Notes to the Financial Statements

Note 1 Statement of Compliance

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs, which also include Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Note 2 Principal Accounting Policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, certain available-for-sale investments and derivative financial instruments, which are stated at fair value.

The HKICPA has issued a number of new HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the following HKFRSs issued up to 31 December 2005 which are pertinent to its operations and relevant to the financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-Depreciable Assets
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties
HK-Int 3	Revenue — Pre-completion Contracts for the Sale of Development Properties
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The impact of adopting these HKFRSs is described in note 3 to the financial statements.

Note 2 Principal Accounting Policies (Continued)

b) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiaries made up to 31 December each year. Results of subsidiaries are consolidated from the acquisition date, being the date on which the Group obtains control, until the date such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent interests of outside shareholders in the results and net assets of the Company's subsidiaries.

c) Goodwill

(i) For the year ended 31 December 2005

Goodwill arising on the acquisition of subsidiaries, associates and jointly controlled entities is initially measured at cost, being the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill arising on the acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset, and in the case of associates and jointly controlled entities, goodwill is included in the carrying amount thereof rather than as a separately identified asset on the consolidated balance sheet.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

On acquisition of subsidiaries, associates and jointly controlled entities, if the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity being acquired recognised as at the date of acquisition exceeds the cost of acquisition, the Group shall reassess the identification and measurement of the identifiable assets, liabilities and contingent liabilities of that entity and the measurement of the cost of acquisition, and recognise immediately in the consolidated profit and loss account any excess remaining after that reassessment.

On disposal of cash-generating units, associates and jointly controlled entities, any attributable amount of purchased goodwill is included in the calculation of the profit and loss on disposal.

(ii) For the year ended 31 December 2004

Goodwill or negative goodwill arising on consolidation represents the excess or deficit of cost of acquisition of subsidiaries, associates and jointly controlled entities over the Group's share of the fair value ascribed to the identifiable assets and liabilities acquired at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its estimated useful life not exceeding 20 years. Goodwill arising on the acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset, and in the case of associates and jointly controlled entities, goodwill is included in the carrying amount thereof rather than as a separately identified asset on the consolidated balance sheet. In both cases, goodwill is measured at cost less any accumulated amortisation and any accumulated impairment losses.

Note 2 Principal Accounting Policies (Continued)

c) Goodwill (Continued)

(ii) For the year ended 31 December 2004 (Continued)

Negative goodwill which relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable or amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account. In respect of subsidiaries, any negative goodwill not yet recognised in the consolidated profit and loss account is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as goodwill. In respect of associates and jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in associates or jointly controlled entities.

On disposal of interests in subsidiaries, associates and jointly controlled entities, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement in reserve is included in the calculation of the profit or loss on disposal.

d) Subsidiaries

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, interests in subsidiaries are stated at cost less any accumulated impairment losses.

e) Associates

Associates are accounted for using the equity method in the consolidated financial statements. They are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of associates, less any accumulated impairment losses. The Group's share of post-acquisition results and reserves of associates are recognised in the consolidated profit and loss account and consolidated reserves respectively.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, interests in associates are stated at cost less any accumulated impairment losses.

Note 2 Principal Accounting Policies (Continued)

f) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

(i) Jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which the Group and other venturers have an interest and exercise joint control in accordance with contractual arrangements.

Jointly controlled entities are accounted for using the equity method in the consolidated financial statements. They are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of jointly controlled entities, less any accumulated impairment losses. The Group's share of post-acquisition results and reserves of jointly controlled entities are recognised in the consolidated profit and loss account and consolidated reserves respectively.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, interests in jointly controlled entities are stated at cost less any accumulated impairment losses.

(ii) Jointly controlled assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers is recognised in the balance sheet and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred by the joint ventures, are recognised in the profit and loss account when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

g) Revenue recognition

Major categories of revenues are recognised in the financial statements on the following bases:

Revenue from sale of completed properties is recognised upon completion of sale agreements. Revenue from ship passenger operations is recognised upon the departure of each trip of vessel. Revenue from sale of fuel is recognised upon delivery to customers. Revenues from travel agency services, repairing services and management services are recognised upon provision of services. Rental income is recognised on a straight-line basis over the lease terms. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis on the principal outstanding and at the effective interest rate applicable. Revenue from sale of investments is recognised on trade dates.

Note 2 Principal Accounting Policies (Continued)

h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The profit or loss arising from the derecognition of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account.

Depreciation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following annual rates:

Leasehold buildings	1.7% – 2% or over the remaining lease terms, if shorter
Vessels and pontoons	5% – 6.7%
Other assets	5% – 33.3%

The useful lives and residual values of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

i) Investment properties

(i) For the year ended 31 December 2005

Investment properties are properties held to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initially at cost including transaction costs and thereafter stated at fair value, determined on the basis of professional valuation reflecting market conditions at each balance sheet date. Any changes in fair value are recognised in the profit and loss account. A property interest under an operating lease which is held for the above purposes is classified and accounted for as an investment property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The profit or loss arising from the derecognition of an investment property is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account.

(ii) For the year ended 31 December 2004

Investment properties are interests in land and buildings in respect of which construction work has been completed and are intended to be held for long-term rental income generating purposes. Investment properties are stated at their open market values based on an annual professional valuation at the balance sheet date. Surpluses arising on revaluations are credited to the investment property revaluation reserve account and deficits arising on revaluations are firstly set off against any previous revaluation surpluses and thereafter taken to the profit and loss account on a portfolio basis. Any subsequent revaluation surpluses are credited to the profit and loss account to the extent of the deficits previously charged. On disposal of an investment property, related revaluation surpluses or deficits previously taken to the revaluation reserve account are transferred to the profit and loss account.

Note 2 Principal Accounting Policies (Continued)

j) Leasehold land

Leasehold land comprises upfront payments to acquire long-term interest in lessee-occupied properties. Leasehold land is stated at cost and amortised over the period of the leases on a straight-line basis to the profit and loss account. Leasehold land relating to investment properties, properties under development and inventories of properties is not amortised and is included as part of the cost of such properties.

k) Properties under development

Properties under development for long-term purposes are shown as property, plant and equipment and are stated at cost less any accumulated impairment losses. Properties under development for sale are shown under current assets and are stated at cost less any accumulated impairment losses. Cost includes cost of land and development, construction expenditure incurred and attributable finance costs capitalised during the development period. No amortisation or depreciation is provided on properties under development.

l) Inventories

Inventories are stated at the lower of cost and net realisable value. In respect of unsold properties, cost is determined by apportionment of the total development costs, including land and development cost, construction expenditure incurred and finance costs capitalised, attributable to unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates based on prevailing market conditions. In respect of other inventories, cost, comprising purchase cost from suppliers, is determined on first-in-first-out basis or the weighted average basis for different inventories. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

m) Investments

(i) For the year ended 31 December 2005

Investments in liquid funds and securities, other than investments in subsidiaries, associates and jointly controlled entities, are classified either as investments at fair value through profit or loss if they are held for trading or as available-for-sale investments.

Purchases and sales of investments are recognised and derecognised using trade date accounting. Investments are derecognised when the contractual rights to the cash flows from the investments have expired or have been transferred and the Group has transferred substantially the risks and rewards of ownership.

Investments at fair value through profit or loss are initially recognised at fair value with transaction costs recognised as expenses and subsequently stated at fair value. Unrealised gains and losses from changes in fair value, including exchange differences, are recognised in the profit and loss account. Upon disposal of an investment, the difference between its carrying amount and the net sale proceeds is included in the calculation of the profit or loss on disposal.

Available-for-sale investments are initially recognised at fair value plus transaction costs and subsequently stated at fair value, or in the case of investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are subsequently stated at cost less any accumulated impairment losses. Unrealised gains and losses from changes in fair value are recognised in investment revaluation reserve, except for impairment losses and in the case of monetary investments, exchange differences which are recognised in the profit and loss account. Upon disposal of an investment, the difference between its carrying amount and the net sale proceeds and any cumulative fair value changes in investment revaluation reserve are included in the calculation of the profit or loss on disposal.

