr. Lam has over 32 years' experience in banking and property development. He is also the Vice-Chairman of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited ("Henderson Investment"), a Director of The Hong Kong and China Gas Company Limited, Miramar Hotel and Investment Company, Limited, Wiselin Investment Limited ("Wiselin"), Max-mercan Investment Limited ("Max-mercan"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Henderson Investment, Wiselin, Max-mercan, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company. Mr. Lam was appointed a Director of The University of Hong Kong Foundation for Educational Development and Research Limited in October 2003.

Mr. Lam Ko Yin, Colin
(Chairman)

Mr. Li Ning, *BSc, MBA*, aged 49, appointed on 20 October 1989, is an Executive Director of the Company. He is also an Executive Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited ("Henderson Investment"). Both Henderson Land and Henderson Investment have discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company. Mr. Li is the son-in-law of Dr. Lee Shau Kee, a Director of the Company.

Mr. Li Ning

Directors' & Senior Management's Profile (Continued)

Mr. Au Siu Kee, Alexander

Mr. Au Siu Kee, Alexander, *OBE, FCCA, FCPA, FCIB, FHKIB*, aged 59, was appointed as an Independent Non-Executive Director on 17 January 2005 and re-designated as a Non-Executive Director of the Company on 7 November 2005. Mr. Au was a well-known banker in Hong Kong and had more than 30 years' experience in local and international banking business, having been the Chief Executive of Hang Seng Bank Limited (from October 1993 to March 1998) and of Oversea-Chinese Banking Corporation Limited in Singapore (from September 1998 to April 2002). He is currently an executive director of Henderson Land Development Company Limited ("Henderson Land"), an independent non-executive Director of Wheelock and Company Limited and a non-executive director of Miramar Hotel and Investment Company, Limited. He is also a member of the Council of the Hong Kong University of Science and Technology. Henderson Land has discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company.

Mr. Lau Yum Chuen, Eddie

Mr. Lau Yum Chuen, Eddie, aged 59, appointed on 5 May 1988, is a Non-Executive Director of the Company. He has over 35 years of experience in banking, finance and investment. He is also an Executive Director of Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited ("Henderson Investment") and a Director of Miramar Hotel and Investment Company, Limited. Both Henderson Land and Henderson Investment have discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company.

Dr. Lee Shau Kee

Dr. Lee Shau Kee, *DBA(Hon), DSocSc(Hon), LLD(Hon)*, aged 77, appointed on 15 December 1981, is a Non-Executive Director of the Company. He has been engaged in property development in Hong Kong for more than 50 years. He is the founder and the Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited ("Henderson Investment"). He is also the Chairman of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited, the Vice-Chairman of Sun Hung Kai Properties Limited, as well as a Director of The Bank of East Asia, Limited, Pataca Enterprises Limited ("Pataca"), Wiselin Investment Limited ("Wiselin"), Max-mercan Investment Limited ("Max-mercan"), Kingslee S.A. ("Kingslee"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), and Paillard Investment Limited ("Paillard"). Henderson Land, Henderson Investment, Pataca, Wiselin, Max-mercan, Kingslee, Henderson Development, Graf, Mount, and Paillard have discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company. Dr. Lee is the father-in-law of Mr. Li Ning, a Director of the Company.

Mr. Leung Hay Man

Mr. Leung Hay Man, *FRICS, FHKIS, FCIArb, MCILT*, aged 71, appointed on 15 December 1981, is a Non-Executive Director of the Company. Mr. Leung is also a Director of Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited ("Henderson Investment") and The Hong Kong and China Gas Company Limited. Both Henderson Land and Henderson Investment have discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company.

Directors' & Senior Management's Profile (Continued)

Mr. Wong Man Kong, Peter

Mr. Wong Man Kong, Peter, *BBS, JP, BSc, FCILT, MRINA*, aged 57, appointed on 9 March 1992, is a Non-Executive Director of the Company. Mr. Wong was the President & Chief Executive Officer of the Company from 1992 to 1995. Mr. Wong has over 30 years of industrial, commercial and public service experience, having served as Managing Director of Chung Wah Shipbuilding & Engineering (Holdings) Company Limited, a Director of First Pacific Bank and Kowloon-Canton Railway Corporation and a member in Hong Kong Government's Transport Advisory Board, Industry Development Board and Trade Advisory Board. He was also a member of the Hong Kong Special Administrative Region Preparatory Committee in 1996/1997 and a member of the Election Committee of the Second Chief Executive of the Hong Kong Special Administrative Region in 2002. He is currently serving as a deputy to the National People's Congress of the People's Republic of China. Currently he holds directorship of Glorious Sun Enterprises Limited, China Travel International Investment Hong Kong Limited, Chinney Investments Limited, Sun Hung Kai & Company Limited as well as Sino Hotels (Holdings) Limited.

Mr. Ho Hau Chong, Norman

Mr. Ho Hau Chong, Norman, *BA, ACA, FCPA*, aged 50, appointed on 28 March 1995, is an Independent Non-Executive Director of the Company. Mr. Ho is an Executive Director of Honorway Investments Limited and Tak Hung (Holding) Company Limited and has over 20 years of experience in management and property development. He is also a Director of Lee Hing Development Limited, CITIC Pacific Limited, Miramar Hotel and Investment Company, Limited, Starlight International Holdings Limited, Tai Fook Securities Group Limited, New World Mobile Holdings Limited and Shun Tak Holdings Limited.

Mr. Kan Yuet Loong, Michael, *JP, BSc, MBA*, aged 71, appointed on 6 April 1974, is an Independent Non-Executive Director of the Company. He has over 39 years' experience in banking and investment.

Mr. Kan Yuet Loong, Michael

Mr. Wu King Cheong, *BBS, JP*, aged 55, was appointed as an Independent Non-Executive Director of the Company on 17 January 2005. He is a Councillor of the Eastern District Council of the HKSAR, Assistant Treasurer of the Chinese General Chamber of Commerce, Member of Hong Kong Housing Authority, Member of Statistics Advisory Board of the HKSAR, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Honorary Permanent President of the Hong Kong Stockbrokers Association. He is an executive director of Lee Cheong Gold Dealers Ltd. Mr. Wu is currently an independent non-executive director of Yau Lee Holdings Limited, Chevalier iTech Holdings Limited, Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited ("Henderson Investment") and Miramar Hotel and Investment Company, Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited. Both Henderson Land and Henderson Investment have discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company.

Mr. Wu King Cheong

SENIOR MANAGEMENT'S PROFILE

The Senior Management of the Company is as follows:

Dr. Ho Chi Shing, David	Group General Manager and General Manager – Ferry and Property Operations
Ms. Chung Lai Kwok, Elaine	Director of Business Development
Mr. Leung Shu Keung, Brian	Internal Audit Manager
Mr. Tse Chuen Chi, Pollux	Chief Financial Officer
Mr. Wong Kam On, Frandie	General Manager – Hotel Operation
Mr. Yuen Chi Ming, Rayman	General Manager – Travel Operation
Mr. Yuen Wai Kuen, Peter	Company Secretary

Ir Dr Ho Chi Shing, David, *DBA, FCILT, FHKIoD, MHKIE, MPIA, MIHT, MCIArb*, aged 49, joined the Company in 1981 and has been the Group General Manager since 1996. He has over 25 years of experience in ferry operations. Dr. Ho was appointed as a member of the Provisional Local Vessel Advisory Committee in 1991, representing the ferry industry. He is a Director of The Shipowners' Mutual Protection & Indemnity Association (Luxemburg), a Council Member of the Chartered Institute of Logistics and Transport in Hong Kong and a member of the Safety Committee of Outward Bound® Hong Kong. Dr. Ho is also extensively involved on the Vocational Training Council. He serves as the Vice-Chairman of the Transport Logistics Training Board. He is a member of the Maritime Services Training Board, the Management and Supervisory Training Committee, Deputy Chairman of a Business Administration Discipline Board for the Tsing Yi Nexus. Dr. Ho is also an Alternate Member of the General Committee and the Vice Chairman of the Transport and Logistics Services Council (Group 21) of the Federation of Hong Kong Industries. He is a member of the Panel of the Board of Review (Inland Revenue Ordinance). In addition to the above, he is an adjunct lecturer of the Faculty of Business, City University of Hong Kong.

Ms. Chung Lai Kwok, Elaine, *MBA, BBS*, aged 60, joined the Company as a Director of Business Development Department in April 2004. Ms. Chung was trained in economics at the University of Hong Kong, business administration at the Harvard Business School and China studies at the Tsinghua University. Prior to joining the Company, she has worked for the Government of the Hong Kong Special Administrative Region for over 30 years and took up a number of senior posts, including as Director of Urban Services. She was awarded the Bronze Bauhinia Star in October 2004 by the SAR Government. In her spare time, Ms. Chung did volunteer work for many community organisations. She served as Co-Chairman of the Community Chest's Environmental Committee and as a honorary consultant to the building of the Big Buddha on Lantau and the redevelopment of Chi Lin Nunnery. She is a member of the Governing Board of the Buddhist Hospital and a director of the Buddhist Mau Fung Memorial College.

Mr. Leung Shu Keung, Brian, *BA, CIA, CFE, CBM*, aged 44, is the Internal Audit Manager of the Company. He joined the Company in 1992 and has over 17 years of experience in accounting, auditing and management assurance.

Mr. Tse Chuen Chi, Pollux, *MBA, CPA, AAIA, MHKSI*, aged 52, has been the Chief Financial Officer of the Company since 1992. He has over 25 years of experience in accounting, corporate finance and corporate development in Hong Kong and overseas. He is also the Qualified Accountant of the Company.

Mr. Wong Kam On, Frandie, *CHA, CRDE, MBIM, MIMGT, MHCIMA*, aged 52, joined the Company in 1993. He has been the General Manager of the Hotel Operation since 1996. He has over 33 years of extensive experience in hotel management.

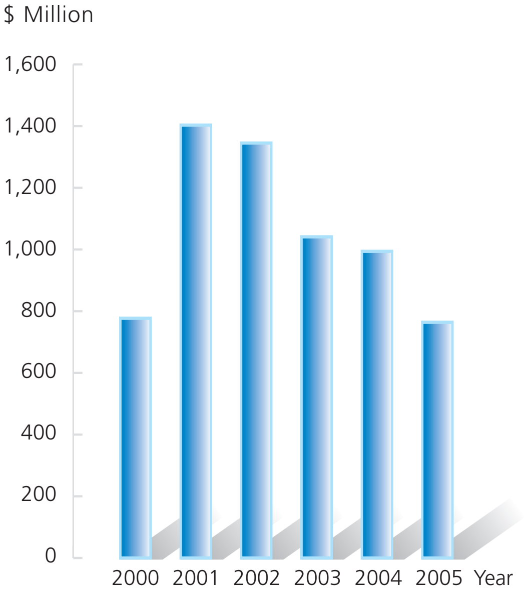
Mr. Yuen Chi Ming, Rayman, *BBus, PD, PgD, MCILT*, aged 43, worked in a number of public utility companies before joining the Company in 1989. He has been the Deputy General Manager of the Ferry Operation since 1997. On 1 July 2003, Mr. Yuen was appointed the General Manager of the Travel Operation.

Mr. Yuen Wai Kuen, Peter, *BA, MBA, ACIS, ACS*, aged 47, has joined the Company in January 2005 and been appointed Secretary of the Company on 1 April 2005. Mr. Yuen has over 20 years of experience in company secretarial, corporate advisory and general management.

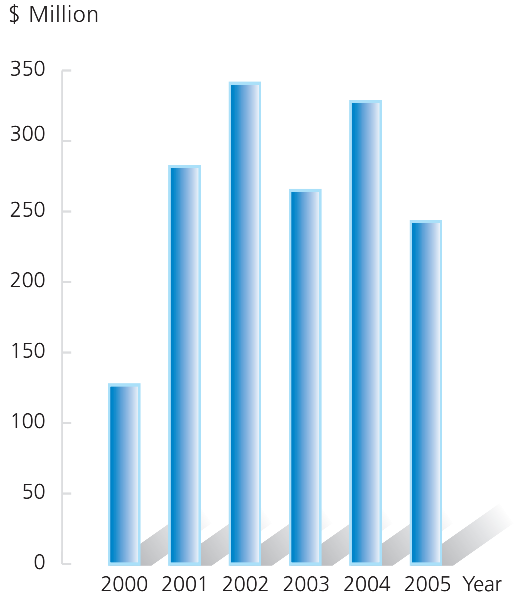
Financial Highlights

		2005	2004 (restated)	Variance
Turnover	$M	**764**	994	-23.1%
Profit attributable to shareholders	$M	**243**	328	-25.9%
Dividends	$M	**118**	118	–
Shareholders' funds	$M	**3,365**	3,207	4.9%
Basic earnings per share	Cent	**68.3**	92.0	-25.8%
Dividend per share	Cent	**33.0**	33.0	–
Dividend cover	Time	**2.1**	2.8	-25.0%
Return on equity	%	**7.2**	10.2	-29.4%
Net assets per share	$	**9.4**	9.0	4.4%

Group Turnover



Profit attributable to shareholders



Chairman's Statement

I have pleasure in presenting to the shareholders my report on the operations of the Group for the year.

BUSINESS RESULTS

The Group's consolidated profit after taxation for the year ended 31 December 2005 amounted to HK$243.2 million, representing a decrease of 26% from the consolidated profit after taxation of HK$327.8 million in 2004. The profit per share was 68 cents for the year as compared to 92 cents in the previous year.

DIVIDENDS

The Board of Directors recommended a final dividend of 24 cents per share to shareholders whose names appear in the register of members on 27 April 2006. This dividend, together with the interim dividend of 9 cents per share already paid, will make a total distribution of 33 cents for the full year.

BUSINESS REVIEW

Local economy had shown sustained growth with decline in unemployment rate and improvement in business sectors. The gradual increase in interest rates during the year caused a decrease in property transactions and property price underwent slight adjustment.

The Group's profit for the year was mainly derived from the sale of the residential units of Metro Harbour View.

Metro Harbour Plaza

43-51A Tong Mi Road

Property Development and Investment Operations

8 Fuk Lee Street ("Metro Harbour View")

During the year, the Group recorded an operating profit of HK$192 million from the sale of the residential units of Metro Harbour View. Properties sold comprised approximately 350 residential units representing a decrease of about 40% as compared with last year, with a value of approximately HK$420 million. The turnover represented a decrease of 37% as compared with the turnover of the previous year. The number of unsold units approximates 300. Rental income from the commercial arcade, Metro Harbour Plaza, amounted to HK$15.5 million for the year. The occupancy rate as at the end of the year was approximately 76%, or after taking into account the remaining committed tenancies, approximately 96%.

