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 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'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.

Notes on the Accounts (Continued)

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	2004
	HK$'000	*HK$'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	2004
	HK$'000	*HK$'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.

Notes on the Accounts *(Continued)*

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.

Notes on the Accounts *(Continued)*

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 HK$'000	Group 2004 HK$'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 HK$'000	2004 HK$'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	2004
	HK$'000	*HK$'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	Future benefit of tax losses	Intra-group interest capitalised in properties under development	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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		Nominal value	
	2005	2004	**2005**	2004
			HK$'000	*HK$'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:

	Note	**2005** Carrying amount HK$'000	**2005** Fair value HK$'000	2004 Carrying amount HK$'000	2004 Fair value HK$'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.