Note 2 Principal Accounting Policies (Continued)

m) Investments (Continued)

(i) For the year ended 31 December 2005 (Continued)

Available-for-sale investments 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 available-for-sale investments carried at cost, the impairment loss is measured as the difference between the carrying amount of the investment 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 in respect of available-for-sale investments carried at cost are not reversed.

For available-for-sale investments carried at fair value, the cumulative losses that had been recognised directly in equity is removed from equity and is recognised in the profit and loss account. The amount of the cumulative losses that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in the profit and loss account.

Impairment losses in respect of available-for-sale equity securities carried at fair value are not reversed through the profit and loss account. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities carried at fair value are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the profit and loss account.

(ii) For the year ended 31 December 2004

Investments in securities are classified as investment securities and other investments.

Investment securities are securities which are intended to be held on a continuing basis, and which are held for an identified long-term purpose documented at the time of acquisition or change of purpose and are clearly identifiable for the documented purpose.

Investment securities are recognised as assets from the date on which the Group is bound by the contract which gives rise to them and are included in the balance sheet at cost less provision for impairment loss which is other than temporary. Such provision is determined for each investment individually. Provisions are recognised as an expense immediately and are written back to the profit and loss account when the circumstances and events that lead to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future. The amount written back is limited to the amount of the write-downs or write-offs.

Liquid funds which are investments in cash and cash equivalents and other investments are stated at fair value in the balance sheet. Changes in fair value are dealt with in the profit and loss account.

The profit or loss on disposal is accounted for in the period in which the disposal occurs as the difference between the sale proceeds and the carrying amount of the investments.

Note 2 Principal Accounting Policies (Continued)

n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any accumulated impairment losses unless the effect of discounting would be immaterial, in which case they are stated at cost less any accumulated impairment losses. A provision for impairment (note 2(z)) of trade and other receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

o) Derivative financial instruments

Derivatives are initially recognised at fair value on the date derivative contracts are entered into and are subsequently measured at their fair value. Changes in fair value of derivatives that did not qualify for hedge accounting are recognised immediately in the profit and loss account.

A cash flow hedge is where a derivative is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction. The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

The cumulative gain or loss in equity is recycled in the profit and loss account in the period when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, such gain or loss is transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, such cumulative gain or loss is immediately transferred to the profit and loss account.

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held for trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts and when the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as financial assets at fair value through profit or loss.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash 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.

q) Bank borrowings

Bank borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowings. After initial recognition, bank borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Note 2 Principal Accounting Policies (Continued)

r) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

s) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

t) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental income and expenses under operating leases are credited and charged respectively to the profit and loss account on a straight-line basis over the terms of the leases.

u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Note 2 Principal Accounting Policies (Continued)

v) Capitalisation of borrowing costs

Borrowing costs are expensed as incurred, except to the extent that they are capitalised as being directly attributable to the construction or production of assets which necessarily take a substantial period of time to get ready for their intended use or sale. Capitalisation of such borrowing costs begins when construction or production activities commence and ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate for the year is based on the cost of the related borrowings less related interest income.

w) Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

On consolidation, the assets and liabilities of those foreign subsidiaries, associates and jointly controlled entities that have a functional currency different from the presentation currency of the Group are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date, and their profit and loss accounts are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in exchange reserve. On disposal of a foreign entity, the cumulative exchange difference which relates to that entity is included in the calculation of the profit or loss on disposal.

x) Employee benefits

Cost of accumulating compensated absences is recognised as an expense in the profit and loss account and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Obligations for contributions to defined contribution retirement plans, including contributions payable under the Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.

y) Related parties

A party is considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party, exercise significant influence over the party or has joint control over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties include individuals being members of key management personnel and significant shareholders, as well as close family members of, and entities which are controlled, jointly-controlled or significantly influenced by such individuals. Related parties also include post-employment benefit plans for the benefit of employees of the Group or its related parties.

Note 2 Principal Accounting Policies (Continued)

z) Impairment of assets

At each balance sheet date, assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When an indication of impairment exists, or when annual impairment testing is required in the case of goodwill acquired in a business combination, the Group estimates the asset's recoverable amount, being the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in the profit and loss account, except where the asset is stated at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation deficit. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows.

An impairment loss recognised in prior years for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment losses are credited to the profit and loss account except where the asset is carried at valuation, in which case the reversal of impairment losses is treated as a revaluation movement. An impairment loss made against goodwill is not reversed.

aa) Share-based payments

The Group issued equity-settled share-based payments, including the granting of share options to directors and other employees. Equity-settled share-based payments are measured at fair value at the measurement date excluding the effect of non-market-based vesting conditions, and recognised as an expense in the profit and loss account. A corresponding increase is recognised in capital reserve within equity. Where the employees are required to meet vesting conditions before they become entitled to the payments, such fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the equity instruments that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Share options granted on or before 31 December 2004 are not expensed in accordance with the transitional provisions of HKFRS 2.

bb) Segment reporting

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

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's principal activities and the Group's management structure and internal financial reporting system.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment revenues, expenses, results, assets and liabilities are determined before intra-group balances and transactions that are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are within a single segment. Inter-segment pricing is determined on an arm's length basis.

Segment capital expenditure is the total costs incurred during the year to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate revenues, expenses and assets, interest-bearing loans, borrowings and taxation.

Note 2 Principal Accounting Policies (Continued)

cc) Critical accounting estimates and judgements

The Group makes estimates and assumptions as appropriate in the preparation of the financial statements. These estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities include the productive life of property, plant and equipment and the determination of tax.

dd) Comparatives

Certain comparative figures have been restated to conform with the changes in accounting policies upon the adoption of the new HKFRSs. In addition, certain comparative figures have been reclassified to conform with the current year's presentation.

Note 3 Impact of New Hong Kong Financial Reporting Standards

The major changes in accounting policies upon the adoption of the new HKFRSs and the application of the relevant transitional provisions are summarised as follows:

a) The adoption of HKASs 2, 7, 8, 10, 12, 14, 18, 19, 21, 23, 24, 28, 31, 33, 36, 37 and HK-Int 4 has not resulted in substantial changes to the Group's accounting policies. In summary:

   (i) HKASs 2, 7, 10, 12, 14, 18, 19, 21, 23, 33, 36, 37 and HK-Int 4 have no material effect on the Group's accounting policies.

   (ii) HKASs 8, 28 and 31 affect certain disclosures of the financial statements.

   (iii) HKAS 24 affects the identification of related parties and the disclosure of related party transactions.

b) The adoption of HKAS 1 and HKAS 27 affects certain presentation in the consolidated profit and loss account, consolidated balance sheet and consolidated statement of changes in equity, including the following:

   (i) Investment properties, which were previously included in fixed assets, are now presented separately on the consolidated balance sheet.

   (ii) Shares of taxation of associates and jointly controlled entities, which were previously included in total taxation, are now included in the shares of results of associates and jointly controlled entities respectively.

   (iii) On the consolidated balance sheet, minority interests are now shown within equity. On the consolidated profit and loss account, minority interests are presented as an allocation of the total profit or loss for the year.

c) The adoption of HKAS 16 and HK-Int 2 has resulted in a change in the accounting policy of hotel properties. In prior years, no depreciation was provided on hotel properties owned by the Group's associates, and share of results and net assets of associates were stated on this basis.

   Following the adoption of HKAS 16 and HK-Int 2, hotel properties owned by the Group's associates are stated at cost less accumulated depreciation and any accumulated impairment losses, and share of results and net assets of associates are stated on this new basis. This change in accounting policy has been applied retrospectively. Share of results of associates was decreased by HK$14,565,000 (2004: HK$11,960,000).