222 Tai Kok Tsui Road

The foundation work had been completed and construction of the superstructure was in good progress. The site is being developed into a residential-cum-commercial property of total gross floor area of approximately 320,000 sq. ft., comprising approximately 270,000 sq. ft. of residential use and approximately 50,000 sq. ft. of non-residential use. The target date for completion of the infrastructure is late 2008.

43-51A Tong Mi Road

The construction work had been substantially finished. The project will be ready for sale in the first half of this year.

6 Cho Yuen Street, Yau Tong

The demolition of Kingsford Industrial Centre had been completed. Construction work is expected to commence in the second half of 2006. The site will be developed into a residential-cum-commercial property with a total gross floor area of approximately 165,000 sq. ft., comprising approximately 140,000 sq. ft. of residential use and approximately 25,000 sq. ft. of non-residential use. The project will be a benchmark of luxurious residential property in the Yau Tong area.

Ferry, Shipyard and Related Operations

Due to the price-cutting competition from other harbour cruise operators, the turnover of the harbour cruise dropped by 27% against the same period last year. The substantial increase of fuel oil price led to a deficit of HK$4.3 million in Ferry, Shipyard and Related Operations for the year. During the year, the litigation fee of the court case against the Hong Kong Government relating to the proposed redevelopment of the Central ferry piers amounted to HK$8.1 million.

Travel and Hotel Operations

As a result of the after-effect of tsunami tragedy, and the threat of avian flu, the turnover of the Travel and Hotel Operations recorded a slight decrease of 3% as compared with last year. The operating results of the Travel and Hotel Operations turned from a surplus to a deficit of HK$2.6 million during the year.

PROSPECTS

The Group is optimistic about the economy in Hong Kong and Mainland China. The stabilised local property market and mortgage interest rate will later enhance turnover in local property transactions. The sale of the remaining units of Metro Harbour View has continued to receive favourable response from the market. The expected sale of Tong Mi Road Development is promising. The proceeds from the sales of the properties and the rental from commercial arcade will continue to be the primary source of income for the Group in the coming year.

With abundant cash reserve in hand, the Group will aim to explore favourable investment opportunities.

Designers' image of 222 Tai Kok Tsui Road

ACKNOWLEDGEMENT

On behalf of the shareholders and the Board, I would like to take this opportunity to express appreciation to all our staff for their dedication and hard work during the last year.

Colin K. Y. Lam
Chairman

Hong Kong, 15 March 2006

Management Discussion and Analysis

The following comments should be read in conjunction with the Audited Consolidated Financial Statements of the Company and the related notes on the accounts.

REVIEW OF RESULTS

The Group's turnover for the year amounted to approximately HK$764 million, representing a decrease of 23.1% when compared to that recorded in the previous year. This was mainly attributed to the decrease in the sale of residential units of Metro Harbour View in the current year.

Profit from operations, which recorded a decrease of 32.4% to approximately HK$229 million comparing to that recorded in the previous year, was mainly attributed to the decrease in profits from the sale of residential units of Metro Harbour View.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2005, shareholders' fund of the Group showed an increase of 4.9% as compared to the previous year and amounted to approximately HK$3,365 million. Such an increase mainly represented the net effects of the profit realized from the sale of residential units of Metro Harbour View for the year, the gains on revaluation of the Group's investment properties and the payment of dividends.

There was no change as to the capital structure of the Group during the year. As of 31 December 2005, the Group had no borrowing. Funding for the Group's activities in the year under review was mainly generated from the sale of residential units of Metro Harbour View.

During the year, there was no material acquisition and disposal of subsidiary and associate. A net repayment of approximately HK$60 million was received from an associate who provides mortgage loans to buyers of residential units of Metro Harbour View.

Maintenance services of Fireboat "Alexander Grantham"

Current assets of the Group were recorded at approximately HK$2,290 million as compared to the current liabilities of approximately HK$204 million as of 31 December 2005. Current ratio of the Group had been increased to 11.2, mainly attributed to the reclassification of the residential portions of 222 Tai Kok Tsui Road and 6 Cho Yuen Street Project from "properties held for development" to "properties under development – held for sale" and was categorized in inventories under the current assets of the Company.

Harbour Cruise – "Bauhinia"

GEARING RATIO AND FINANCIAL MANAGEMENT

As there was no borrowing as at 31 December 2005, no gearing ratio, which is calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund, was shown. Assets of the Group had not been charged to any third parties in the year under review.

Silvermine Beach Hotel

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong Dollars. As a whole, the core operations of the Group can be considered as not exposed to foreign exchange rate risk to any significant extent.

CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 31 December 2005 amounting to approximately HK$76 million were in respect of a claim by the Hong Kong Government against the Company and a subsidiary in respect of the dispute over the reimbursement of certain costs for the proposed redevelopment of the ferry piers in Central District.

EMPLOYEES

As at 31 December 2005, the number of employees of the Group stood at about 390 (2004: 390). The remuneration packages to employees were commensurable to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme, training programmes and educational subsidies. Total employees' costs for the year amounted to approximately HK$72 million, which is commensurate with that recorded in the previous year.

Report of the Directors

The directors have pleasure in submitting their report and audited accounts for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Group are property development and investment, ferry and related businesses, travel business and hotel operation.

The analyses of the principal activities of the Company and its subsidiaries during the financial year are set out in note 3 on the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's purchases attributable to the major suppliers during the financial year is as follows:

	Percentage of the Group's total purchases
The largest supplier	16.4%
Five largest suppliers in aggregate	39.2%

Henderson Land Development Company Limited ("HL"), through its subsidiaries, was one of the Group's five largest suppliers during the financial year. As at 31 December 2005, HL through its subsidiaries beneficially owned 73.48% of the entire issued share capital of Henderson Investment Limited, a substantial shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, hereinafter referred to as the "Listing Rules") of the Company.

No analysis in respect of the Group's major customers is shown as the percentages of turnover attributable to the Group's five largest customers is less than 30%.

Apart from the foregoing, at no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2005 are set out in note 14 on the accounts.

ACCOUNTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2005, the state of affairs of the Company and of the Group at that date and the related notes are set out in the accounts on pages 29 to 94.

An interim dividend of 9 cents per share was paid on 21 October 2005. The directors now recommend a final dividend of 24 cents per share to shareholders whose names appear in the register of members on 27 April 2006.

CHARITABLE DONATIONS

The Group's charitable donations during the year amounted to HK$2,572 (2004: HK$4,239).

FIXED ASSETS

Movements in fixed assets during the year are set out in note 12 on the accounts.

DIRECTORS

The directors of the Company during the financial year were:

Executive directors

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning

Non-executive directors

Mr. Au Siu Kee, Alexander	(appointed as independent non-executive director on 17 January 2005 and re-designated as non-executive director on 7 November 2005)
Mr. Lau Yum Chuen, Eddie	
Dr. Lee Shau Kee	
Mr. Leung Hay Man	
Mr. Wong Man Kong, Peter	

Independent non-executive directors

Mr. Ho Hau Chong, Norman	
Mr. Kan Yuet Loong, Michael	
Mr. Wu King Cheong	(appointed on 17 January 2005)
Dr. Wu Shu Chih, Alex	(deceased on 10 January 2005)

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Lam Ko Yin, Colin, Dr. Lee Shau Kee and Mr. Leung Hay Man retire by rotation and are eligible for re-election.

In accordance with Appendix 14 of the Listing Rules, the non-executive directors (including independent non-executive directors) have been appointed for a specific term until 31 December 2007 and they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Company's Articles of Association.

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

At 31 December 2005, the interests of the directors in securities of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register of directors' and chief executives' interests and short positions maintained under section 352 of the SFO were as follows:

Interests

	THE COMPANY		
	Personal Interests *Number of Shares*	**Corporate Interests** *Number of Shares*	**Family Interests** *Number of Shares*
Mr. Lam Ko Yin, Colin	150,000	–	–
Mr. Au Siu Kee, Alexander	–	–	–
Mr. Ho Hau Chong, Norman	3,313,950	–	–
Mr. Kan Yuet Loong, Michael	22,965	–	–
Mr. Lau Yum Chuen, Eddie	–	–	–
Dr. Lee Shau Kee	7,799,220	111,636,090 *(Note 5 on page 21)*	–
Mr. Leung Hay Man	2,250	–	–
Mr. Li Ning	–	–	111,636,090 *(Note 6 on page 21)*
Mr. Wong Man Kong, Peter	1,051,000	–	–
Mr. Wu King Cheong	–	–	–

	2OK COMPANY LIMITED	
	Corporate Interests *Number of Shares*	**Family Interests** *Number of Shares*
Dr. Lee Shau Kee *(Note 1)*	5	–
Mr. Li Ning *(Note 2)*	–	5

Notes:

1. These 5 shares representing 50% equity interest in 2OK Company Limited (an associated company in which the Company through a subsidiary owns the remaining 50% interest) are beneficially owned by wholly-owned subsidiaries of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") beneficially owns more than one-third of the issued share capital in HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts hold units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owns all the issued ordinary shares which carry the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owns all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee is taken to be interested in these 5 shares in 2OK Company Limited.

2. By virtue of the SFO, Mr. Li Ning is taken to be interested in these 5 shares in 2OK Company Limited as Mr. Li's spouse is one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

Other than as stated above, no directors or chief executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2005.

INTEREST IN CONTRACTS

Except for the "Connected Transactions" as disclosed in this Report, no other 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.

None of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

SUBSTANTIAL SHAREHOLDERS AND OTHERS

At 31 December 2005, the interests in ordinary shares of the Company of every person as recorded in the register required to be kept under section 336 of the SFO were as follows:

	No. of shares in which interested
Substantial Shareholders	
Henderson Investment Limited *(Note 1)*	111,636,090
Pataca Enterprises Limited *(Note 1)*	70,200,000
Wiselin Investment Limited *(Note 2)*	41,436,090
Max-mercan Investment Limited *(Note 2)*	41,436,090
Henderson Development Limited *(Note 3)*	111,636,090
Henderson Land Development Company Limited *(Note 3)*	111,636,090
Kingslee S.A. *(Note 3)*	111,636,090
Hopkins (Cayman) Limited *(Note 4)*	111,636,090
Rimmer (Cayman) Limited *(Note 4)*	111,636,090
Riddick (Cayman) Limited *(Note 4)*	111,636,090
Dr. Lee Shau Kee *(Note 5)*	119,435,310
Mr. Li Ning *(Note 6)*	111,636,090
Persons other than Substantial Shareholders	
Graf Investment Limited *(Note 1)*	23,400,000
Mount Sherpa Limited *(Note 1)*	23,400,000
Paillard Investment Limited *(Note 1)*	23,400,000

Notes:

All shares referred to below, unless otherwise stated, form part of the same parcel of 111,636,090 shares.

1. These 111,636,090 shares are beneficially owned by some of the subsidiaries of Henderson Investment Limited ("HI"). Of these 111,636,090 shares, 70,200,000 shares are owned by some of the subsidiaries (viz., Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, each of which owns 23,400,000 shares) of Pataca Enterprises Limited, which is itself a subsidiary of HI.

2. These 41,436,090 shares held by Wiselin Investment Limited and in which Max-mercan Investment Limited is taken to be interested refer to the same lot of shares. Wiselin Investment Limited, a subsidiary of Max-mercan Investment Limited which is a subsidiary of HI, beneficially owns 41,436,090 shares all of which constitute part of the said 111,636,090 shares.

3. These 111,636,090 shares are duplicated in the interests described in Notes 1 and 2. Henderson Development Limited ("HD") beneficially owns more than one-third of the issued share capital in Henderson Land Development Company Limited which is, in turn, the holding company of Kingslee S.A.. Kingslee S.A. has a controlling interest in HI.

4. These 111,636,090 shares are duplicated in the interests described in Notes 1, 2 and 3. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts hold units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owns all the issued ordinary shares, which carry the voting rights in the share capital of HD.

5. Dr. Lee Shau Kee beneficially owns all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee is taken to be interested in 111,636,090 shares, which are duplicated in the interests described in Notes 1, 2, 3 and 4.

6. By virtue of the SFO, Mr. Li Ning is taken to be interested in these 111,636,090 shares as Mr. Li's spouse is one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 111,636,090 shares are duplicated in the interests described in Notes 1, 2, 3 and 4.

Save as disclosed above, each of the aforesaid shareholders does not have any interest or short position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares of the Company that are discloseable under the requirement of the SFO.

RESERVES

Movements in reserves of the Company and of the Group during the year are set out in note 25 on the accounts.

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

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

ARRANGEMENT TO PURCHASE SHARES, WARRANTS, OPTIONS OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, options, debentures or warrants of the Company or any other body corporate.

BANK OVERDRAFT

Particulars of bank overdraft of the Group as at 31 December 2005 are set out in note 21 on the accounts.

FINANCIAL SUMMARIES

The five years' summary of assets and liabilities and ten years' financial summary of the Group are set out on pages 95 to 97.

GROUP PROPERTIES

A summary of the Group's properties is set out on pages 98 to 99.

RETIREMENT SCHEMES

The Group's Hong Kong employees participate either in a defined benefit retirement scheme or a Mandatory Provident Fund scheme. Particulars of these retirement schemes are set out in note 17 on the accounts.

CONNECTED TRANSACTIONS

Pursuant to the transactions and arrangements entered into by the Group with persons who are connected persons for the purposes of the Listing Rules, the Group recorded the transactions as described in note 29 on the accounts.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2005.

PUBLIC FLOAT

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

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.

On behalf of the board

Colin K.Y. Lam
Chairman

Li Ning
Director

Hong Kong, 15 March 2006

Corporate Governance Report

The Company is committed to maintain a high standard of corporate governance. During the year, the Company endeavours to comply with the Code of Corporate Governance Practice as set out in Appendix 14 of the Listing Rules (the "CG Code"). The Company considers that it has complied with the CG Code during the year. The Board of Directors continues to review and update the practices from time to time to ensure compliance with the legal and commercial standards.

BOARD OF DIRECTORS

The Board of Directors ("the Board") comprises ten directors including two executive directors, five non-executive directors and three independent non-executive directors. The Board has a number of Board Committees, namely, Executive Committee, Audit Committee, Remuneration Committee and Investment Committee to oversee particular aspects of the Company's affairs. Each of the Committee has been delegated with certain functions of the Board. The directors are responsible for causing the preparation of the accounts for each financial period which give a true and fair view of the financial results of the Group.

The Board operates in accordance with the Articles of Association. The Board meets from time to time according to the business requirement of the Company. During the year, four board meetings were held to review financial results and business development. In order to make timely decision and have effective implementation of the Company's policy and decision, written resolutions signed by all directors have been adopted from time to time. The Company Secretary and Qualified Accountant shall attend all regular board meetings to advise on statutory compliance, corporate governance, accounting and financial matters when necessary.

