

AUDIT COMMITTEE REPORT

The Audit Committee has three members. It is chaired by the Independent non-executive Deputy Chairman, Sir David Akers-Jones. Under its terms of reference, the Committee oversees the Group's financial reporting process; it also reviews the Group's internal controls and risk management system, its relationship with external auditors. The Committee presents a report to the Board on its findings after each Committee meeting.

The Committee held two meetings during 2005, on 7 March and 8 August. A meeting was also held on 6 March 2006 to consider the financial statements for the year ended 31 December 2005. All members attended the above meetings. Significant matters relating to financial statements and activities of the Group for the year ended 31 December 2005, as reviewed and discussed in the relevant meetings, include the followings:

Financial Reporting

In the process of financial reporting, management is responsible for the preparation of Group financial statements including the selection of suitable accounting policies. External auditors are responsible for auditing and attesting to Group financial statements and evaluating the Group's system of internal controls in such regard. The Committee oversees the respective work of management and external auditors to endorse the processes and safeguards employed by them.

- August 2005 : The Committee reviewed and recommended to the Board of Directors for approval the unaudited financial statements for the first six months of 2005, prior to public announcement and filing. The Committee received reports from and met with external auditors to discuss the scope of their review and findings. In the light of the adoption of a number of new Hong Kong financial reporting standards applicable to accounting periods on or after 1 January 2005, the Committee had discussions with management and external auditors on the impact of adopting these standards; and significant judgments affecting the Group's financial statements. The Committee also highlighted the significance of implementing an appropriate communication programme to ensure the Company's stakeholders understand the implications of such changes.
- March 2006 : The Committee reviewed and discussed with management and external auditors the 2005 consolidated financial statements included in the 2005 Annual Report, prior to public announcement and filing. The Committee received reports from and met with the external auditors to discuss the general scope of their audit work and findings, including their assessment of Group's internal controls in this light. The Committee had discussions with management with regard to the adoption of a number of new Hong Kong financial reporting standards for the first accounting year ended 31 December 2005; and significant judgments affecting the Group's financial statements. Based on these review and discussions, and the report of the external auditors, the Audit Committee recommended to the Board of Directors approval of the consolidated financial statements for the year ended 31 December 2005, with the Auditors' Report thereon.

Review of Internal Controls and Risk Management Systems

- March 2006 : The Committee reviewed the Group's internal controls and risks management processes regarding its core property and leasing activities and is satisfied as to their effectiveness.

Relationship with external auditors

- March 2006 : The Committee reviewed and considered the terms of engagement of the external auditors including assessing their independence and objectivity. Factors considered include the arrangement for lead audit partner rotation, and the provision of non-audit services by the auditors. The Committee recommended to the Board that the shareholders be asked to re-appoint Deloitte Touche Tohmatsu as the Group's external auditors for 2006.

The Committee had also considered and communicated with external auditors further steps to enhance the interaction of Committee members and external auditors during various stages of the audit cycle including the engagement of auditors, audit planning, access to Audit Committee throughout the audit cycle, review and consideration of audit findings.

MEMBERS OF THE AUDIT COMMITTEE

David AKERS-JONES (*Chairman*)
Per JORGENSEN
Chien LEE

Hong Kong, 7 March 2006