Note 3 Impact of New Hong Kong Financial Reporting Standards (Continued)

d) The adoption of HKAS 17 has resulted in a change in accounting policy of leasehold land. In prior years, leasehold land and buildings were included in fixed assets and stated at cost or directors' valuation less accumulated depreciation and any accumulated impairment losses. No depreciation was provided on leasehold land and buildings not yet put to effective use.

Following the adoption of HKAS 17, leasehold land and buildings are split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land and the building elements at the inception of the leases. Leasehold land is reclassified from property, plant and equipment (previously known as fixed assets) and stated at cost and amortised over the period of the leases on a straight-line basis, whereas leasehold buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. This change in accounting policy has been applied retrospectively, with a corresponding adjustment to retained profits and capital reserve as appropriate. Amortisation of leasehold land was increased by HK$9,895,000 (2004: HK$9,895,000).

e) The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy of financial instruments.

(i) Investments in debt and equity securities

In prior years, investments in debt and equity securities were classified as investment securities and other investments, which were stated at cost less any accumulated impairment losses and at fair value respectively. Any impairment losses on investment securities and changes in fair value of other investments were recognised in the profit and loss account.

Following the adoption of HKAS 39, non-trading investments classified as available-for-sale investments are stated at fair value, changes in which are recognised in equity. An exception is investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. They are measured at cost less any accumulated impairment losses. In accordance with the transitional provisions in HKAS 39, at 1 January 2005, investment securities, other investments and liquid funds at 31 December 2004 were redesignated as available-for-sale investments and measured at fair value or cost less any accumulated impairment losses as appropriate, with a corresponding adjustment to retained profits. Other costs were increased by HK$15,249,000 (2004: nil).

(ii) Derivative financial instruments

In prior years, derivatives entered into by management to hedge commodity price risk were recognised on a cash basis. Following the adoption of HKAS 39, derivatives are stated at fair value. Changes in fair value of non-hedging derivatives are recognised in the profit and loss account. Changes in fair value of derivatives held as hedging instruments in a cash flow hedge are recognised in equity to the extent that the hedge is effective. Any ineffective portion of the changes in fair value of derivatives is recognised in the profit and loss account. In accordance with the transitional provisions in HKAS 39, at 1 January 2005, derivatives held as hedging instruments were recognised and measured at fair value, with a corresponding adjustment to equity. At 31 December 2005, derivatives were increased by HK$5,363,000 shown within assets (at 1 January 2005: HK$490,000 and HK$5,065,000 shown within assets and liabilities respectively).

Note 3 Impact of New Hong Kong Financial Reporting Standards (Continued)

f) The adoption of HKAS 40 has resulted in a change in accounting policy of investment properties. In prior years, changes in fair value of investment properties were dealt with as movements in investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

Following the adoption of HKAS 40, any changes in fair value of investment properties are dealt with in the profit and loss account. The Group has applied the relevant transitional provisions and elected to apply HKAS 40 from 1 January 2005 onwards. The amount held in investment property revaluation reserve at 1 January 2005 has been transferred to retained profits. Fair value changes on investment properties of HK$134,483,000 (2004: nil) were recognised in the profit and loss account.

g) The adoption of HKFRS 2 has resulted in a change in accounting policy of employee share options. In prior years, options granted to directors and employees over the Company's shares did not result in a charge to the profit and loss account. The financial effects of share options were recognised only when they were exercised.

Following the adoption of HKFRS 2, the fair value of share options at grant date is recognised as an expense in the profit and loss account or amortised over the relevant vesting periods, if any, to the profit and loss account. In accordance with the transitional provisions, HKFRS 2 is applied to (i) share options granted after 7 November 2002 and not yet vested at 1 January 2005 and (ii) share options granted on or after 1 January 2005. No share options granted by the Company fell into these categories up to the balance sheet date.

h) The adoption of HKFRS 3 has resulted in a change in accounting policy of goodwill.

(i) Goodwill

In prior years, goodwill arising from acquisitions before 1 January 2001 was held in reserves, and goodwill arising from acquisitions on or after 1 January 2001 was capitalised and stated at cost less accumulated amortisation and any accumulated impairment losses.

The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously held in reserves has been transferred to retained profits on 1 January 2005, and will not be recognised as profit or loss when the Group disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. In addition, the accumulated amortisation and impairment losses of goodwill previously capitalised has been eliminated against the related carrying amount on 1 January 2005. From 1 January 2005 onwards, goodwill arising from acquisitions is not amortised, and is tested for impairment at least annually. At 31 December 2005 and 1 January 2005, associates were decreased by HK$16,348,000, capital reserve was increased by HK$34,121,000 and retained profits were decreased by HK$50,469,000.

Note 3 Impact of New Hong Kong Financial Reporting Standards (Continued)

(ii) Excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously known as negative goodwill)

In prior years, negative goodwill arising from acquisitions before 1 January 2001 was held in reserves, and negative goodwill arising from acquisitions on or after 1 January 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted.

The Group has applied the relevant transitional provisions in HKFRS 3, and derecognised all negative goodwill, with a corresponding increase in retained profits. From 1 January 2005 onwards, negative goodwill arising from acquisitions is recognised immediately in the profit and loss account. At 31 December 2005 and 1 January 2005, associates were increased by HK$90,872,000, capital reserve was decreased by HK$6,539,000, legal reserve was increased by HK$21,000 and retained profits were increased by HK$97,390,000.

i) The adoption of HK(SIC)-Int 21 has resulted in a change in accounting policy of deferred tax related to investment properties. In prior years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Interpretation 20).

Following the adoption of HK(SIC)-Int 21, which removes the presumption that the carrying amount of investment properties is to be recovered through sale, deferred tax consequences of investment properties are now assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC)-Int 21, this change in accounting policy has been applied retrospectively. Taxation was increased by HK$26,861,000 (2004: HK$5,203,000).

j) The adoption of HK-Int 3 has resulted in a change in accounting policy in recognition of revenue on pre-completion contracts for the sale of properties under development. In prior years, revenue on pre-completion contracts for the sale of properties under development was recognised under the percentage of completion method when construction had progressed beyond the preliminary stages, the percentage used being the proportion of construction costs incurred at the balance sheet date to estimated total construction costs. Profit recognised on this basis was limited to the amount of sale proceeds received.

Following the adoption of HK-Int 3, revenue on pre-completion contracts for the sale of properties under development is only recognised upon completion of the development. Sales deposits or instalments received and receivable from purchasers in respect of those contracts before completion of the development are included in liabilities. The new accounting policy will be applied to contracts entered into on or after 1 January 2005. This change in accounting policy had no financial effect for the year ended 31 December 2005.

Note 3 Impact of New Hong Kong Financial Reporting Standards (Continued)

k) The financial effects of the above changes in accounting policies on the consolidated profit and loss account are as follows:

	Effect of adopting new HKFRSs						
	HKAS 1# Note 3(b)	HKAS 16# & HK-Int 2# Note 3(c)	HKAS 17# Note 3(d)	HKAS 32# & HKAS 39^ Note 3(e)	HKAS 40^ Note 3(f)	HK(SIC)-Int 21# Note 3(i)	Total
2005							
Increase/(decrease) in profit after taxation (HK$'000)							
Amortisation of leasehold land	—	—	(9,895)	—	—	—	(9,895)
Other costs	—	—	—	(15,249)	—	—	(15,249)
Fair value changes on investment properties	—	—	—	—	134,483	—	134,483
Share of results of associates	13,858	(14,565)	—	—	—	—	(707)
Share of results of jointly controlled entities	(1,846)	—	—	—	—	—	(1,846)
Taxation	(12,012)	—	—	—	—	(26,861)	(38,873)
	—	(14,565)	(9,895)	(15,249)	134,483	(26,861)	67,913
Attributable to (HK$'000)							
Equity holders of the Company	—	(14,565)	(7,812)	(15,249)	98,648	(18,006)	43,016
Minority interests	—	—	(2,083)	—	35,835	(8,855)	24,897
	—	(14,565)	(9,895)	(15,249)	134,483	(26,861)	67,913
Increase/(decrease) in earnings per share (HK cents)							
– basic	—	(0.7)	(0.4)	(0.7)	4.7	(0.8)	2.1
– diluted	—	(0.7)	(0.4)	(0.7)	4.6	(0.8)	2.0