The role undertaken by Mr. Lam Ko Yin, Colin as Chairman of the Company and Dr. Ho Chi Shing, David as Group General Manager (whose status is equivalent to chief executive officer for the purpose of the CG Code but not otherwise) are segregated. The key function of the Chairman of the Company is the management of the Board whereas the key function of the Group General Manager is the day-to-day management of the Company's business. The functions reserved to the Board are basically provided by the Articles of Association of the Company and the Board will from time to time delegate the functions to the senior management whenever required. Basically, all kind of important business decision matters whether it is of strategic development, financial, legal or substantial compliance nature, should be approved by the Board whereas the senior management is responsible for daily business operation.

Dr. Lee Shau Kee and Mr. Li Ning are deemed as having substantial interests in the issued share capital of the Company under the Securities and Futures Ordinance. Dr. Lee is the father-in-law of Mr. Li Ning. Dr. Lee Shau Kee, Mr. Lam Ko Yin, Colin, Mr. Li Ning, Mr. Leung Hay Man and Mr. Lau Yum Chuen, Eddie are directors of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited ("Henderson Investment"). Mr. Au Siu Kee, Alexander and Mr. Wu King Cheong are directors of Henderson Land (Mr. Wu is the independent non-executive director of Henderson Land). Both Henderson Land and Henderson Investment have discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company.

Save aforesaid, there is no financial, business, family or other material or relevant relationship among the directors. There is no relationship between the Chairman and the Group General Manager.

All non-executive directors (including independent non-executive directors) of the Company have been appointed for a specific term to 31 December 2007. They are eligible for re-appointment and subject to re-election on retirement by rotation in accordance with the Company's Articles of Association. To ensure stricter compliance with the CG Code, relevant amendments to the Articles of Association of the Company will be proposed to the shareholders at the forthcoming Annual General Meeting of the Company.

During the year, a Remuneration Committee was formed to comply with the CG Code. In addition to the Remuneration Committee, each committee has its own terms of reference. Terms of reference of the Audit and Remuneration Committees in English are placed on the Company's website at www.hkf.com.

AUDIT COMMITTEE

The Audit Committee is primarily responsible for review of financial information of the Company and oversight of the Company's financial reporting system and internal control procedures.

In 2005, the Audit Committee met twice and reviewed the 2004 annual report and accounts, the 2005 interim report and accounts, the Ongoing/Continuing Connected Transactions, the Annual Internal Audit Report for the year 2004 and the Internal Audit Interim Review of Audit Assignments for 2005. The Committee also oversaw internal control and risk management of the Group and discussed with the external auditors on financial reporting and compliance. During the Audit Committee Meetings, the external auditors were invited to attend the meetings to present their reports and reviews.

The Audit Committee comprises independent non-executive directors only. Mr. Kan Yuet Loong, Michael is the Chairman of the Audit Committee. Initially, Mr. Au Siu Kee, Alexander was an independent non-executive director and a member of the Audit Committee, and ceased to be a member of the Audit Committee upon him being re-designated as a non-executive director in November 2005.

AUDITORS' REMUNERATION

Apart from carrying out the annual audit, KPMG, being the auditors of the Company carried out the interim review on the interim results of the Company. The fee of the annual audit is HK$1,052,000 whereas the fee for the interim review is HK$198,000. Engagement agreement with KPMG had been reviewed by the Audit Committee and approved by the Board. Save the interim review, KPMG did not provide any substantial non-audit services to the Company.

INTERNAL CONTROLS

The Company maintains a comprehensive and effective internal control system on income and capital and revenue expenditures. As part of internal audit, the Company has its own internal audit department and maintained a system of internal control, with manuals guiding internal controls on business operation. The Company will review the internal controls manuals from time to time to meet with the changing business operation environment. Internal controls report was submitted to the Audit Committee for review.

The Internal Audit Manager, who is independent to the Company's daily operations, reports directly to the Audit Committee and Group General Manager and regularly conducts audits of the practices, procedures, expenditures and internal control.

REMUNERATION COMMITTEE

The Company has set up the Remuneration Committee. The Remuneration Committee meets at least once a year to review the structure of all remuneration of directors and senior management.

The Remuneration Committee is constituted of executive directors and independent non-executive directors. Mr. Kan Yuet Loong, Michael is the Chairman of the Remuneration Committee. Initially, Mr. Au Siu Kee, Alexander was an independent non-executive director and a member of the Remuneration Committee, and ceased to be a member of the Remuneration Committee, upon him being re-designated as a non-executive director in November 2005.

The Committee reviewed the remuneration of the directors and senior management with reference to the skill, knowledge, experience and the tasks assigned and also to the individual performance and the overall profitability of the Company. In determining the remuneration package, the Committee also obtained reports, surveys and relevant information from external source for the competitive level of remuneration and market trend for the directors and senior management. The Committee regards that the current directors' fee to the directors and remuneration to the senior management for their duties and responsibilities undertaken are commensurate with the market.

ATTENDANCE RECORD AT BOARD, AUDIT AND REMUNERATION COMMITTEES' MEETINGS

The following table shows the attendance records of directors at meetings of the Board, Audit and Remuneration Committees during the year:

	No. of meetings attended/ No. of meetings held		
	Board	**Audit Committee**	**Remuneration Committee**
Executive directors			
Mr. Lam Ko Yin, Colin	4/4	N/A	1/1
Mr. Li Ning	4/4	N/A	1/1
Non-executive directors			
Mr. Au Siu Kee, Alexander	4/4	2/2	1/1
Mr. Lau Yum Chuen, Eddie	4/4	N/A	N/A
Dr. Lee Shau Kee	2/4	N/A	N/A
Mr. Leung Hay Man	4/4	N/A	N/A
Mr. Wong Man Kong, Peter	3/4	N/A	N/A
Independent non-executive directors			
Mr. Ho Hau Chong, Norman	4/4	2/2	N/A
Mr. Kan Yuet Loong, Michael	4/4	2/2	1/1
Mr. Wu King Cheong	4/4	2/2	1/1

NOMINATION OF DIRECTORS

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

The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. The nomination procedures basically follows Article 94 of the Articles of Association which empowers the Board from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The Directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deems fit. The Directors shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position.

The Board appointed two additional directors in January 2005, namely Mr. Au Siu Kee, Alexander and Mr. Wu King Cheong as independent non-executive directors to the Board to meet the business needs of the Company and to comply with the Listing Rules.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received confirmation of independence from Messrs. Kan Yuet Loong, Michael, Ho Hau Chong, Norman and Wu King Cheong pursuant to Rule 3.13 of the Listing Rules.

The Board is of the view that during the year, the Company had maintained a sufficient number of independent non-executive directors and had an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise.

The Board notes that Mr. Ho Hau Chong, Norman is a non-executive director of Miramar Hotel and Investment Company, Limited ("Miramar") and a director of Wealth Team Development Limited ("Wealth Team"), which is an indirect subsidiary of Henderson Land. Mr. Ho also has an indirect beneficial interests of 9.9% in all issued share capital of Wealth Team, but is not involved in the management and operation of Wealth Team. Miramar, Wealth Team and Henderson Land are connected persons of the Company under the Listing Rules. Save aforesaid, Mr. Norman Ho has complied with other conditions set out in Rule 3.13 of the Listing Rules.

In view of the fact that Mr. Norman Ho does not have any material interests in any principal business activity of and is not involved in any material business dealings with the Company, or any of its subsidiaries or with any connected persons of the Company, and that both the management and the operations of the Miramar group and the Group are totally independent from each other, the Board in good faith considers that the independence of Mr. Norman Ho as an independent non-executive director of the Company is not in any way affected by his directorships in both Miramar and Wealth Team.

In conclusion, the Board considers Messrs. Kan Yuet Loong, Michael, Ho Hau Chong, Norman and Wu King Cheong as independent.

DIRECTORS' SECURITIES TRANSACTIONS

The Board adopted the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules (the "Model Code"), as a code of conduct to govern the dealing of securities by the directors on 10 September 2004. The Model Code was further adopted as the code of conduct for those relevant employees, (including employees of the Company or directors or employees of its subsidiaries who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities) in respect of their dealings in the securities of the Company.

Having made specific enquiry of all directors, the Board confirms that the directors of the Company have complied with the required standard set out in the Model Code regarding directors' securities transactions.

Report of the Auditors

KPMG

Auditors' report to the shareholders of
Hong Kong Ferry (Holdings) Company Limited
(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 29 to 94 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 accounts which give a true and fair view. In preparing accounts 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 accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of the Company's and the Group's affairs 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, 15 March 2006

Consolidated Profit and Loss Account

for the year ended 31 December 2005

	Note	2005 HK$'000	2004 (restated) HK$'000
Turnover	3(a)	**764,129**	993,902
Cost of sales		**(472,895)**	(653,168)
		291,234	340,734
Other revenue	3(a) & 4	**27,197**	17,934
Other net income	4	**9,928**	24,731
Revaluation gains on investment properties	3(c) & 12	**22,539**	87,701
Selling and marketing expenses		**(30,263)**	(44,903)
Administrative expenses		**(45,463)**	(42,482)
Impairment loss in respect of property, plant and equipment	3(d) & 12	**–**	(1,342)
Other operating expenses		**(45,724)**	(42,779)
Profit from operations	3(b)	**229,448**	339,594
Share of results of associates		**(14)**	2,045
Profit before taxation	5	**229,434**	341,639
Taxation	8(a)	**13,757**	(13,834)
Profit attributable to shareholders	3(b) & 9	**243,191**	327,805
Dividends attributable to the year	10(a)	**117,571**	117,571
Basic earnings per share *(cent)*	11	**68.3**	92.0

The notes on pages 37 to 94 form part of these accounts.

Consolidated Balance Sheet

as at 31 December 2005

	Note	2005 HK$'000	2005 HK$'000	2004 (restated) HK$'000	2004 (restated) HK$'000
Non-current assets					
Fixed assets	12				
– Investment properties			**692,300**		830,500
– Property held for development			**–**		550,518
– Other property, plant and equipment			**149,010**		148,625
– Interest in leasehold land			**73,036**		74,796
			914,346		1,604,439
Interest in associates	15		**158,722**		218,722
Properties under development					
– held for investment	13		**52,974**		16,574
Other non-current assets	16		**142,902**		71,372
Deferred tax assets	23(c)		**27,515**		6,326
			1,296,459		1,917,433
Current assets					
Inventories	18(a)	**1,020,388**		498,131	
Trade and other receivables	19	**225,872**		198,657	
Tax recoverable	23(a)	**2,111**		1,712	
Cash and cash equivalents	20	**1,041,232**		921,717	
		2,289,603		1,620,217	
Current liabilities					
Bank overdraft	21	**309**		149	
Trade and other payables	22	**192,401**		308,598	
Tax payable	23(b)	**11,581**		10,894	
		204,291		319,641	
Net current assets			**2,085,312**		1,300,576
Total assets less current liabilities			**3,381,771**		3,218,009
Non-current liabilities					
Deferred tax liabilities	23(c)		**(16,783)**		(10,809)
NET ASSETS			**3,364,988**		3,207,200

Consolidated Balance Sheet (Continued)

as at 31 December 2005

	Note	**2005** HK$'000	**2005** HK$'000	2004 (restated) HK$'000	2004 (restated) HK$'000
CAPITAL AND RESERVES					
Share capital	24		**356,274**		356,274
Reserves	25		**3,008,714**		2,850,926
TOTAL EQUITY			**3,364,988**		3,207,200

Approved and authorised for issue by the board of directors on 15 March 2006.

Colin K.Y. Lam
Chairman

Li Ning
Director

The notes on pages 37 to 94 form part of these accounts.

Balance Sheet

as at 31 December 2005

	Note	2005 HK$'000	2005 HK$'000	2004 HK$'000	2004 HK$'000
Non-current assets					
Fixed assets	12				
– Buildings			–		–
– Interest in leasehold land			–		48
Interest in subsidiaries	14		3,848,181		3,833,512
Interest in associates	15		2,902		2,976
Other non-current assets	16		4,712		3,614
			3,855,795		3,840,150
Current assets					
Other debtors and prepayments	19	1,705		1,243	
Cash and cash equivalents	20	754		567	
		2,459		1,810	
Current liabilities					
Amounts due to subsidiaries		36,658		58,152	
Creditors and accrued charges		6,961		6,429	
		43,619		64,581	
Net current liabilities			(41,160)		(62,771)
NET ASSETS			3,814,635		3,777,379

Balance Sheet (Continued)

as at 31 December 2005

	Note	2005 HK$'000	2005 HK$'000	2004 HK$'000	2004 HK$'000
CAPITAL AND RESERVES					
Share capital	24		**356,274**		356,274
Reserves	25		**3,458,361**		3,421,105
TOTAL EQUITY			**3,814,635**		3,777,379

Approved and authorised for issue by the board of directors on 15 March 2006.

Colin K.Y. Lam
Chairman

Li Ning
Director

The notes on pages 37 to 94 form part of these accounts.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2005

	Note	2005 HK$'000	2005 HK$'000	2004 (restated) HK$'000	2004 (restated) HK$'000
Shareholders' equity at 1 January					
– as previously reported		**3,244,180**		3,005,786	
– prior years adjustments arising from changes in accounting policies	*25*	**(36,980)**		(31,622)	
– as restated			**3,207,200**		2,974,164
Net income recognised directly in equity:					
Surplus on revaluation of equity securities	*25*		**29,089**		14,406
Surplus on revaluation of investment properties					
– as previously reported				12,515	
– prior years adjustments arising from changes in accounting policies under HKAS 40	*2(e)*			(12,515)	
– surplus on revaluation of investment properties (2004: as restated)			**–**		–
Net income recognised directly in equity (2004: as restated)			**29,089**		14,406
Net profit for the year:					
– as previously reported				393,066	
– prior years adjustments arising from changes in accounting policies	*2(a)(i)*			(65,261)	
Net profit for the year (2004: as restated)	*25*		**243,191**		327,805
Net transfer to consolidated profit and loss account from reserves:					
– as previously reported				(78,274)	
– prior years adjustments arising from changes in accounting policies under HKAS 40	*2(e)*			72,418	
Net transfer to consolidated profit and loss account from reserves (2004: as restated)	*25*		**3,079**		(5,856)
Total recognised income and expenses for the year (2004: as restated)			**275,359**		336,355
Dividends approved and paid during the year	*25*		**(117,571)**		(103,319)
Shareholders' equity at 31 December			**3,364,988**		3,207,200

The notes on pages 37 to 94 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Note	2005 HK$'000	2005 HK$'000	2004 (restated) HK$'000	2004 (restated) HK$'000
Operating activities					
Profit before taxation			**229,434**		341,639
Adjustments for:					
Depreciation		**8,382**		10,050	
Amortisation of leasehold land premium		**1,760**		1,760	
Impairment loss of fixed assets		**–**		1,342	
Impairment loss of available-for-sale equity securities		**3,112**		–	
Net profit on disposal of fixed assets		**(376)**		(254)	
Revaluation gains on investment properties		**(22,539)**		(87,701)	
Unrealised gains on derivative financial instruments		**(6,254)**		–	
Interest income		**(36,223)**		(8,148)	
Dividend income		**(2,000)**		(1,386)	
Share of results of associates		**14**		(2,045)	
Realisation of inter-company profits	*25*	**(24)**		(16)	
Profit on disposal of investments		**(9)**		(18,000)	
			(54,157)		(104,398)
Operating profit before changes in working capital			**175,277**		237,241
Increase in properties held for development		**(23,033)**		(540,688)	
Increase in employee benefits surplus		**(821)**		(727)	
Decrease in inventories		**181,527**		398,109	
Decrease in trade and other receivables		**48,834**		67,469	
Decrease in trade and other payables		**(116,197)**		(102,184)	
			90,310		(178,021)
Cash generated from operations			**265,587**		59,220
Profits tax paid		**(1,172)**		(540)	
Profits tax refunded		**2**		340	
			(1,170)		(200)
Net cash generated from operating activities			**264,417**		59,020

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2005

	Note	**2005** HK$'000	**2005** HK$'000	2004 (restated) HK$'000	2004 (restated) HK$'000
Investing activities					
Interest received		**34,537**		8,048	
Purchase of fixed assets		**(11,842)**		(11,928)	
Payment for purchase of available-for-sale equity securities		**(41,629)**		–	
Payment for purchase of derivative financial instruments		**(64,239)**		–	
Payment for properties under development – held for investment		**(6,762)**		(1,702)	
Repayment from associates		**59,676**		10,676	
Proceeds from disposal of fixed assets		**449**		3,299	
Proceeds from disposal of interest in an associate		**310**		–	
Proceeds from disposal of available-for-sale equity securities		**9**		58,000	
Dividends received from associates		**–**		150	
Dividends received from investments		**2,000**		1,386	
Net cash (used in)/generated from investing activities			**(27,491)**		67,929
Financing activities					
Dividends paid		**(117,571)**		(103,319)	
Net cash used in financing activities			**(117,571)**		(103,319)
Increase in cash and cash equivalents			**119,355**		23,630
Cash and cash equivalents at 1 January			**921,568**		897,938
Cash and cash equivalents at 31 December	*20*		**1,040,923**		921,568

The notes on pages 37 to 94 form part of these accounts.

Notes on the Accounts

1 PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These accounts 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 accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 the new and revised HKFRSs for the current and prior accounting periods reflected in these accounts is provided in note 2.

A summary of the principal accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The consolidated accounts include the accounts of the Company and all its subsidiaries (together referred to as the "Group") and the Group's interest in associates made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material inter-company transactions and balances are eliminated on consolidation.

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

– investment properties (see note 1(f));

– financial instruments classified as available-for-sale equity securities (see note 1(i)); and

– derivative financial instruments (see note 1(l)).

The preparation of accounts 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.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the accounts *(Continued)*

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.

(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 of the voting power, or controls the composition of the board of directors. Investments in subsidiaries are carried in the Company's balance sheet at cost less impairment losses (see note 1(j)).

(d) Associates

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

Investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account reflects the Group's share of the post-acquisition, post-tax results of the associates for the year.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost less impairment losses (see note 1(j)).

(e) Revenue recognition

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

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under deposits received.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Revenue recognition *(Continued)*

(ii) Rental income from operating leases

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

(iii) Sale of goods

Revenue is recognised when goods are delivered to customers. This is taken to be the point in time when the customers have accepted the goods and the related risks and rewards of ownership.

(iv) Ferry operations and related services

Revenue relating to ferry operations is recognised when the relevant ferry services are provided.

(v) Travel business

Revenue arising from the travel business is recognised on the completion date of the tours or when the relevant services are provided.

(vi) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

(vii) Dividends

Dividend income from listed investments is recognised when the share price goes ex-dividend.

(f) Investment properties

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

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

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Investment properties *(Continued)*

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

Property that is being constructed or developed for future use as investment property is classified as properties under development – held for investment and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit and loss account.

(g) Properties held for development

Properties held for development are stated at cost less impairment losses (see note 1(j)). These properties are reclassified as properties under development when they are substantially ready for development.

(h) Other property, plant and equipment

Other property, plant and equipment are stated in the balance sheet at cost less aggregate depreciation and impairment losses (see note 1(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, over their estimated useful lives on a straight line basis as follows:

Land	Over the unexpired terms of the leases
Buildings	40 years or over the unexpired terms of the leases, if shorter
Ferry vessels and other crafts	8 to 15 years
Machinery, furniture and other fixed assets	
– Dry dock and ship lift	30 to 40 years
– Others	4 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost 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.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Other investments in equity securities

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

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

Other investments in equity securities are classified as available-for-sale equity securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 1(j)). When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit and loss account.

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

(j) Impairment of assets

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

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

– For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

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

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

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

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

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

Impairment losses recognised in profit and loss account in respect of available-for-sale equity securities are not reversed through profit and loss account. 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 an impairment loss previously recognised no longer exists or may have decreased:

– pre-paid interests in leasehold land;

– investments in subsidiaries and associates;

– properties held for development;

– properties under development – held for investment; and

– other property, plant and equipment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of such an asset exceeds its recoverable amount.

– 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).

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit and loss account 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 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

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

(k) Inventories

(i) Trading stocks

Trading stocks are stated at the lower of cost and net realisable value. Cost includes the cost of materials computed using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(ii) Spare parts and consumables

Spare parts and consumables are stated at cost, computed using the weighted average method, less provision for obsolescence.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Inventories *(Continued)*

(iii) Work in progress

Work in progress are construction and repairing in progress at the balance sheet date and are recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings.

(iv) Property development

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

– Property under development – held for sale

The cost of properties under development – held for sale comprises specifically identified cost, 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.

(l) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit and loss account, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Employee benefits

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

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in profit and loss account as incurred.

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

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

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

(n) 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 in foreign currencies are translated into Hong Kong Dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in profit and loss account.

(o) 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 profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

(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.

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

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

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

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit 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 profit will be available.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

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

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

  – the same taxable entity; or

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

(p) Leased assets

(i) Classification of assets leased to the Group

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred substantially all the risks and benefits of ownership 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(f)); 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 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Leased assets *(Continued)*

(ii) Operating lease charges

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

(q) Provisions and contingent liabilities

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

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

(r) Deferred interest income

Where properties are sold under deferred terms with part of the sales proceeds being receivable after an interest-free period, the differences between the sale prices with and without such terms are treated as deferred income and is released to profit and loss account on a straight line basis over the interest-free period.

(s) 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)).

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) 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.

(u) Segmental reporting

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

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format.

Segmental revenue, 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, and 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.

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

(v) Related parties

For the purposes of these accounts, 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.

(w) Cash and cash equivalents

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

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 the 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 accounts.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 32).

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items affected in the consolidated profit and loss account and balance sheet and other significant related disclosure items as previously reported for the year ended 31 December 2004. The effects of the changes in accounting policies on the balances of total equity at 1 January 2004 and 2005 are disclosed in note 25.

(i) Effect on the consolidated profit and loss account for the year ended 31 December 2004

	Effect of new policy (increase/(decrease) in profit for the year)				
	HKAS 17 *(note 2(c))* *HK$'000*	HKAS 16 & 17 *(note 2(d))* *HK$'000*	HKAS 40 *(note 2(e))* *HK$'000*	HKAS 1 *(note 2(g))* *HK$'000*	Total *HK$'000*
Cost of sales	–	–	(70,655)	–	(70,655)
Other net income	–	–	(1,787)	–	(1,787)
Revaluation gains on investment properties	–	–	12,515	–	12,515
Other operating expenses	–	(1,594)	–	–	(1,594)
Share of results of associates	–	–	–	(531)	(531)
Taxation	–	–	(3,740)	531	(3,209)
Profit attributable to shareholders	–	(1,594)	(63,667)	–	(65,261)
Basic earnings per share *(cent)*	–	(0.4)	(17.9)	–	(18.3)
Other significant disclosure items					
Amortisation of leasehold land premium	(1,760)	–	–	–	(1,760)
Depreciation	1,760	(1,618)	–	–	142
Cost of inventories	–	–	(70,655)	–	(70,655)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Restatement of prior periods and opening balances *(Continued)*

(ii) Effect on the consolidated balance sheet as at 31 December 2004

	Effect of new policy (increase/(decrease) in net assets)			
	HKAS 17 *(note 2(c))* *HK$'000*	HKAS 16 & 17 *(note 2(d))* *HK$'000*	HKAS 40 *(note 2(e))* *HK$'000*	Total *HK$'000*
Non-current assets				
Fixed assets				
– Other property, plant and equipment	(74,796)	(26,171)	–	(100,967)
– Interest in leasehold land	74,796	–	–	74,796
Non-current liabilities				
Deferred tax liabilities	–	–	(10,809)	(10,809)
NET ASSETS	–	(26,171)	(10,809)	(36,980)
RESERVES				
Other property revaluation reserve	–	–	(75,609)	(75,609)
Investment property revaluation reserve	–	–	(10,728)	(10,728)
Other capital reserves	–	(551)	–	(551)
Retained profits	–	(25,620)	75,528	49,908
	–	(26,171)	(10,809)	(36,980)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Estimated effect of changes in accounting policies on the current period

The following tables provide estimates of the extent to which each of the line items in the consolidated profit and loss account and balance sheet and other significant related disclosure items for the year ended 31 December 2005 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

(i) Estimated effect on the consolidated profit and loss account for the year ended 31 December 2005

	Effect of new policy (increase/(decrease) in profit for the year)				
	HKAS 17 *(note 2(c))* *HK$'000*	HKAS 16 & 17 *(note 2(d))* *HK$'000*	HKAS 40 *(note 2(e))* *HK$'000*	HKAS 1 *(note 2(g))* *HK$'000*	Total *HK$'000*
Cost of sales	–	–	(38,960)	–	(38,960)
Other net income	–	–	(2,534)	–	(2,534)
Revaluation gains on investment properties	–	–	25,073	–	25,073
Other operating expenses	–	(1,594)	–	–	(1,594)
Share of results of associates	–	–	–	(79)	(79)
Taxation	–	–	(5,312)	79	(5,233)
Profit attributable to shareholders	–	(1,594)	(21,733)	–	(23,327)
Basic earnings per share *(cent)*	–	(0.4)	(6.1)	–	(6.5)
Other significant disclosure items					
Amortisation of leasehold land premium	(1,760)	–	–	–	(1,760)
Depreciation	1,760	(1,618)	–	–	142
Cost of inventories	–	–	(38,960)	–	(38,960)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Estimated effect of changes in accounting policies on the current period *(Continued)*

(ii) Estimated effect on the consolidated balance sheet as at 31 December 2005

	Effect of new policy (increase/(decrease) in net assets)				
	HKAS 17 *(note 2(c))* *HK$'000*	HKAS 16 & 17 *(note 2(d))* *HK$'000*	HKAS 40 *(note 2(e))* *HK$'000*	HKFRS 3 *(note 2(f))* *HK$'000*	Total *HK$'000*
Non-current assets					
Fixed assets					
– Other property, plant and equipment	(73,036)	(27,789)	–	–	(100,825)
– Interest in leasehold land	73,036	–	–	–	73,036
Non-current liabilities					
Deferred tax liabilities	–	–	(16,121)	–	(16,121)
NET ASSETS	–	(27,789)	(16,121)	–	(43,910)
RESERVES					
Other property revaluation reserve	–	–	(36,649)	–	(36,649)
Investment property revaluation reserve	–	–	(33,267)	–	(33,267)
Other capital reserves	–	(575)	–	(4,020)	(4,595)
Retained profits	–	(27,214)	53,795	4,020	30,601
	–	(27,789)	(16,121)	–	(43,910)

(c) HKAS 17 "Leases"

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. In prior years, leasehold land and buildings were stated at cost less accumulated depreciation and impairment. In accordance with HKAS 17, the leasehold land and building should be split according to the relative values at the inception of the lease.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) HKAS 17 "Leases" *(Continued)*

With the adoption of HKAS 17, the distinguishable leasehold interest in the land is accounted for as being held under an operating lease and is amortised on a straight line basis over the lease term. If the property held for investment is in the course of development or redevelopment, 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 profit and loss account immediately. Any building held for own use which is situated on such leasehold land continues to be presented as part of the property, plant and equipment and stated at cost less accumulated depreciation and impairment, if any. Further details of the new policies are set out in note 1(p).

The new accounting policy has been adopted retrospectively with the balance of leasehold land reclassified from "other property, plant and equipment" to "interest in leasehold land".

(d) HKAS 16 "Property, Plant and Equipment" and HK Interpretation 2 ("HK-Int 2") "The Appropriate Accounting Policies for Hotel Properties"

The adoptions of HKAS 16 and HK-Int 2 have resulted in a change in accounting policy on depreciation of the Group's hotel properties. In prior years, no depreciation was provided on hotel properties as they were maintained in such condition that their value was not diminished by the passage of time so that any element of depreciation was immaterial. Following the adoption of HKAS 16, the hotel building is depreciated over its estimated useful life and where the hotel properties are located on land held under operating lease, the underlying leasehold land is amortised on a straight line basis over the lease term in accordance with HKAS 17. Further details of the policies are set out in notes 1(h) and (p).

The change has been adopted retrospectively. The adjustments for each account line item affected for the years ended 31 December 2004 and 2005 are set out in notes 2(a) and (b).

(e) HKAS 40 "Investment Property" and HK(SIC) Interpretation 21 ("HK(SIC)-Int 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 changes in fair value in the profit and loss account

In prior years, changes in the fair values of the Group's investment properties were recognised directly in the investment property revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the profit and loss account had reversed, or when an individual investment property was disposed of. In these limited circumstances, changes in the fair value were recognised in the profit and loss account. Following the adoption of HKAS 40, all changes in fair values of the investment properties are recognised directly in the profit and loss account. Further details of the new policy for investment property are set out in note 1(f).

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(e) HKAS 40 "Investment Property" and HK(SIC) Interpretation 21 ("HK(SIC)-Int 21") "Income Taxes – Recovery of Revalued Non-Depreciable Assets" *(Continued)*

(ii) Effect on other property revaluation reserve

The other property revaluation reserve originally arose from the revaluation of investment properties in prior years, before the related investment properties were redeveloped into residential properties for sale. Following the adoption of HKAS 40, such revaluation reserve should have been recognised directly to the profit and loss account as they arose. Accordingly, the other property revaluation reserve at 1 January 2004 and 2005 is adjusted to retained profits.

(iii) Measurement of deferred tax on changes in fair value

In prior years, deferred tax arising from the revaluation of investment properties was calculated on the basis that the properties were held for sale. 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 the disposal.