Note 3 Impact of New Hong Kong Financial Reporting Standards (Continued)

	Effect of adopting new HKFRSs						
	HKAS 1# Note 3(b)	HKAS 16# & HK-Int 2# Note 3(c)	HKAS 17# Note 3(d)	HKAS 32# & HKAS 39^ Note 3(e)	HKAS 40^ Note 3(f)	HK(SIC)-Int 21# Note 3(i)	Total
2004							
Increase/(decrease) in profit after taxation (HK$'000)							
Amortisation of leasehold land	—	—	(9,895)	—	—	—	**(9,895)**
Share of results of associates	(8,855)	(11,960)	—	—	—	—	**(20,815)**
Share of results of jointly controlled entities	(1,793)	—	—	—	—	—	**(1,793)**
Taxation	10,648	—	—	—	—	(5,203)	**5,445**
	—	(11,960)	(9,895)	—	—	(5,203)	**(27,058)**
Attributable to (HK$'000)							
Equity holders of the Company	—	(11,960)	(7,812)	—	—	(3,122)	**(22,894)**
Minority interests	—	—	(2,083)	—	—	(2,081)	**(4,164)**
	—	(11,960)	(9,895)	—	—	(5,203)	**(27,058)**
Decrease in earnings per share (HK cents)							
– basic	—	(0.6)	(0.4)	—	—	(0.1)	**(1.1)**
– diluted	—	(0.6)	(0.4)	—	—	(0.1)	**(1.1)**

\# *adjustments which take effect retrospectively*

^ *adjustments which take effect prospectively from 1 January 2005*

Note 3 Impact of New Hong Kong Financial Reporting Standards (Continued)

l) The financial effects of the above changes in accounting policies on the consolidated balance sheet are as follows:

	Effect of adopting new HKFRSs							
	HKAS 1# & HKAS 27# Note 3(b)	HKAS 16# & HK-Int 2# Note 3(c)	HKAS 17# Note 3(d)	HKAS 32# & HKAS 39^ Note 3(e)	HKAS 40^ Note 3(f)	HKFRS 3^ Note 3(h)	HK(SIC)-Int 21#* Note 3(i)	Total
At 31 December 2005								
Increase/(decrease) in net assets (HK$'000)								
Property, plant and equipment	(2,912,255)	—	(710,017)	—	—	—	—	(3,622,272)
Investment properties	2,912,255	—	—	—	—	—	—	2,912,255
Leasehold land	—	—	601,782	—	—	—	—	601,782
Associates - share of net assets	—	(280,544)	—	—	—	74,524	—	(206,020)
Investments	—	—	—	(1,130,259)	—	—	—	(1,130,259)
Available-for-sale investments	—	—	—	1,086,722	—	—	—	1,086,722
Deferred tax assets	—	—	—	—	—	—	(570)	(570)
Other non-current assets	—	—	—	43,260	—	—	—	43,260
Derivative financial instruments	—	—	—	5,363	—	—	—	5,363
Loans from minority shareholders	(1,104,858)	—	—	—	—	—	—	(1,104,858)
Minority interests and loans	2,953,990	—	—	—	—	—	—	2,953,990
Deferred tax liabilities	—	—	—	(938)	—	—	(74,835)	(75,773)
	1,849,132	(280,544)	(108,235)	4,148	—	74,524	(75,405)	1,463,620
Increase/(decrease) in total equity (HK$'000)								
Capital reserve	—	—	(71,725)	—	—	27,582	—	(44,143)
Investment property revaluation reserve	—	—	—	—	(293,250)	—	—	(293,250)
Investment revaluation reserve	—	—	—	14,552	—	—	—	14,552
Hedging reserve	—	—	—	1,885	—	—	—	1,885
Other reserves	—	—	—	—	—	21	(342)	(321)
Retained profits	—	(280,544)	(28,177)	(14,829)	293,250	46,921	(50,356)	(33,735)
Minority interests	1,849,132	—	(8,333)	2,540	—	—	(24,707)	1,818,632
	1,849,132	(280,544)	(108,235)	4,148	—	74,524	(75,405)	1,463,620

Note 3 Impact of New Hong Kong Financial Reporting Standards (Continued)

	Effect of adopting new HKFRSs							
	HKAS 1# & HKAS 27# Note 3(b)	HKAS 16# & HK-Int 2# Note 3(c)	HKAS 17# Note 3(d)	HKAS 32# & HKAS 39^ Note 3(e)	HKAS 40^ Note 3(f)	HKFRS 3^ Note 3(h)	HK(SIC)-Int 21#* Note 3(i)	Total
At 1 January 2005 / 31 December 2004								
Increase/(decrease) in net assets (HK$'000)								
Property, plant and equipment	(2,756,359)	—	(713,687)	—	—	—	—	**(3,470,046)**
Investment properties	2,756,359	—	—	—	—	—	—	**2,756,359**
Leasehold land	—	—	615,347	—	—	—	—	**615,347**
Associates - share of net assets	—	(265,979)	—	—	—	74,524	—	**(191,455)**
Investments	—	—	—	(992,241)	—	—	—	**(992,241)**
Available-for-sale investments	—	—	—	964,331	—	—	—	**964,331**
Deferred tax assets	—	—	—	801	—	—	(570)	**231**
Other non-current assets	—	—	—	28,330	—	—	—	**28,330**
Derivative financial instruments	—	—	—	(4,575)	—	—	—	**(4,575)**
Loans from minority shareholders	(1,576,084)	—	—	—	—	—	—	**(1,576,084)**
Minority interests and loans	3,247,837	—	—	—	—	—	—	**3,247,837**
Deferred tax liabilities	—	—	—	—	—	—	(47,433)	**(47,433)**
	1,671,753	(265,979)	(98,340)	(3,354)	—	74,524	(48,003)	**1,330,601**
Increase/(decrease) in total equity (HK$'000)								
Capital reserve	—	—	(71,725)	—	—	27,582	—	**(44,143)**
Investment property revaluation reserve	—	—	—	—	(194,602)	—	—	**(194,602)**
Hedging reserve	—	—	—	(1,608)	—	—	—	**(1,608)**
Other reserves	—	—	—	—	—	21	(17)	**4**
Retained profits	—	(265,979)	(20,365)	420	194,602	46,921	(32,350)	**(76,751)**
Minority interests	1,671,753	—	(6,250)	(2,166)	—	—	(15,636)	**1,647,701**
	1,671,753	(265,979)	(98,340)	(3,354)	—	74,524	(48,003)	**1,330,601**

\# *adjustments which take effect retrospectively*

^ *adjustments which take effect prospectively from 1 January 2005*

* *At 31 December 2004, investment property revaluation reserve was reduced by HK$11,181,000 upon the adoption of HK(SIC)-Int 21 and transferred to retained profits at 1 January 2005 upon the adoption of HKAS 40.*

Note 3 Impact of New Hong Kong Financial Reporting Standards (Continued)

m) The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The adoption of such HKFRSs will not result in substantial changes to the Group's accounting policies.

		Effective for accounting periods beginning on or after
HKAS 1, HKAS 27 & HKFRS 3 (Amendments)	Presentation of Financial Statements, Consolidated and Separate Financial Statements & Business Combinations — Amendments as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005	1 January 2006
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation	1 January 2006
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — The Fair Value Option	1 January 2006
HKAS 39 & HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement & Insurance Contracts — Financial Guarantee Contracts	1 January 2006
HKAS 1 (Amendment)	Presentation of Financial Statements — Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007

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

Note 4 Turnover and Revenue

The Group is principally engaged in the businesses of property development, investment and management, transportation, hospitality and investment holding.