Following the adoption of HK(SIC)-Int 21, the deferred tax arising from revaluation of the investment properties which the Group has no intention to sell is provided using profits tax rate on the basis that the recovery of the carrying amount of the properties would be through use. Further details of the policy for deferred tax are set out in note 1(o).

All of the above changes in accounting policies have been adopted retrospectively. The adjustments for each account line item affected for the years ended 31 December 2004 and 2005 are set out in notes 2(a) and (b).

(f) HKFRS 3 "Business Combination"

The adoption of HKFRS 3 has resulted in a change in accounting policy for negative goodwill. In prior years, the negative goodwill which arose on acquisition of subsidiaries was included in the other capital reserves. Following the adoption of HKFRS 3, the negative goodwill arising from business combination is recognised immediately in the profit and loss account. Under the transitional provision, the negative goodwill existing at 1 January 2005, which amounted to HK$4,020,000, is derecognised by way of an adjustment to the opening balance of retained profits. No restatement of comparative information has been made.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(g) 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 profit and loss account. With effect from 1 January 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates accounted for using the equity method in the respective shares of profit or loss reported in the consolidated profit and loss account before arriving at the Group's profit or loss before tax. These changes in presentation have been applied retrospectively with comparatives restated as shown in note 2(a).

(h) HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement"

With effect from 1 January 2005, in order to comply with HKAS 32 and HKAS 39, the Group has changed its accounting policies relating to financial instruments to those as set out in notes 1(i), (j), (l), (s) and (t).

In prior years, equity investments held on a continuing basis for an identifiable long term purpose were classified as investment securities and stated at cost less provision. Other investments in non-trading equity securities were stated at fair value with changes in fair value recognised in the securities revaluation reserve.

With effect from 1 January 2005, and in accordance with HKAS 39, all equity securities are classified as available-for-sale equity securities and carried at fair value. Changes in fair value of available-for-sale equity securities are recognised in equity, unless there is objective evidence that an individual investment has been impaired. There is no material adjustment arising from the adoption of the new policy except for the re-designation of non-trading securities as available-for-sale securities at 1 January 2005. Further details of the new policy is set out in note 1(i).

(i) HKAS 24 "Related Party Disclosures"

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

3 SEGMENTAL INFORMATION

Segmental information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue and profit from operations were derived from activities outside Hong Kong.

Inter-segment pricing is based on similar terms as those available to other external parties.

The Group is currently organised into three main operating segments, namely "Property development and investment", "Ferry, shipyard and related operations" and "Travel and hotel operations".

The segmental information for the year about these business segments is presented below:

(a) Segmental revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development and investment	**459,938**	696,980	**134**	–	**459,804**	696,980
Ferry, shipyard and related operations	**147,698**	148,678	**2,175**	1,727	**145,523**	146,951
Travel and hotel operations	**158,342**	163,088	**76**	89	**158,266**	162,999
Others	**68,792**	47,286	**41,059**	42,380	**27,733**	4,906
	834,770	1,056,032	**43,444**	44,196	**791,326**	1,011,836
Analysed by:						
Turnover					**764,129**	993,902
Other revenue					**27,197**	17,934
					791,326	1,011,836

Turnover represents gross income from the sale of properties, sales value of goods delivered to customers, income from services rendered, rental income, interest income and dividend income.

3 SEGMENTAL INFORMATION *(Continued)*

(b) Segmental result

	Segmental result		Elimination of inter-segment transactions		Consolidated result	
	2005	2004 (restated)	**2005**	2004	**2005**	2004 (restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development and investment *(note c)*	**216,250**	323,412	**–**	–	**216,250**	323,412
Ferry, shipyard and related operations *(note d)*	**(12,382)**	(5,064)	**–**	–	**(12,382)**	(5,064)
Travel and hotel operations	**(2,580)**	1,464	**–**	–	**(2,580)**	1,464
Others *(note e)*	**28,160**	19,782	**–**	–	**28,160**	19,782
	229,448	339,594	**–**	–	**229,448**	339,594
Share of results of associates					**(14)**	2,045
Profit before taxation					**229,434**	341,639
Taxation					**13,757**	(13,834)
Profit attributable to shareholders					**243,191**	327,805

(c) The segmental result of the property development and investment operations included revaluation gains on investment properties of HK$22,539,000 (2004 (restated): HK$87,701,000).

(d) In 2004, the segmental result of the ferry, shipyard and related operations included an impairment loss in respect of an oil barge of HK$1,342,000.

(e) The segmental result of "Others" mainly comprises financial income, investment income and corporate expenses.

3 SEGMENTAL INFORMATION *(Continued)*

(f) Segmental balance sheet

	Segmental assets		Inter-segment elimination		Total assets	
	2005	2004 (restated)	**2005**	2004	**2005**	2004 (restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development and investment	**2,064,270**	2,276,265	**–**	–	**2,064,270**	2,276,265
Ferry, shipyard and related operations	**212,269**	210,686	**–**	–	**212,269**	210,686
Travel and hotel operations	**53,642**	54,361	**–**	–	**53,642**	54,361
Others	**1,255,881**	996,338	**–**	–	**1,255,881**	996,338
Total assets	**3,586,062**	3,537,650	**–**	–	**3,586,062**	3,537,650

	Segmental liabilities		Inter-segment elimination		Total liabilities	
	2005	2004 (restated)	**2005**	2004	**2005**	2004 (restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development and investment	**141,624**	256,206	**–**	–	**141,624**	256,206
Ferry, shipyard and related operations	**17,398**	19,796	**–**	–	**17,398**	19,796
Travel and hotel operations	**25,167**	25,016	**–**	–	**25,167**	25,016
Others	**36,885**	29,432	**–**	–	**36,885**	29,432
Total liabilities	**221,074**	330,450	**–**	–	**221,074**	330,450

The "Others" segment mainly comprises financial assets, tax recoverable and payable and deferred tax assets and liabilities.

3 SEGMENTAL INFORMATION *(Continued)*

(g) Other segmental information

	Depreciation and amortisation		Impairment loss		Capital expenditure incurred	
	2005	2004 (restated)	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development and investment	**46**	101	**–**	–	**32,690**	557,015
Ferry, shipyard and related operations	**7,596**	9,164	**–**	1,342	**7,841**	6,016
Travel and hotel operations	**2,331**	2,166	**–**	–	**946**	516
Others	**169**	379	**3,112**	–	**160**	387
	10,142	11,810	**3,112**	1,342	**41,637**	563,934

4 INCOME

	2005	2004 (restated)
	HK$'000	*HK$'000*
Other revenue		
Management fee income	**6,429**	5,219
Rental income	**2,664**	1,984
Other interest income	**17,816**	10,731
Dividend from unlisted investment	**288**	–
	27,197	17,934
Other net income		
Profit on disposal of listed investment	**9**	–
Profit on disposal of unlisted investment	**–**	18,000
Unrealised gains on derivative financial instruments	**6,254**	–
Net profit on disposal of fixed assets	**376**	254
Other ferry income	**264**	264
Commission and rebates	**509**	392
Deposit forfeited	**308**	288
Income from sale of spare parts	**1,023**	2,049
Sundry income	**1,185**	3,484
	9,928	24,731

5 PROFIT BEFORE TAXATION

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

(a) Staff cost:

	2005 HK$'000	2004 HK$'000
Increase in liability for defined benefit scheme *(note 17(a)(ii))*	**1,172**	1,440
Contributions to Mandatory Provident Funds	**2,023**	1,962
Retirement cost	**3,195**	3,402
Salaries, wages and other benefits	**68,512**	69,903
	71,707	73,305

(b) Other items:

	2005 HK$'000	2004 (restated) HK$'000
Amortisation of leasehold land premium	**1,760**	1,760
Depreciation	**8,382**	10,050
Cost of inventories	**286,978**	455,357
Auditors' remuneration		
– audit services	**1,060**	921
– other services	**288**	185
Operating lease charges in respect of		
– premises	**3,103**	3,092
– vessels	**680**	598
Impairment loss of available-for-sale equity securities	**3,112**	–
Rental receivable from investment properties net of outgoings of HK$12,230,000 (2004: HK$9,675,000)	**(438)**	(5,239)
Rental receivable from operating leases, other than those relating to investment properties, net of outgoings	**(2,256)**	(2,138)
Interest income	**(43,538)**	(14,216)
Dividend income from listed investments	**(1,712)**	(1,386)

6 DIRECTORS' REMUNERATION

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

	Directors' fee	
	2005	2004
	HK$'000	*HK$'000*
Executive directors		
Mr. Lam Ko Yin, Colin	**146**	100
Mr. Li Ning	**96**	50
Non-executive directors		
Mr. Au Siu Kee, Alexander	**209**	–
Mr. Lau Yum Chuen, Eddie	**50**	50
Dr. Lee Shau Kee	**50**	50
Mr. Leung Hay Man	**50**	50
Mr. Wong Man Kong, Peter	**50**	50
Independent non-executive directors		
Mr. Ho Hau Chong, Norman	**200**	50
Mr. Kan Yuet Loong, Michael	**246**	50
Mr. Wu King Cheong	**239**	–
Dr. Wu Shu Chih, Alex (deceased on 10 January 2005)	**50**	50
	1,386	500

7 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments is a director of the Company. The emoluments of the five highest paid employees are as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries and other emoluments	**7,497**	6,440
Retirement scheme contributions	**628**	611
	8,125	7,051

7 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS *(Continued)*

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

HK$	**2005** **Number of individuals**	2004 Number of individuals
1,000,000 or below	**–**	1
1,000,001-1,500,000	**3**	3
1,500,001-2,000,000	**1**	–
2,000,001-2,500,000	**1**	1

8 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

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

	2005 **HK$'000**	2004 (restated) HK$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**1,310**	4,900
Under/(over) provision in respect of prior years	**148**	(13)
	1,458	4,887
Deferred tax		
Origination and reversal of temporary differences	**(15,215)**	8,947
	(13,757)	13,834

In 2004, a provision of Hong Kong profits tax in the amount of HK$1,025,000 has been made in the accounts of a subsidiary in respect of its estimated assessable profits for the year notwithstanding that the subsidiary had made a claim for losses in prior years in respect of certain expenditure incurred, which is currently under dispute by the Inland Revenue Department. The directors believe that there are grounds to contest the assessment by taking into account the advice received from professional advisers.

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.

8 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT *(Continued)*

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

	2005	2004 (restated)
	HK$'000	*HK$'000*
Profit before tax	**229,434**	341,639
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**40,011**	59,670
Tax effect of non-deductible expenses	**3,731**	1,273
Tax effect of non-taxable revenue	**(15,868)**	(27,295)
Tax effect of current year's tax losses not recognised	**3,564**	3,770
Tax effect of prior year's unrecognised tax losses utilised this year	**(20,340)**	(23,510)
Tax effect of prior year's tax losses recognised this year	**(24,137)**	–
Under/(over) provision in prior years	**148**	(13)
Over provision in current year	**–**	21
Deferred tax liabilities not recognised in prior years recognised in this year	**(7)**	–
Tax effect of excess of profit on disposal of fixed assets over balancing charge	**(78)**	(170)
Tax effect of temporary differences on fixed assets	**(781)**	88
Actual tax expense	**(13,757)**	13,834

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group's profit attributable to shareholders includes a profit of HK$135,077,000 (2004: HK$657,340,000) which has been dealt with in the accounts of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2005	2004
	HK$'000	*HK$'000*
Amount of consolidated profit attributable to shareholders dealt with in the Company's accounts	**135,077**	657,340
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**19,750**	7,750
Company's profit for the year *(note 25)*	**154,827**	665,090

10 DIVIDENDS

(a) Dividends attributable to the year

	2005 HK$'000	2004 HK$'000
Interim dividend declared and paid of 9 cents per share (2004: 9 cents)	**32,065**	32,065
Final dividend proposed after the balance sheet date of 24 cents per share (2004: 24 cents)	**85,506**	85,506
	117,571	117,571

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

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

	2005 HK$'000	2004 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 24 cents per share (2004: 20 cents)	**85,506**	71,254

11 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on a profit of HK$243,191,000 (2004 (restated): HK$327,805,000) and 356,273,883 (2004: 356,273,883) ordinary shares in issue during the year.

There was no dilutive potential ordinary shares in existence during the years 2004 and 2005.

12 FIXED ASSETS

Group

	Other property, plant and equipment								
	Hotel properties HK$'000	Buildings HK$'000	Ferry vessels and other crafts HK$'000	Machinery, furniture and others HK$'000	Sub-total HK$'000	Investment properties HK$'000	Properties held for development HK$'000	Interest in leasehold land HK$'000	Total HK$'000
Cost or valuation:									
At 1 January 2004 (restated)	63,083	69,095	118,482	266,490	517,150	740,800	–	160,446	1,418,396
Additions	–	791	4,378	1,772	6,941	4,987	550,304	–	562,232
Transfer	–	–	–	–	–	–	214	(362)	(148)
Disposals	–	(367)	(2,915)	(3,943)	(7,225)	(2,988)	–	–	(10,213)
Revaluation surplus	–	–	–	–	–	87,701	–	–	87,701
At 31 December 2004 (restated)	63,083	69,519	119,945	264,319	516,866	830,500	550,518	160,084	2,057,968
Representing:									
Cost	63,083	69,519	119,945	264,319	516,866	–	550,518	160,084	1,227,468
Valuation	–	–	–	–	–	830,500	–	–	830,500
	63,083	69,519	119,945	264,319	516,866	830,500	550,518	160,084	2,057,968
Accumulated amortisation and depreciation:									
At 1 January 2004 (restated)	24,325	48,573	113,635	177,484	364,017	–	–	83,676	447,693
Charge for the year	1,608	1,202	2,159	5,081	10,050	–	–	1,760	11,810
Transfer	–	–	–	–	–	–	–	(148)	(148)
Impairment loss	–	–	1,342	–	1,342	–	–	–	1,342
Written back on disposal	–	(332)	(2,914)	(3,922)	(7,168)	–	–	–	(7,168)
At 31 December 2004 (restated)	25,933	49,443	114,222	178,643	368,241	–	–	85,288	453,529
Net book value:									
At 31 December 2004 (restated)	37,150	20,076	5,723	85,676	148,625	830,500	550,518	74,796	1,604,439

12 FIXED ASSETS *(Continued)*

Group *(Continued)*

	Other property, plant and equipment								
	Hotel properties HK$'000	Buildings HK$'000	Ferry vessels and other crafts HK$'000	Machinery, furniture and others HK$'000	Sub-total HK$'000	Investment properties HK$'000	Properties held for development HK$'000	Interest in leasehold land HK$'000	Total HK$'000
Cost or valuation:									
At 1 January 2005 (restated)	63,083	69,519	119,945	264,319	516,866	830,500	550,518	160,084	2,057,968
Additions	–	418	7,472	1,057	8,947	2,895	23,033	–	34,875
Transfer in	–	–	–	–	–	9,129	–	–	9,129
Transfer out	–	–	–	–	–	(169,000)	(573,551)	–	(742,551)
Disposals	–	(334)	(4,683)	(1,092)	(6,109)	(3,763)	–	–	(9,872)
Revaluation surplus	–	–	–	–	–	22,539	–	–	22,539
At 31 December 2005	63,083	69,603	122,734	264,284	519,704	692,300	–	160,084	1,372,088
Representing:									
Cost	63,083	69,603	122,734	264,284	519,704	–	–	160,084	679,788
Valuation	–	–	–	–	–	692,300	–	–	692,300
	63,083	69,603	122,734	264,284	519,704	692,300	–	160,084	1,372,088
Accumulated amortisation and depreciation:									
At 1 January 2005 (restated)	25,933	49,443	114,222	178,643	368,241	–	–	85,288	453,529
Charge for the year	1,607	1,189	1,533	4,053	8,382	–	–	1,760	10,142
Written back on disposal	–	(177)	(4,683)	(1,069)	(5,929)	–	–	–	(5,929)
At 31 December 2005	27,540	50,455	111,072	181,627	370,694	–	–	87,048	457,742
Net book value:									
At 31 December 2005	35,543	19,148	11,662	82,657	149,010	692,300	–	73,036	914,346

12 FIXED ASSETS *(Continued)*

Company

	Buildings	Interest in leasehold land	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 January 2004	43	420	463
Additions	–	399,926	399,926
Transfer to subsidiary	(16)	(400,288)	(400,304)
At 31 December 2004	27	58	85
Accumulated amortisation and depreciation:			
At 1 January 2004	43	154	197
Charge for the year	–	5	5
Transfer to subsidiary	(16)	(149)	(165)
At 31 December 2004	27	10	37
Net book value:			
At 31 December 2004	–	48	48
Cost:			
At 1 January 2005	27	58	85
Transfer to subsidiary	(27)	(58)	(85)
At 31 December 2005	–	–	–
Accumulated amortisation and depreciation:			
At 1 January 2005	27	10	37
Charge for the year	–	1	1
Transfer to subsidiary	(27)	(11)	(38)
At 31 December 2005	–	–	–
Net book value:			
At 31 December 2005	–	–	–

12 FIXED ASSETS *(Continued)*

(a) Investment properties held by the Group were revalued by a firm of registered professional surveyors, DTZ Debenham Tie Leung Limited, at HK$692,300,000 as at 31 December 2005 (2004: HK$830,500,000) on an open market value basis calculated by reference to net rental income allowing for reversionary income potential.

(b) The analysis of the net book value of all the properties, which are held in Hong Kong, is as follows:

Group

	2005		2004	
	Fixed assets	**Completed properties held for sale**	Fixed assets (restated)	Completed properties held for sale
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Medium term lease	**820,027**	**208,013**	1,513,040	424,518

Company

	Fixed assets	
	2005	2004
	HK$'000	*HK$'000*
Medium term lease	**–**	48

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one month to three years. Certain of the leases include contingent rentals calculated with reference to the revenue of tenants.

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

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

	2005	2004
	HK$'000	*HK$'000*
Within 1 year	**16,136**	16,038
After 1 year but within 5 years	**10,076**	22,833
	26,212	38,871

13 PROPERTIES UNDER DEVELOPMENT

	Group	
	2005	2004
	HK$'000	*HK$'000*
At 1 January	**85,259**	76,508
Additions	**40,165**	8,751
Transfer in	**733,422**	–
At 31 December	**858,846**	85,259
Analysis of properties under development:		
For sale *(note 18(a))*	**805,872**	68,685
For investment	**52,974**	16,574
	858,846	85,259

The above properties are situated in Hong Kong and held under medium-term to long-term leases.

All of the properties under development except for HK$762,142,000 (2004: HK$85,259,000) are expected to be recovered within one year.

14 INTEREST IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**166,888**	166,888
Amounts due from subsidiaries	**5,124,370**	5,244,845
Less: Impairment loss	**(1,443,077)**	(1,578,221)
	3,848,181	3,833,512

14 INTEREST IN SUBSIDIARIES *(Continued)*

Details of principal subsidiaries, which materially affect the results or assets of the Group, are as follows:

	Ordinary share capital			
	Issued *HK$*	**% held by the Company**	**% held by subsidiaries**	**Principal activities**
HYFCO Development Company Limited	12,000,030	100	–	Property investment
The Hong Kong Shipyard Limited	17,000,000	100	–	Shipbuilding and repairs
HYFCO Trading and Investments Company Limited	2	100	–	Trading
HYFCO Estate Management & Agency Limited	25,000,000	100	–	Property management
HYFCO Properties Limited	21,700,000	100	–	Hotel investment
HYFCO Travel Agency Limited	3,500,000	100	–	Travel business
The Hongkong and Yaumati Ferry Company Limited	100,000,000	100	–	Ferry operations
Fine Time Development Limited	2	100	–	Property investment
Galaxy Hotel Management Company Limited	1,350,000	–	100	Floating restaurant business
Genius Star Development Limited	2	100	–	Property investment

14 INTEREST IN SUBSIDIARIES *(Continued)*

	Ordinary share capital			
	Issued	% held by the Company	% held by subsidiaries	Principal activities
	HK$			
Pico International Limited	6,000,000	100	–	Investment holding
Hong Kong Ferry Finance Company Limited	2	100	–	Group financing
Thommen Limited	20	100	–	Investment holding
Lenfield Limited	2	100	–	Property development
HKF Property Investment Limited	2	100	–	Property investment
Join Galaxy Limited	2	–	100	Property investment
Henfield Enterprises Limited	390,000	100	–	Investment holding

All the subsidiaries listed above are incorporated in Hong Kong except for Henfield Enterprises Limited which is incorporated in the British Virgin Islands.

Except for HYFCO Travel Agency Limited which operates outbound tours in the Mainland China and Macau, all the other subsidiaries operate in Hong Kong.

15 INTEREST IN ASSOCIATES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**–**	3
Share of net assets	**2,650**	2,974	**–**	–
Amounts due from associates	**162,542**	222,218	**9,372**	9,443
	165,192	225,192	**9,372**	9,446
Less: Provision	**(6,470)**	(6,470)	**(6,470)**	(6,470)
	158,722	218,722	**2,902**	2,976

Except for the amount advanced to 2OK Company Limited is interest bearing, as disclosed in note 29, all other amounts due from associates are unsecured, interest free and have no fixed repayment terms.

All of the associates are incorporated and operate in Hong Kong.

Other particulars of the associates are as follows:

	% of equity interest held by		
	The Company	**Subsidiaries**	**Principal activities**
2OK Company Limited	–	50	Property financing
Authian Estates Limited	–	50	Property investment
Celelight Company Limited (disposed during the year)	33.34	–	Trading of fuel oil

Summary financial information on associates

	Assets	**Liabilities**	**Revenue**	**Profit/(loss)**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
2005				
100 per cent	314,782	(322,422)	52,728	(157)
Group's effective interest	157,391	(161,211)	21,222	(14)
2004				
100 per cent	447,054	(453,303)	110,958	4,376
Group's effective interest	221,617	(225,013)	39,975	2,045

16 OTHER NON-CURRENT ASSETS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current financial assets	**136,918**	66,209	**114**	114
Employee benefits *(note 17 (a))*	**5,984**	5,163	**4,598**	3,500
	142,902	71,372	**4,712**	3,614
Non-current financial assets comprises:				
Available-for-sale equity securities (2004: Non-trading securities)				
Unlisted shares	**114**	114	**114**	114
Listed shares				
– in Hong Kong	**136,354**	65,642	**–**	–
– outside Hong Kong	**450**	453	**–**	–
	136,804	66,095	**–**	–
	136,918	66,209	**114**	114
Market value of listed shares at 31 December	**136,804**	66,095	**–**	–

17 EMPLOYEE BENEFITS

(a) Defined benefit retirement plan

The Group makes contribution to a defined benefit retirement scheme which covers about 23.7% of the Group's employees. The scheme is administered by independent trustees with their assets held separately from those of the Group.

The scheme is funded by contributions from the Group in accordance with an independent actuary's recommendations based on annual actuarial valuations. The latest independent valuation of the scheme was at 31 December 2005 and was prepared by qualified staff of Watson Wyatt Hong Kong Limited, who are members of recognised actuarial bodies, using the projected unit credit method. The actuarial valuation indicates that the Group's obligations under the defined benefit retirement scheme were fully covered by the plan assets held by the trustees.

(i) The amounts recognised in the balance sheets are as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Present value of wholly or partly funded obligations	**(34,818)**	(36,077)	**(30,888)**	(32,054)
Fair value of plan assets	**56,575**	41,070	**50,889**	36,652
Net unrecognised actuarial (gains)/losses	**(15,773)**	170	**(15,403)**	(1,098)
	5,984	5,163	**4,598**	3,500

The plan assets do not include any share issued by the Company or any property occupied by the Group.

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

17 EMPLOYEE BENEFITS *(Continued)*

(a) Defined benefit retirement plan *(Continued)*

(ii) Movements in the net assets recognised in the balance sheets are as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**5,163**	4,436	**3,500**	2,834
Contributions paid to the scheme	**1,993**	2,167	**1,749**	1,890
Expense recognised in the profit and loss account *(note 5(a))*	**(1,172)**	(1,440)	**(651)**	(1,224)
At 31 December	**5,984**	5,163	**4,598**	3,500

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

	2005	2004
	HK$'000	*HK$'000*
Current service cost	**1,883**	1,754
Interest cost	**1,421**	1,529
Expected return on plan assets	**(2,078)**	(1,839)
Net actuarial losses recognised in the year	**70**	39
Gains on curtailment and settlements	**(124)**	(43)
	1,172	1,440

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

	2005	2004
	HK$'000	*HK$'000*
Administrative expenses	**1,094**	1,362
Other operating expenses	**78**	78
	1,172	1,440
Actual return on plan assets	**17,154**	4,072

17 EMPLOYEE BENEFITS *(Continued)*

(a) Defined benefit retirement plan *(Continued)*

(iv) The principal actuarial assumptions used as at 31 December 2005 are as follows:

	2005	2004
Discount rate at 31 December	**4.5%**	4%
Expected rate of return on plan assets	**5%**	5%
Future salary increases		
– 2005	**–**	1%
– 2006	**2%**	2%
– 2007 and onwards	**3%**	3%

(b) Defined contribution retirement plan

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not covered by the defined benefit retirement scheme. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employers and their employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employees' contribution subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF Scheme vest immediately.

18 INVENTORIES

(a) Inventories in the balance sheet comprise:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Property development		
Properties under development – held for sale *(note 13)*	**805,872**	68,685
Completed properties held for sale *(note 12(b))*	**208,013**	424,518
	1,013,885	493,203
Other operations		
Trading stocks	**1,046**	934
Spare parts and consumables	**2,203**	2,002
Work in progress	**3,254**	1,992
	6,503	4,928
	1,020,388	498,131

The amount of spare parts and consumables carried at net realisable value is HK$1,580,000 (2004: HK$1,580,000).

(b) The analysis of the amount of inventories recognised as expense is as follows:

	2005	2004
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**286,963**	455,357
Write down of inventories	**15**	–
	286,978	455,357

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade debtors	**122,502**	177,490	**–**	–
Other debtors and prepayments	**32,877**	21,167	**1,705**	1,243
Derivative financial instruments	**70,493**	–	**–**	–
	225,872	198,657	**1,705**	1,243

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

Included in trade and other receivables are trade debtors (excluding retention money recoverable of HK$11,165,000 (2004: HK$11,167,000) and net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Current	**106,445**	161,667
1 to 3 months overdue	**3,699**	3,467
More than 3 months overdue but less than 12 months overdue	**1,101**	1,089
More than 12 months overdue	**92**	100
	111,337	166,323

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

Included in trade and other receivables are the following amounts denominated in a currency other than Hong Kong Dollars:

	Group	
	2005	2004
	'000	*'000*
United State Dollars	**6,655**	–
Australian Dollars	**3,319**	–

19 TRADE AND OTHER RECEIVABLES *(Continued)*

Derivative financial instrument

At 31 December 2005, the Group's derivative financial instruments comprised three equity-linked notes (the "Notes") with different maturity dates in year 2007. The Notes will be settled either by cash or by delivery of the underlying shares depending on the market prices of the underlying shares at maturity date. Two of the Notes will be early redeemed when the market prices of the underlying shares rise to pre-determined price levels at the respective coupon determination dates as stipulated in the agreements.

20 CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits with banks and other financial institutions	**1,002,188**	910,241	**–**	–
Cash at bank and in hand	**39,044**	11,476	**754**	567
Cash and cash equivalents in the balance sheet	**1,041,232**	921,717	**754**	567
Bank overdraft *(note 21)*	**(309)**	(149)		
Cash and cash equivalents in the cash flow statement	**1,040,923**	921,568		

21 BANK OVERDRAFT

At 31 December 2005, unsecured bank overdraft is repayable as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within 1 year or on demand	**309**	149

22 TRADE AND OTHER PAYABLES

All of the trade and other payables except for HK$2,797,000 (2004: HK$170,000), being retention money payable, are expected to be settled within one year.

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Due within 1 month or on demand	**119,275**	226,016
Due after 3 months but within 6 months	**–**	297
Due after 12 months	**2,797**	170
	122,072	226,483

23 INCOME TAX IN THE BALANCE SHEETS

(a) Tax recoverable in the balance sheet represents:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Provision for Hong Kong profits tax for the year	**226**	–
Provisional profits tax paid	**(666)**	(151)
	(440)	(151)
Balance of profits tax recoverable relating to prior years	**(1,671)**	(1,561)
	(2,111)	(1,712)

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

(b) Tax payable in the balance sheet represents:

	Group 2005 HK$'000	2004 HK$'000
Provision for Hong Kong profits tax for the year	**1,084**	4,900
Provisional profits tax paid	**–**	(329)
	1,084	4,571
Balance of profits tax provision relating to prior years	**10,497**	6,323
	11,581	10,894

(c) Deferred tax assets and liabilities recognised:

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

Group

	Temporary differences arising from fixed assets HK$'000	Future benefit of tax losses HK$'000	Intra-group interest capitalised in properties under development HK$'000	Total HK$'000
Deferred tax arising from:				
At 1 January 2004 (restated)	14,254	(7,185)	(11,533)	(4,464)
Charged/(credited) to the consolidated profit and loss account *(note 8(a))* (restated)	7,052	(3,312)	5,207	8,947
At 31 December 2004 (restated)	21,306	(10,497)	(6,326)	4,483
At 1 January 2005 (restated)	**21,306**	**(10,497)**	**(6,326)**	**4,483**
Charged/(credited) to the consolidated profit and loss account *(note 8(a))*	**4,031**	**(22,194)**	**2,948**	**(15,215)**
At 31 December 2005	**25,337**	**(32,691)**	**(3,378)**	**(10,732)**

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

(c) Deferred tax assets and liabilities recognised: *(Continued)*

	2005	2004 (restated)
	HK$'000	HK$'000
Represented by:		
Net deferred tax assets recognised on the balance sheet	(27,515)	(6,326)
Net deferred tax liabilities recognised on the balance sheet	16,783	10,809
	(10,732)	4,483

(d) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of deductible temporary differences and tax losses as the management are uncertain whether sufficient taxable profit will be available against which deductible temporary differences and the tax losses can be utilised. The deductible temporary differences and tax losses do not expire under current tax legislation.