	Group	
	2005	2004
	(HK$'000)	(HK$'000)
Turnover		
Revenue from sale of properties	**280,719**	1,697,783
Revenue from ship passenger operations	**1,653,138**	1,535,487
Revenue from sale of fuel	**22,416**	14,335
Revenue from travel agency services	**134,947**	98,688
Rental income	**143,660**	133,277
Dividends from investments	**96,067**	120,759
Interest income from mortgage loans receivable	**16,471**	15,077
Management fees and others	**141,600**	133,724
	2,489,018	3,749,130
Other revenues		
Interest income	**100,533**	11,875
Claims received	**13,868**	55,175
Others	**37,810**	33,554
	152,211	100,604
	2,641,229	3,849,734

Note 5 Other Income

Other income in 2004 includes HK$88,220,000 being interest and redemption premium on convertible guaranteed bonds written back following their conversion.

Note 6 Operating Profit

	Group 2005 (HK$'000)	(Restated) 2004 (HK$'000)
After crediting:		
Interest income		
– listed investments	**520**	347
– unlisted investments	**2,081**	259
– bank deposits and others	**114,403**	26,346
	117,004	26,952
Rental income from investment properties	**126,418**	118,901
Less: Direct operating expenses arising from investment properties	**(15,010)**	(18,696)
	111,408	100,205
Dividend income from listed investments	**1,755**	52
Dividend income from unlisted investments		
– Sociedade de Turismo e Diversões de Macau, S.A. (STDM)	**93,341**	115,518
– others	**971**	5,189
Exchange gain	**2,431**	4,459
Profit on disposal of investment properties	**—**	565
Profit on sale of listed investments	**1,692**	484
After charging:		
Cost of inventories		
– properties	**223,974**	1,305,563
– others	**516,298**	387,381
	740,272	1,692,944
Depreciation of property, plant and equipment		
– held for rental income under operating leases	**2,458**	5,140
– others	**116,611**	140,109
Amortisation of leasehold land	**13,565**	13,565
Amortisation of goodwill	**—**	4,208
Audit fee	**3,546**	3,312
Loss on disposal of property, plant and equipment	**1,472**	5,135
Minimum lease payments of properties under operating leases	**3,396**	2,904
Impairment losses on receivables	**3,618**	611
Provident fund contribution	**22,008**	21,054

Note 7 Directors' Emoluments and Five Highest Paid Individuals

The emoluments of the Company's directors are as follows:

	Group 2005				
	Fees (HK$'000)	Salaries, allowances and benefits (HK$'000)	Performance bonus (HK$'000)	Provident fund contributions (HK$'000)	Total (HK$'000)
Executive directors					
Stanley Ho	65	—	—	—	65
Pansy Ho	65	7,628	1,905	352	9,950
Daisy Ho	65	4,634	446	214	5,359
Ambrose So	5	1,256	97	58	1,416
Patrick Huen	65	1,610	123	74	1,872
Andrew Tse	5	1,597	123	74	1,799
Anthony Chan	5	1,597	123	74	1,799
Maisy Ho	5	3,310	255	153	3,723
David Shum	5	1,589	123	73	1,790
Non-executive directors					
Cheng Yu Tung	5	—	—	—	5
Mok Ho Yuen Wing, Louise	5	100	—	—	105
Independent non-executive directors					
Roger Lobo	200	100	—	—	300
Robert Kwan	200	100	—	—	300
Norman Ho	200	100	—	—	300
	895	23,621	3,195	1,072	28,783

Note 7 Directors' Emoluments and Five Highest Paid Individuals (Continued)

	Group				
	2004				
	Fees (HK$'000)	Salaries, allowances and benefits (HK$'000)	Performance bonus (HK$'000)	Provident fund contributions (HK$'000)	Total (HK$'000)
Executive directors					
Stanley Ho	65	—	—	—	65
Pansy Ho	65	7,489	3,101	346	11,001
Daisy Ho	65	4,550	588	210	5,413
Ambrose So	5	1,236	190	57	1,488
Patrick Huen	65	1,581	241	72	1,959
Andrew Tse	5	1,569	241	72	1,887
Anthony Chan	5	1,569	241	72	1,887
Maisy Ho	5	3,250	370	150	3,775
David Shum	5	1,147	185	52	1,389
Non-executive directors					
Cheng Yu Tung	5	—	—	—	5
Mok Ho Yuen Wing, Louise	5	100	—	—	105
Independent non-executive directors					
Roger Lobo	200	100	—	—	300
Robert Kwan	200	100	—	—	300
Norman Ho	60	30	—	—	90
	755	22,721	5,157	1,031	29,664

There was no arrangement under which a director had waived or agreed to waive any emoluments during the current and prior years.

Among the five highest paid individuals in the Group, three (2004: four) are directors of the Company and the details of their emoluments have been disclosed above. The emoluments of the remaining two individuals (2004: one individual) during the year not included above were salaries, allowances and benefits of HK$5,797,000 (2004: HK$3,486,000), performance bonus of HK$489,000 (2004: HK$419,000) and provident fund contributions of HK$268,000 (2004: HK$161,000).

Note 7 Directors' Emoluments and Five Highest Paid Individuals (Continued)

The emoluments paid to the abovementioned two individuals (2004: one individual) are within the following bands:

	Number of persons	
	2005	2004
HK$2,500,001 – HK$3,000,000	**1**	0
HK$3,500,001 – HK$4,000,000	**1**	0
HK$4,000,001 – HK$4,500,000	**0**	1

Details of the basis of determining directors' emoluments are disclosed in the Report on Corporate Governance Practices on page 50. The emoluments disclosed above represent the amounts paid to or receivable by the directors and employees of the Company for the year and exclude the benefits derived or to be derived from the share options granted to them under the Company's share option schemes. Details of these benefits in kind are disclosed under Disclosure of Interests (section (d)) in the Report of the Directors on pages 44 to 45.

Note 8 Finance Costs

	Group	
	2005 (HK$'000)	2004 (HK$'000)
Interest on bank loans and overdraft wholly repayable within 5 years	**33,725**	12,488
Interest on loans from minority shareholders	**260**	1,865
Less: Amount capitalised in properties under development	**(260)**	(1,503)
	33,725	12,850

Note 9 Investment Loss

	Group	
	2005 (HK$'000)	2004 (HK$'000)
Impairment loss on goodwill of subsidiaries	**—**	34,695
Impairment loss on goodwill of a jointly controlled entity	**—**	1,114
Impairment loss on investments	**—**	12,734
	—	48,543

Note 10 Taxation

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

	Group 2005 (HK$'000)	Group (Restated) 2004 (HK$'000)
Current tax – Hong Kong		
Tax for the year	**38,752**	93,832
Benefit of previously unrecognised tax losses and deductible temporary differences	**(452)**	(37,806)
Over-provision in respect of prior years	**(2,500)**	(468)
	35,800	55,558
Current tax – Overseas		
Tax for the year	**6,802**	7,061
Benefit of previously unrecognised tax losses and deductible temporary differences	**(221)**	(1,161)
Over-provision in respect of prior years	**(3,976)**	(2,774)
	2,605	3,126
Deferred tax		
Origination and reversal of temporary differences	**26,042**	19,783
Benefit of previously unrecognised tax losses and deductible temporary differences	**(3,165)**	(700)
	22,877	19,083
Other taxes – Overseas		
Taxation charged to revenues and others	**1,984**	1,722
Taxation attributable to the Company and its subsidiaries	**63,266**	79,489

Hong Kong profits tax is provided for at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year. Overseas taxation is calculated at the rates applicable in their respective jurisdictions.

The Group's shares of taxation of associates and jointly controlled entities were tax income of HK$12,745,000 (2004: tax expense of HK$8,324,000, as restated) and tax expense of HK$1,846,000 (2004: HK$1,793,000) respectively.

Note 10 Taxation (Continued)

b) The reconciliation between taxation attributable to the Company and its subsidiaries and accounting profit in the financial statements is as follows:

	Group	
	2005	(Restated) 2004
	(HK$'000)	(HK$'000)
Profit before taxation	**644,259**	877,393
Tax at the applicable tax rate of 17.5% (2004: 17.5%)	**112,745**	153,544
Tax effect of net income that is not taxable in determining taxable profit	**(40,513)**	(17,776)
Tax effect of capital gain on realisation of assets	**—**	(5,259)
Tax effect of adjustments on investment properties	**—**	1,509
Tax effect of utilisation of previously unrecognised tax losses and deductible temporary differences	**(3,597)**	(40,451)
Tax effect of unrecognised tax losses and deductible temporary differences in the year	**19,297**	11,652
Tax effect of shares of results of associates and jointly controlled entities	**(12,279)**	(11,020)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(7,895)**	(11,190)
Over-provision in respect of prior years	**(6,476)**	(3,242)
Income tax expense for the year	**61,282**	77,767
Other taxes	**1,984**	1,722
Total tax expenses	**63,266**	79,489

Note 10 Taxation (Continued)

c) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the balance sheets and the movement during the year are as follows:

Deferred tax assets

	Depreciation in excess of related depreciation allowances (HK$'000)	Unrealised intra-group profit (HK$'000)	Tax losses (HK$'000)	Cash flow hedges (HK$'000)	Others (HK$'000)	Total (HK$'000)
Group						
At 1 January 2004						
– as originally stated	(419)	(28,500)	(19,982)	—	(339)	(49,240)
– effect of adopting HK(SIC)-Int 21	—	—	(4,866)	—	—	(4,866)
– as restated	(419)	(28,500)	(24,848)	—	(339)	(54,106)
Exchange adjustment	—	—	(9)	—	—	(9)
Charge to profit and loss account for the year	63	6,076	9,606	—	284	16,029
At 31 December 2004	(356)	(22,424)	(15,251)	—	(55)	(38,086)
Effect of adopting HKAS 39	—	—	—	(801)	—	(801)
At 1 January 2005, as restated	(356)	(22,424)	(15,251)	(801)	(55)	(38,887)
Exchange adjustment	—	—	(92)	—	—	(92)
Credit to profit and loss account for the year	(74)	(3,636)	(2,482)	—	(635)	(6,827)
Charge to equity for the year	—	—	—	801	—	801
At 31 December 2005	**(430)**	**(26,060)**	**(17,825)**	**—**	**(690)**	**(45,005)**
Company						
At 1 January 2004	(155)					
Charge to profit and loss account for the year	11					
At 31 December 2004	(144)					
Credit to profit and loss account for the year	(17)					
At 31 December 2005	**(161)**					

Note 10 Taxation (Continued)

c) Deferred tax assets and liabilities recognised (Continued)

Deferred tax liabilities

	Depreciation allowances in excess of related depreciation (HK$'000)	Revaluation of properties (HK$'000)	Clawback of capital allowances of properties (HK$'000)	Cash flow hedges (HK$'000)	Total (HK$'000)
Group					
At 1 January 2004					
– as originally stated	68,457	5,251	29,647	—	103,355
– effect of adopting HK(SIC)-Int 21	9,318	16,893	—	—	26,211
– as restated	77,775	22,144	29,647	—	129,566
Exchange adjustment	18	19	—	—	37
(Credit)/charge to profit and loss account for the year	(4,555)	—	7,609	—	3,054
Charge to equity for the year	—	28,200	—	—	28,200
At 31 December 2004	73,238	50,363	37,256	—	160,857
Exchange adjustment	307	326	—	—	633
Charge to profit and loss account for the year	4,016	20,574	5,114	—	29,704
Charge to equity for the year	—	—	—	938	938
At 31 December 2005	**77,561**	**71,263**	**42,370**	**938**	**192,132**
Company					
At 1 January 2004	155				
Credit to profit and loss account for the year	(11)				
At 31 December 2004	144				
Charge to profit and loss account for the year	17				
At 31 December 2005	**161**				

Note 10 Taxation (Continued)

c) Deferred tax assets and liabilities recognised (Continued)

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

	Group		Company	
	2005	(Restated) 2004	**2005**	2004
	(HK$'000)	(HK$'000)	**(HK$'000)**	(HK$'000)
Deferred tax assets recognised	**(11,285)**	(2,725)	**—**	—
Deferred tax liabilities recognised	**158,412**	125,496	**—**	—
	147,127	122,771	**—**	—

d) Deferred tax assets unrecognised

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2005	(Restated) 2004	**2005**	2004
	(HK$'000)	(HK$'000)	**(HK$'000)**	(HK$'000)
Tax losses	**327,464**	226,350	**157,531**	97,441
Deductible temporary differences	**42,209**	44,936	**—**	—
	369,673	271,286	**157,531**	97,441

Included in the unrecognised tax losses of the Group are losses of HK$8,083,000 (2004: HK$5,440,000, as restated) that will expire within three years from the balance sheet date. Other tax losses and deductible temporary differences of the Group and the tax losses of the Company may be carried forward indefinitely.

Note 11 Dividends

	Group and Company	
	2005	2004
	(HK$'000)	(HK$'000)
2004 final dividend of 6.5 HK cents on 5,000,000 shares issued upon exercise of share options (2004: 3.5 HK cents on 3,130,435 shares)	**325**	110
2003 final dividend of 3.5 HK cents on 70,209,670 shares issued upon conversion of convertible guaranteed bonds	**—**	2,457
Interim dividend of 2.5 HK cents on 2,085,026,240 shares (2004: 4.5 HK cents on 2,078,982,762 shares)	**52,126**	93,554
Proposed final dividend of 4.5 HK cents on 2,082,018,240 shares (2004: 6.5 HK cents on 2,080,026,240 shares)	**93,691**	135,202
	146,142	231,323

Note 12 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company of HK$364,390,000 (2004: HK$480,303,000, as restated) and the weighted average number of 2,082,792,925 shares (2004: 2,027,033,564 shares) in issue during the year. The calculation of diluted earnings per share is based on profit attributable to equity holders of the Company of HK$364,390,000 (2004: HK$480,303,000, as restated) and the weighted average number of 2,164,035,541 shares (2004: 2,115,339,365 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

A reconciliation of profit attributable to equity holders of the Company and the weighted average number of shares used in calculating the basic earnings per share and the diluted earnings per share is as follows:

For the year ended 31 December

	Profit attributable to equity holders of the Company		Weighted average number of shares	
	2005	(Restated) 2004	**2005**	2004
	(HK$'000)	(HK$'000)		
Profit/number of shares for the purpose of basic earnings per share	**364,390**	480,303	**2,082,792,925**	2,027,033,564
Effect of dilutive potential ordinary shares				
– share options	**—**	—	**81,242,616**	41,922,249
– convertible guaranteed bonds	**—**	—	**—**	46,383,552
Profit/number of shares for the purpose of diluted earnings per share	**364,390**	480,303	**2,164,035,541**	2,115,339,365