	2005		2004	
	Deductible temporary difference/ tax loss	Deferred tax asset	Deductible temporary difference/ tax loss (restated)	Deferred tax asset (restated)
	HK$'000	HK$'000	HK$'000	HK$'000
(i) Excess of tax written down values over accounting carrying values of certain fixed assets	280,314	49,055	302,211	52,887
(ii) Tax losses	624,489	109,286	844,156	147,727
	904,803	158,341	1,146,367	200,614

24 SHARE CAPITAL

	Number of shares 2005	Number of shares 2004	Nominal value 2005 HK$'000	Nominal value 2004 HK$'000
Authorised:				
Ordinary shares of HK$1 each	**550,000,000**	550,000,000	**550,000**	550,000
Issued and fully paid:				
Ordinary shares of HK$1 each	**356,273,883**	356,273,883	**356,274**	356,274

There was no movement in share capital during the years 2004 and 2005.

25 RESERVES

Group

	Note	Share premium HK$'000	Other property revaluation reserve HK$'000	Investment property revaluation reserve HK$'000	Securities revaluation reserve HK$'000	Other capital reserves HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2004								
– as previously reported		1,398,527	146,264	–	8,667	5,576	1,090,478	2,649,512
– prior years adjustments in respect of:								
– HKAS 16 & 17	2(d)	–	–	–	–	(527)	(24,026)	(24,553)
– HKAS 40	2(e)	–	(146,264)	–	–	–	139,195	(7,069)
– as restated		1,398,527	–	–	8,667	5,049	1,205,647	2,617,890
Dividend approved in respect of the previous financial year		–	–	–	–	–	(71,254)	(71,254)
Revaluation surplus		–	–	–	14,406	–	–	14,406
Realisation of revaluation reserve		–	–	–	(5,840)	–	–	(5,840)
Realisation of inter-company profits		–	–	–	–	(16)	–	(16)
Profit for the year		–	–	–	–	–	327,805	327,805
Interim dividend paid		–	–	–	–	–	(32,065)	(32,065)
At 31 December 2004 (as restated)		1,398,527	–	–	17,233	5,033	1,430,133	2,850,926

25 RESERVES *(Continued)*

Group *(Continued)*

	Note	Share premium HK$'000	Other property revaluation reserve HK$'000	Investment property revaluation reserve HK$'000	Securities revaluation reserve HK$'000	Other capital reserves HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2005								
– as previously reported		1,398,527	75,609	10,728	17,233	5,584	1,380,225	2,887,906
– prior years adjustments in respect of:								
– HKAS 16 & 17	2(d)	–	–	–	–	(551)	(25,620)	(26,171)
– HKAS 40	2(e)	–	(75,609)	(10,728)	–	–	75,528	(10,809)
– as restated, before opening balance adjustments		1,398,527	–	–	17,233	5,033	1,430,133	2,850,926
HKFRS 3	2(f)	–	–	–	–	(4,020)	4,020	–
– as restated, after opening balance adjustments, carried forward		1,398,527	–	–	17,233	1,013	1,434,153	2,850,926
Dividend approved in respect of the previous financial year		–	–	–	–	–	(85,506)	(85,506)
Revaluation surplus		–	–	–	29,089	–	–	29,089
Realisation of revaluation reserve		–	–	–	(9)	–	–	(9)
Realisation of inter-company profits		–	–	–	–	(24)	–	(24)
Impairment transfer to profit and loss		–	–	–	3,112	–	–	3,112
Profit for the year		–	–	–	–	–	243,191	243,191
Interim dividend paid		–	–	–	–	–	(32,065)	(32,065)
At 31 December 2005		1,398,527	–	–	49,425	989	1,559,773	3,008,714

25 RESERVES *(Continued)*

Company

	Share premium *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2004	1,398,527	1,460,807	2,859,334
Dividend approved in respect of the previous financial year	–	(71,254)	(71,254)
Profit for the year	–	665,090	665,090
Interim dividend paid	–	(32,065)	(32,065)
At 31 December 2004	1,398,527	2,022,578	3,421,105
At 1 January 2005	**1,398,527**	**2,022,578**	**3,421,105**
Dividend approved in respect of the previous financial year	**–**	**(85,506)**	**(85,506)**
Profit for the year	**–**	**154,827**	**154,827**
Interim dividend paid	**–**	**(32,065)**	**(32,065)**
At 31 December 2005	**1,398,527**	**2,059,834**	**3,458,361**

The distributable reserves of the Company at 31 December 2005 amounted to HK$1,118,153,000 (2004: HK$983,903,000), representing part of its retained profits at that date. The Company's other reserves are not distributable. After the balance sheet date the directors proposed a final dividend of 24 cents per share (2004: 24 cents), amounting to HK$85,506,000 (2004: HK$85,506,000). This dividend has not been recognised as a liability at the balance sheet date.

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

Securities revaluation reserve has been set up and dealt with in accordance with the accounting policies adopted for the revaluation of securities (see note 1).

Included in the retained profits of the Group is a loss of HK$3,825,000 (2004: HK$3,504,000), being the accumulated losses attributable to associates.

26 OPERATING LEASE COMMITMENTS

The Group leases a number of retail outlets, offices and vessels under operating leases. The leases typically run for an initial period of two years. Lease payments are usually fixed during the period of the leases. None of the leases includes contingent rentals.

The total future lease payments under non-cancellable operating leases are payable as follows:

	2005	2004
	HK$'000	*HK$'000*
Within 1 year	**3,634**	3,063
After 1 but within 5 years	**1,718**	1,947
	5,352	5,010

27 CAPITAL AND OTHER COMMITMENTS

Capital and other commitments outstanding at 31 December 2005 not provided for in the Group's accounts are as follows:

	2005	2004
	HK$'000	*HK$'000*
Contracted for	**32,385**	69,721
Authorised but not contracted for	**440,717**	453,742
	473,102	523,463

28 CONTINGENT LIABILITIES

At 31 December 2005, there were contingent liabilities in respect of the following:

A statement of claim was filed at the High Court of Hong Kong by the Secretary for Justice, representing the Hong Kong Government, against The Hongkong and Yaumati Ferry Company Limited ("HYF"), a wholly-owned subsidiary of the Company, and the Company in November 1999. The claim was for the sum of approximately HK$76 million and other extra expenses in respect of a dispute over the reimbursement of certain costs incurred by the Hong Kong Government on the implementation of certain piling design to cater for the proposed redevelopment of the re-provided ferry piers in Central into new commercial and residential premises, which proposed redevelopment was not pursued due to high premium requested by the Government Lands Department. Based on legal advice, the Group is contesting this claim. The directors are of the opinion that there are grounds for HYF and the Company to resist the claim.

In addition, HYF and the Company made a counterclaim against the Government for the sum of approximately HK$284 million, being costs relating to the redevelopment of the Central piers. Therefore, except for legal costs which were incurred and charged to the profit and loss account, no provision for the claim or related legal cost to be incurred has been made in the accounts.

29 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to certain of the Company's directors and the highest paid employees as disclosed in note 6 and note 7 respectively, is as follows:

	2005	2004
	HK$'000	*HK$'000*
Short-term employee benefits	**8,614**	7,338
Post-employment benefits	**684**	696
	9,298	8,034

Total remuneration is included in "staff costs" (see note 5(a)).

29 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

(b) Other material related party and connected transactions

(i) In 1998, the Group appointed a wholly-owned subsidiary of Henderson Land Development Company Limited ("HL") as the development and sales manager (the "Project Manager") for the redevelopment of the Kowloon Inland Lot No. 11127 (the "Property") in consideration for a fee equivalent to the aggregate of 1% of the construction cost and 0.5% of the gross proceeds of sale of the residential portion of the redevelopment. During the year, a total fee of HK$1,349,000 (2004: HK$2,212,000) was charged to the Group. As at 31 December 2005, an amount of HK$18,000,000 (2004: HK$18,000,000) payable to the Project Manager was included in trade and other payables.

In 1999, the Group entered into a development agreement (the "Agreement") with HL and two wholly-owned subsidiaries of HL ("HL Sub"), whereby HL Sub acquired the right to 50% of any proceeds from the future sale of the residential portion of the redevelopment for a consideration of HK$1,500,000,000.

As part of the Agreement, HL Sub agreed to reimburse the Group 50% of its development expenditures relating to the residential portion of the Property. An amount of HK$2,926,000 (2004: HK$Nil) is charged to and recoverable from HL Sub in this regard for the year ended 31 December 2005. As at 31 December 2005, an amount of HK$38,800,000 (2004: HK$85,190,000) remained unpaid and was included in trade and other receivables.

(ii) The Group also engaged another wholly-owned subsidiary of HL as the main contractor for a fee of 5% on all works relating to the redevelopment of the Property. An amount of HK$310,000 (2004: HK$Nil) was charged to the Group for the year. In accordance with the prime cost contract entered into with the Group, an amount of HK$6,508,000 (2004: HK$Nil) was charged by the main contractor during the year for the superstructure work of the development. As at 31 December 2005, an amount of HK$65,197,000 (2004: HK$175,282,000) remained unpaid and was included in trade and other payables.

(iii) In December 2001, a wholly-owned subsidiary of the Company, acquired 50% equity interest in 2OK Company Limited ("2OK") which was set up to provide mortgage loans to the residential unit buyers of Metro Harbour View. HL through its subsidiaries beneficially owned the remaining 50% equity interest in 2OK as at 31 December 2005. During the year, the Group received management and administrative fees in the total of HK$743,000 (2004: HK$495,000) from 2OK. The Group and HL Sub have made advances to 2OK to finance the latter's mortgage operation and interest was charged on amounts advanced. During the year, the Group received interest amounting to HK$9,901,000 (2004: HK$4,586,000) from 2OK. As at 31 December 2005, the amount advanced by the Group totalling HK$152,670,000 (2004: HK$212,275,000) is in proportion to the Group's equity interest in 2OK and is unsecured and has no fixed repayment terms.

29 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

(b) Other material related party and connected transactions *(Continued)*

(iv) In December 2002, the Group appointed the Project Manager as the leasing and promotion agent of the commercial arcade of the Property for an initial term of two years at the remuneration of 5% of the monthly rental income from the commercial arcade of the Property and such agreement shall thereafter be renewable on the same terms from year to year until terminated by either party by giving three months' prior notice in writing (the "Ongoing Connected Transaction"). An amount of HK$483,000 (2004: HK$312,000) was charged to the Group for the year. At 31 December 2005, an amount of HK$223,000 (2004: HK$238,000) remained unpaid and was included in trade and other payables.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granted a conditional waiver to the Company in January 2003 from strict compliance with the disclosure requirements under Chapter 14 of the Listing Rules prevailing at the time in connection with the Ongoing Connected Transaction on each occasion they arise.

With the introduction of the new Chapter 14A of the Listing Rules in relation to connected transaction, the aforementioned Ongoing Connected Transaction fall under "Continuing Connected Transaction" pursuant to the new rules. As the aforementioned agreement was renewable on the yearly basis until terminated by either party, the Company had monitored the receipt of the funds during the year and confirm that this Continuing Connected Transaction was on commercial terms where

1. each of the percentage ratios (other than the profits ratio) is on an annual basis less than 0.1%; or

2. each of the percentage ratios (other than the profits ratio) is on an annual basis equal to or more than 0.1% but less than 2.5% and the annual consideration is less than HK$1,000,000.

During the year, this Continuing Connected Transaction is exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

The independent non-executive directors of the Company have reviewed and confirmed that the Continuing Connected Transactions have been entered into by the Group in accordance with the requirements of Rule 14A.37 of the Listing Rules.

The auditors of the Company have also confirmed that the Continuing Connected Transactions have been conducted in the manner pursuant to Rule 14A.38 of the Listing Rules.

29 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

(b) Other material related party and connected transactions *(Continued)*

(v) In September 2004, the Group appointed the Project Manager as the project and sales manager for the development of Nos. 43, 45, 47, 49, 51 and 51A Tong Mi Road, Kowloon, Hong Kong (the "TMR Property") in consideration for a fee equivalent to the aggregate of 1% of the construction cost, 0.5% of the gross proceeds of sale of the residential portion of the TMR Property (but excluding those sale effected by a third party sales agent) and other lump sum fees for supplementary services, subject to a total ceiling of HK$2,752,000. During the year, a total fee of HK$664,000 (2004: HK$782,000) was charged to the Group. At 31 December 2005, an amount of HK$621,000 (2004: HK$782,000) remained unpaid and was included in trade and other payables.

(vi) In September 2004, the Group also appointed another wholly-owned subsidiary of HL as the main contractor for a fee of 5% on all works relating to the development of the TMR Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to a total ceiling of HK$14,100,000. In accordance with the contract entered into with the Group, an amount of HK$32,311,000 (2004: HK$1,706,000), of which HK$6,646,000 (2004: HK$648,000) being cost of work carried out by the main contractor or the connected persons (as defined in the Listing Rules) of the Company and HK$1,539,000 (2004: HK$81,000) being the 5% fee, was charged by the main contractor during the year for the superstructure work of the development of the TMR Property. At 31 December 2005, an amount of HK$9,382,000 (2004: HK$1,706,000) remained unpaid and was included in trade and other payables.

As at 31 December 2005, HL through its subsidiaries beneficially owned 73.48% of the entire issued share capital of Henderson Investment Limited, a substantial shareholder (as defined in the Listing Rules) of the Company.

Dr. Lee Shau Kee, a director of the Company, is interested in the above transactions as a substantial shareholder of HL.

To the extent the above transactions constituted connected transactions as defined in the Listing Rules, the Group had complied with relevant requirements under Chapter 14 of the Listing Rules or, on and after 31 March 2004, Chapter 14A of the Listing Rules.

30 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity 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

The Group's credit risk is primarily attributable to trade and other receivables and derivative financial instruments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on customers requiring credit over a certain amount. These receivables are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Transactions involving derivative financial instruments are dealing with counterparties with sound credit ratings. Given their high credit ratings, management does not expect any investment counterparties to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheets. The Group does not provide any guarantees to third parties which would expose the Group to credit risk.

(b) Liquidity risk

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

(c) Currency risk

The Group has no significant exposure to foreign currency risk given its large asset base and operational cash flow primarily denominated in Hong Kong Dollars.