Note 13 Property, Plant and Equipment

Group

	Investment properties (HK$'000)	Leasehold buildings (HK$'000)	Vessels and pontoons (HK$'000)	Other assets (HK$'000)	Total (HK$'000)
Cost or valuation					
At 1 January 2004					
– as originally stated	2,525,204	1,066,838	1,940,604	721,226	6,253,872
– effect of adopting HKAS 1 and HKAS 17	(2,525,204)	(839,191)	—	—	(3,364,395)
– as restated	—	227,647	1,940,604	721,226	2,889,477
Exchange adjustment	—	—	—	1	1
Additions/transfers	—	—	5,628	22,814	28,442
Disposals/transfers	—	—	(38,253)	(15,531)	(53,784)
At 31 December 2004	—	227,647	1,907,979	728,510	2,864,136
Exchange adjustment	—	—	—	112	112
Additions through acquisition of a subsidiary	—	—	—	138	138
Additions/transfers	—	1,378	82,419	49,213	133,010
Disposals/transfers	—	—	—	(93,275)	(93,275)
At 31 December 2005	—	229,025	1,990,398	684,698	2,904,121
Depreciation					
At 1 January 2004					
– as originally stated	—	232,600	1,149,466	582,411	1,964,477
– effect of adopting HKAS 17	—	(121,834)	—	—	(121,834)
– as restated	—	110,766	1,149,466	582,411	1,842,643
Charge for the year	—	3,040	87,578	54,631	145,249
Write-back on disposal	—	—	(35,436)	(12,687)	(48,123)
At 31 December 2004	—	113,806	1,201,608	624,355	1,939,769
Exchange adjustment	—	—	—	49	49
Charge for the year	—	3,010	83,797	32,262	119,069
Write-back on disposal	—	—	—	(91,621)	(91,621)
At 31 December 2005	—	116,816	1,285,405	565,045	1,967,266
Net book value					
At 31 December 2005	**—**	**112,209**	**704,993**	**119,653**	**936,855**
At 31 December 2004 (restated)	—	113,841	706,371	104,155	924,367

Note 13 Property, Plant and Equipment (Continued)

Company

	Other assets (HK$'000)
Cost	
At 1 January 2004	3,544
Additions	333
Disposals	(101)
At 31 December 2004	3,776
Additions	677
Disposals	(1,478)
At 31 December 2005	2,975
Depreciation	
At 1 January 2004	2,535
Charge for the year	389
Write-back on disposal	(92)
At 31 December 2004	2,832
Charge for the year	335
Write-back on disposal	(1,239)
At 31 December 2005	1,928
Net book value	
At 31 December 2005	**1,047**
At 31 December 2004	944

The amount of leasehold buildings as originally stated at 1 January 2004 included the land element of leasehold properties, which is now disclosed separately as leasehold land upon the adoption of HKAS 17, the details of which are set out in note 15 to the financial statements.

Other assets of the Group comprised mainly furniture, fixtures and repairable spare parts of vessels.

The gross carrying amounts of vessels held for rental income under operating leases were HK$98,994,000 (2004: HK$115,098,000) and the related accumulated depreciation charges were HK$83,838,000 (2004: HK$97,484,000).

Note 13 Property, Plant and Equipment (Continued)

An analysis of leasehold buildings is as follows:

	Group 2005 (HK$'000)	Group (Restated) 2004 (HK$'000)
Hong Kong		
Long lease	**11,996**	12,353
Medium lease	**90,509**	92,955
	102,505	105,308
Outside Hong Kong		
Medium lease	**9,704**	8,533
	112,209	113,841

Note 14 Investment Properties

	Group 2005 (HK$'000)	Group (Restated) 2004 (HK$'000)
Valuation		
At 1 January		
– as originally stated	—	—
– effect of adopting HKAS 1	**2,756,359**	2,525,204
– as restated	**2,756,359**	2,525,204
Exchange adjustment	**8,165**	676
Additions/transfers	**13,888**	1,967
Cost adjustments	**(640)**	(4,203)
Disposals	—	(4,918)
Surplus on revaluation	**134,483**	237,633
At 31 December	**2,912,255**	2,756,359

Note 14 Investment Properties (Continued)

An analysis of investment properties is as follows:

	Group 2005 (HK$'000)	Group 2004 (HK$'000)
Hong Kong		
Long lease	**255,000**	239,000
Medium lease	**2,145,781**	2,051,894
	2,400,781	2,290,894
Outside Hong Kong		
Medium lease	**381,474**	369,465
Freehold	**130,000**	96,000
	511,474	465,465
	2,912,255	2,756,359

All investment properties were held for rental income under operating leases.

A revaluation of all investment properties was performed at 31 December 2005 by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of net income. The revaluation was conducted by Savills (Hong Kong) Limited and Chesterton Petty Limited, independent professional valuers, and carried out by qualified persons who are members of the Hong Kong Institute of Surveyors. Surplus on revaluation and deferred tax thereon have been included in the profit and loss account.

Note 15 Leasehold Land

	Group 2005 (HK$'000)	Group 2004 (HK$'000)
Cost		
At 1 January		
– as originally stated	—	—
– effect of adopting HKAS 17	**767,466**	767,466
At 1 January, as restated and at 31 December	**767,466**	767,466
Amortisation		
At 1 January		
– as originally stated	—	—
– effect of adopting HKAS 17	**152,119**	138,554
– as restated	**152,119**	138,554
Amortisation for the year	**13,565**	13,565
At 31 December	**165,684**	152,119
Net book value at 31 December	**601,782**	615,347

An analysis of leasehold land is as follows:

	Group 2005 (HK$'000)	Group (Restated) 2004 (HK$'000)
Hong Kong		
Long lease	**3,241**	3,267
Medium lease	**131,867**	134,797
	135,108	138,064
Outside Hong Kong		
Medium lease	**466,674**	477,283
	601,782	615,347

Note 16 Subsidiaries

	Company 2005 (HK$'000)	(Restated) 2004 (HK$'000)
Unlisted shares, at cost	**20,100**	20,100

Particulars regarding the principal subsidiaries are set out on pages 129 to 130.

Note 17 Associates

	Group 2005 (HK$'000)	(Restated) 2004 (HK$'000)	Company 2005 (HK$'000)	(Restated) 2004 (HK$'000)
Unlisted shares, at cost	**—**	—	**250**	678
Share of net assets	**196,818**	67,028	**—**	—
Goodwill	**137**	—	**—**	—
	196,955	67,028	**250**	678

Summarised financial information in respect of the Group's associates is set out below:

	2005 (HK$'000)	2004 (HK$'000)
Total assets	**3,262,056**	2,300,800
Total liabilities	**(2,797,568)**	(1,952,201)
Revenue	**658,410**	811,282
Profit for the year	**185,485**	225,422

Particulars regarding the principal associates are set out on pages 129 to 130.

Note 18 Jointly Controlled Entities

	Group		Company	
	2005	(Restated) 2004	2005	(Restated) 2004
	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)
Capital contribution, at cost	—	—	**7,803**	7,803
Share of net assets	**14,553**	14,191	**—**	—
	14,553	14,191	**7,803**	7,803

Summarised financial information in respect of the Group's jointly controlled entities is set out below:

	2005	2004
	(HK$'000)	(HK$'000)
Share of assets and liabilities attributable to the Group		
Current assets	**75,331**	77,508
Non-current assets	**18,270**	20,072
Current liabilities	**(48,444)**	(52,005)
Non-current liabilities	**(30,604)**	(31,384)
Net assets	**14,553**	14,191
Share of income and expenses attributable to the Group		
Income	**32,542**	105,848
Expenses	**(33,980)**	(107,699)
Loss for the year	**(1,438)**	(1,851)

Particulars regarding the principal jointly controlled entities are set out on pages 129 to 130.

Note 19 Goodwill

	Group 2005	Group 2004
	(HK$'000)	(HK$'000)
Cost		
At 1 January	**44,134**	44,134
Effect of adopting HKFRS 3	**(44,134)**	—
Acquisition of a subsidiary	**2,275**	—
At 31 December	**2,275**	44,134
Amortisation and impairment loss		
At 1 January	**44,134**	5,231
Effect of adopting HKFRS 3	**(44,134)**	—
Amortisation for the year	—	4,208
Impairment loss recognised in the year	—	34,695
At 31 December	—	44,134
Carrying amount	**2,275**	—

Goodwill of HK$2,275,000 was acquired through an acquisition of a laundry business based in Macau, the details of which are set out in note 36(a) to the financial statements. The goodwill is attributable to the anticipated profitability of the business.

During the year ended 31 December 2005, the directors of the Group determine that there is no goodwill impairment. The recoverable amount has been determined on the basis of value in use calculations, which use cash flow projections based on financial budgets approved by the directors covering a 10-year period and a discount rate of 13%. Cash flow projections are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and directors' expectations for the market development.