30 FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2004 and 2005 except as follows:

		2005		2004	
	Note	**Carrying amount *HK$'000***	**Fair value *HK$'000***	Carrying amount *HK$'000*	Fair value *HK$'000*
Group					
Amounts due from associates	*(1)*	**3,402**	**–**	3,473	–
Available-for-sale equity securities (2004: Non-trading securities) – unlisted	*(2)*	**114**	**–**	114	–
Company					
Amounts due from associates	*(1)*	**2,902**	**–**	2,973	–
Available-for-sale equity securities (2004: Non-trading securities) – unlisted	*(2)*	**114**	**–**	114	–

Notes:

(1) The amounts due from associates (except for HK$152,670,000 (2004: HK$212,275,000) due from 2OK Company Limited) are unsecured, interest free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

(2) These investments do not have a quoted market price in an active market and whose fair value cannot be realiably measured. They are recognised at cost less impairment losses.

30 FINANCIAL INSTRUMENTS *(Continued)*

(e) Estimation of fair values

The following summaries the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Listed equity securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Derivative financial instruments

Fair value is based on the pricing model using the market closing prices of the underlying stocks and/or index, the volatilities, correlations and interest rate at the balance sheet date.

31 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.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The Group has not early adopted the following applicable amendments, new standards and interpretations that have been issued but are not yet effective for the accounting period ended 31 December 2005.

		Note
HKAS 1 (Amendment)	Capital disclosure	*(1)*
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures	*(2)*
HKFRS 7	Financial instruments: disclosures	*(1)*
HK (IFRIC) – INT 4	Determining whether an arrangement contains a lease	*(2)*

Notes:

(1) Effective for accounting period beginning on or after 1 January 2007.

(2) Effective for accounting period beginning on or after 1 January 2006.

The Group is in the process of making an assessment of the impact of these amendments, new standards and interpretations but is not yet in a position to state whether the adoption would have a significant impact on its results of operations and financial position.

Five Years' Summary of Assets and Liabilities

Year	2001	2002	2003	2004 (restated)	**2005**
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	***HK$ Million***
Fixed assets and interest in leasehold land	507	413	995	1,605	**914**
Interest in associates	4	185	228	219	**159**
Properties under development	2,071	1,538	77	85	**859**
Investments	45	49	102	71	**213**
Deferred tax assets	–	18	12	6	**28**
Current assets	517	1,609	2,010	1,552	**1,413**
Total assets	3,144	3,812	3,424	3,538	**3,586**
Liabilities	232	752	418	331	**221**
Net assets employed	2,912	3,060	3,006	3,207	**3,365**

Note:

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 is provided in note 2 on the accounts. Figures for 2004 and 2005 have been adjusted for these new and revised policies in accordance with the transitional provisions and as disclosed in note 2 on the accounts. Figures for 2003 and prior years have not been restated as management consider it would be impracticable to do so.

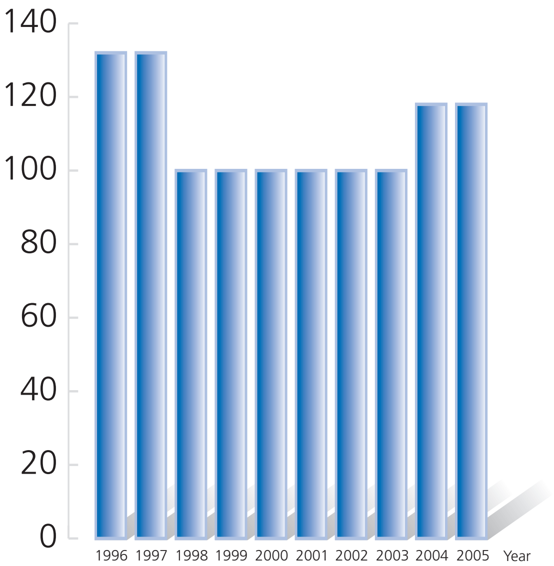
Ten Years' Financial Summary

Year		1996	1997	1998	1999	2000	2001	2002	2003	2004 (restated)	**2005**
Turnover	*HK$M*	1,280	1,094	964	889	777	1,403	1,345	1,041	994	**764**
Profit/(loss) attributable to shareholders	*HK$M*	151	152	(275)	121	127	282	341	265	328	**243**
Dividends	*HK$M*	132	132	100	100	100	100	100	100	118	**118**
Shareholders' funds	*HK$M*	4,357	4,181	3,139	3,118	3,016	2,912	3,060	3,006	3,207	**3,365**
Basic earnings/(loss) per share	*Cent*	42.3	42.7	(77.2)	34.0	35.5	79.1	95.8	74.3	92.0	**68.3**
Dividend per share	*Cent*	37.0	37.0	28.0	28.0	28.0	28.0	28.0	28.0	33.0	**33.0**
Dividend cover	*Times*	1.1	1.2	–	1.2	1.3	2.8	3.4	2.6	2.8	**2.1**
Return/(loss) on equity	*%*	3.5	3.6	(8.8)	3.9	4.2	9.7	11.1	8.8	10.2	**7.2**
Net assets per share	*HK$*	12.2	11.7	8.8	8.8	8.5	8.2	8.6	8.4	9.0	**9.4**

Ten Years' Financial Summary (Continued)

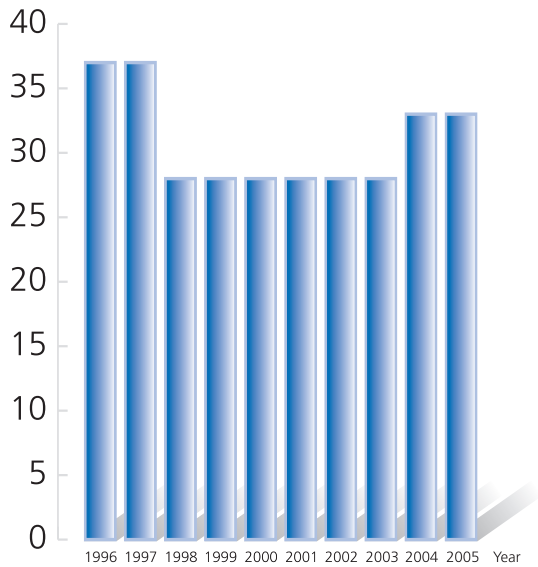
Dividends

$ Million



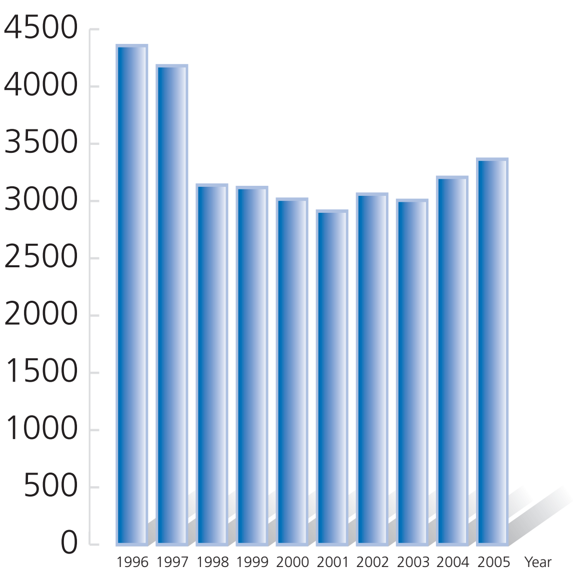
Dividend Per Share

Cent



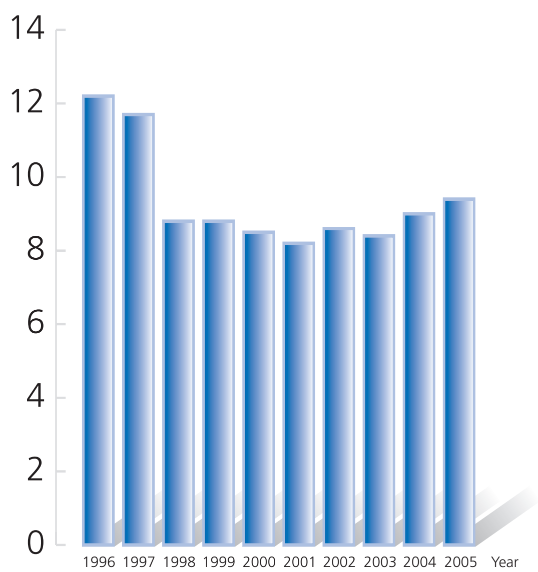
Shareholders' Funds

$ Million



Net Assets Per Share

Dollar



Group Properties

as at 31 December 2005

1. PROPERTIES UNDER DEVELOPMENT

Location	Lot No.	Site area (sq.m.)	Gross floor area (sq.m.)	Group's interest (%)	Intended use
43-51A Tong Mi Road Tai Kok Tsui	KIL 4281	558.34	4,974	100	Commercial and residential
222 Tai Kok Tsui Road	KIL 11159	3,358	30,217	100	Commercial and residential
6 Cho Yuen Street Yau Tong	Yau Tong Inland Lot No. 38	2,329	15,407	100	Commercial and residential

2. PROPERTIES HELD FOR SALE

Location	Lot No.	Gross floor area (sq.m.)	Group's interest (%)	Existing use
Metro Harbour View 8 Fuk Lee Street Tai Kok Tsui	KIL 11127 RP	15,767*	100**	Residential

3. PROPERTIES HELD FOR INVESTMENT

Location	Lot No.	Gross floor area (sq.m.)	Lease expiry (year)	Existing use
Metro Harbour Plaza 8 Fuk Lee Street Tai Kok Tsui	KIL 11127 RP	23,549	2047	Commercial arcade
Leyburn Villa Cheung Sha	DD 332, Lot No. 695	405	2047	Residential
20 Tin Dai Yan Road Chung Uk Tsuen Hung Shui Kiu	Lot Nos. 3039A, 3039RP & 3042 in DD 124 Hung Shui Kiu	1,912	2047	Godown

as at 31 December 2005

4. OTHER PROPERTIES

Location	Lot No.	Site area *(sq.m.)*	Lease expiry *(year)*	Group's interest *(%)*	Description
98 Tam Kon Shan Road Ngau Kok Wan North Tsing Yi	Tsing Yi Town Lot No. 102	19,740	2047	100	Shipyard and office
Mui Wo	DD 2 Lot No. 648	7,544	2047	100	Hotel
Mui Wo	DD 2 Lot Nos. 614 RP, 619 Sec. B, C and RP	4,233	2047	100	Agricultural land
Mui Wo	DD 2 Lot Nos. 431-487, 569 and 635-637	28,606	2047	50	Agricultural land
Mui Wo	DD 2 Lot Nos 498-499, and 588-591	849	2047	100	Agricultural land

* *The area represents gross floor area of unsold units as at 31 December 2005.*

** *Pursuant to the Agreement as mentioned in note 29 on the accounts, 50% of the sales proceeds that may be derived from the sale of residential units of the properties was disposed of to a related party in 1999.*

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Miramar Ball Room, Penthouse, Hotel Miramar, 118 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 4 May 2006 at 12:00 noon for the following purposes:

(1) To receive and consider the audited accounts and reports of the Directors and Auditors for the year ended 31 December 2005.

(2) To declare a final dividend.

(3) To re-elect Directors and to authorise the Board of Directors to fix the remuneration of the Directors.

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

As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

(5) "**THAT**:

(a) subject to paragraph (c) of this Resolution and pursuant to section 57B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK$1 each in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) an issue of shares in the Company upon the exercise of the subscription rights under any securities which are convertible into shares of the Company, or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of the Resolution until whichever is the earliest of:-

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

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; and

(iii) the date upon which the authority set out in this Resolution is revoked or varied by way of ordinary resolution in any general meeting of the Company; and

"Rights Issue" means an offer of shares in the capital of the Company open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(6) "**THAT**:

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own securities subject to the conditions set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby approved generally and unconditionally;

(b) the aggregate nominal amount of share capital which may be purchased by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of the Resolution until whichever is the earliest of:

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

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; and

(iii) the date upon which the authority set out in this Resolution is revoked or varied by way of ordinary resolution in any general meeting of the Company."

(7) "**THAT** conditional upon the passing of Ordinary Resolutions numbered (5) and (6) as set out in the notice of this meeting of which this Resolution forms part, the aggregate nominal amount of the share capital of the Company which shall have been purchased by the Company after the date hereof pursuant to and in accordance with the said Ordinary Resolution numbered (6) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the general mandate to allot, issue and deal with additional shares granted to the Directors of the Company by the said Ordinary Resolution numbered (5)."

As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

(8) "**THAT** the Articles of Association of the Company be amended as follows:

By deleting existing Article 103(A) and substituting therefor the following new Article 103(A):

"103(A) At each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office provided that every Director shall be subject to retirement by rotation at least once every three years. No Director shall hold office for a continuous period in excess of 3 years, or past the third annual general meeting, following the Director's appointment or re-election, whichever is the longer, without submitting for re-election at an annual general meeting of the shareholders. The Directors to retire by rotation at an annual general meeting shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election and each of the retiring Directors shall continue to act as a Director until the conclusion of the annual general meeting at which he retires.""

By Order of the Board
Yuen Wai Kuen
Company Secretary

Hong Kong, 28 March 2006

Notes:

1. The register of members will be closed from Tuesday, 25 April 2006 to Thursday, 27 April 2006, both days inclusive during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 24 April 2006.

2. A member entitled to attend and vote at the meeting is entitled to appoint proxies to attend and, on a poll, vote for him. A proxy need not be a member of the Company. Proxy forms together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's Registrars, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. With respect to item (3) above regarding re-election of Directors, Mr. Lam Ko Yin, Colin, Dr. Lee Shau Kee and Mr. Leung Hay Man shall retire by rotation pursuant to Article 103(A) of the Articles of Association of the Company at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The biographical details and interests in the shares of the Company of the said directors to be re-elected at the Annual General Meeting are set out in a Circular to be dispatched to the shareholders to be accompanied with the 2005 Annual Report.

4. With respect to item (5) and (6) above, the Directors wish to state that they have no immediate plan to issue any new shares of the Company or to repurchase any existing shares of the Company.

5. As regards the special resolution of item (8) above, approval is being sought from the members to alter the Articles of Association of the Company in the light of implementation of the Code of Corporate Governance Practices, Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

6. An explanatory circular containing further details regarding items (5) to (8) above will be sent to members together with the 2005 Annual Report.

As at the date of this notice, the executive directors of the Company are Mr. Lam Ko Yin, Colin (Chairman) and Mr. Li Ning, the non-executive directors are Mr. Au Siu Kee, Alexander, Mr. Lau Yum Chuen, Eddie, Dr. Lee Shau Kee, Mr. Leung Hay Man and Mr. Wong Man Kong, Peter, and the independent non-executive directors are Mr. Ho Hau Chong, Norman, Mr. Kan Yuet Loong, Michael, and Mr. Wu King Cheong.