Note 20 Investments

	Group 2005 (HK$'000)	Group 2004 (HK$'000)	Company 2005 (HK$'000)	Company 2004 (HK$'000)
Investment securities				
Listed equity securities in Hong Kong, at cost less impairment losses	—	4,694	—	—
Unlisted equity securities, at cost less impairment losses	—	828,228	—	234,723
	—	832,922	—	234,723
Other investments				
Listed equity securities in Hong Kong, at market value	—	23,895	—	—
Listed securities outside Hong Kong, at market value				
– equity securities	—	2,211	—	—
– debt securities	—	19,767	—	—
Unlisted debt securities, at fair value	—	27,226	—	—
	—	73,099	—	—
Others				
Listed liquid fund outside Hong Kong, at market value	—	57,890	—	—
Club debentures, at cost	—	140	—	—
Amounts due by investee companies	—	28,190	—	125
	—	86,220	—	125
	—	992,241	—	234,848

Except for club debentures and amounts owing by investee companies, all investments were reclassified as available-for-sale investments at 1 January 2005 upon the adoption of HKAS 32 and HKAS 39. Other than investment securities previously stated at HK$4,694,000 which were restated at fair value of HK$5,114,000 upon the reclassification, the carrying amounts of all investments reclassified were not restated since they were already stated at fair value or at cost less any accumulated impairment losses in accordance with HKAS 39.

Note 20 Investments (Continued)

An analysis of investments is as follows:

	Investment securities		Other investments		Others		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	(HK$'000)	(HK$'000)	**(HK$'000)**	(HK$'000)	**(HK$'000)**	(HK$'000)	**(HK$'000)**	(HK$'000)
Group								
Non-current assets	—	832,922	—	53,332	—	28,330	—	914,584
Current assets	—	—	—	19,767	—	57,890	—	77,657
	—	832,922	—	73,099	—	86,220	—	992,241
Company								
Non-current assets	—	234,723	—	—	—	125	—	234,848

Note 21 Available-for-sale Investments

	Group		Company	
	2005	2004	2005	2004
	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)
Equity securities				
Unlisted				
Cost	901,837	—	234,723	—
Impairment losses	(81,274)	—	—	—
	820,563	—	234,723	—
Listed in Hong Kong, at market value	198,296	—	—	—
Listed outside Hong Kong, at market value	8,662	—	—	—
	1,027,521	—	234,723	—
Debt securities				
Listed outside Hong Kong, at market value	7,755	—	—	—
Unlisted, at fair value	37,614	—	—	—
	45,369	—	—	—
Unit trust				
Listed outside Hong Kong, at market value	251	—	—	—
Investment funds				
Listed outside Hong Kong, at market value	5,423	—	—	—
Unlisted, at fair value	8,158	—	—	—
	13,581	—	—	—
	1,086,722	—	234,723	—

The fair values of listed securities and unit trust are determined on the basis of their quoted market prices at the balance sheet date. For unlisted securities, the Group uses the market values determined by independent financial institutions to estimate their fair values. Investment funds are stated at the net asset value per share as reported by the managers of such funds.

Certain available-for-sale investments of the Group, including an unlisted equity investment in STDM, do not have quoted market prices in an active market and other methods of reasonably estimating fair value are clearly unworkable as the variability in the range of various reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. These available-for-sale investments are therefore stated at cost and are subject to review for impairment loss.

Note 21 Available-for-sale Investments (Continued)

An analysis of available-for-sale investments is as follows:

	Equity securities		Debt securities		Unit trust		Investment funds		Total	
	2005 (HK$'000)	2004 (HK$'000)	2005 (HK$'000)	2004 (HK$'000)	2005 (HK$'000)	2004 (HK$'000)	2005 (HK$'000)	2004 (HK$'000)	2005 (HK$'000)	2004 (HK$'000)
Group										
Non-current assets	1,027,521	–	29,912	–	251	–	–	–	1,057,684	–
Current assets	–	–	15,457	–	–	–	13,581	–	29,038	–
	1,027,521	–	45,369	–	251	–	13,581	–	1,086,722	–
Company										
Non-current assets	234,723	–	–	–	–	–	–	–	234,723	–

Note 22 Mortgage Loans Receivable

	Group	
	2005 (HK$'000)	2004 (HK$'000)
Mortgage loans receivable	304,100	1,001,679
Less: Current portion	(21,001)	(28,116)
Non-current portion	283,099	973,563

Mortgage loans receivable are secured by second mortgage of properties and interest bearing at prime rate plus 1.75% to prime rate plus 3.75% (2004: prime rate plus 1.75% to prime rate plus 3.75%) per annum.

The carrying amount of mortgage loans receivable approximates the fair value based on cash flows discounted using effective interest rates of prime rate plus 1.75% to prime rate plus 3.75% (2004: prime rate plus 1.75% to prime rate plus 3.75%) per annum.

Note 23 Other Non-current Assets

	Group		Company	
	2005	(Restated) 2004	2005	(Restated) 2004
	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)
Amounts due by subsidiaries less provision	—	—	**3,562,595**	3,372,393
Amounts due by associates less provision	**302,611**	295,132	—	454
Amounts due by jointly controlled entities	**25,080**	31,670	—	—
Amounts due by investee companies	**28,190**	—	**125**	—
Financial instruments with embedded derivatives, at fair value	**14,930**	—	—	—
Club debentures	**140**	—	—	—
	370,951	326,802	**3,562,720**	3,372,847

Amounts due by subsidiaries, jointly controlled entities and investee companies are unsecured, non-interest bearing and with no fixed term of repayment. Given these terms, it is not meaningful to disclose their fair values.

Amounts due by associates are unsecured and with no fixed term of repayment, and amount to the extent of HK$291,475,000 (2004: HK$264,542,000) is interest bearing at 6% (2004: 6%) per annum while the remaining balances are non-interest bearing. For the interest bearing portion, the carrying amount is not materially different from the fair value. For the non-interest bearing portion, it is not meaningful to disclose fair value.

Financial instruments with embedded derivatives comprise oil-indexed principal payments embedded in the unlisted host financial instruments. The Group uses the market values determined by independent financial institutions to estimate their fair values.

Note 24 Properties Under Development

	Group	
	2005	2004
	(HK$'000)	(HK$'000)
Properties under development, at cost	**1,026,554**	909,521

Leasehold land included in properties under development is held under medium leases in Hong Kong.

Note 25 Inventories

	Group	
	2005	2004
	(HK$'000)	(HK$'000)
Properties	**122,127**	349,609
Spare parts	**108,401**	98,343
Others	**5,146**	3,249
	235,674	451,201

Leasehold land included in inventories of properties is held under medium leases in Hong Kong.

Note 26 Trade and Other Receivables

	Group		Company	
	2005	(Restated) 2004	**2005**	2004
	(HK$'000)	(HK$'000)	**(HK$'000)**	(HK$'000)
Amount due by a jointly controlled entity	**9,200**	—	**—**	—
Current portion of mortgage loans receivable	**21,001**	28,116	**—**	—
Trade and other debtors, deposits and prepayments	**272,848**	208,839	**60,966**	7,940
	303,049	236,955	**60,966**	7,940

Amount due by a jointly controlled entity was unsecured and expected to be recovered within one year. Amount to the extent of HK$7,200,000 (2004: nil) was interest bearing at the interest rate of 5% per annum and the remaining balance was non-interest bearing.

Note 26 Trade and Other Receivables (Continued)

The carrying amount of trade and other receivables approximates their fair value because of their immediate or short term maturity.

Trade debtors are managed in accordance with defined credit policies, dependent on market requirements and businesses which they operate. Subject to negotiation, credit is only available for major customers with well-established trading records. The ageing analysis of trade debtors is as follows:

	Group	
	2005 (HK$'000)	2004 (HK$'000)
0 – 30 days	**91,422**	91,907
31 – 60 days	**32,133**	27,795
61 – 90 days	**4,312**	2,025
over 90 days	**16,639**	15,890
	144,506	137,617

Note 27 Derivative Financial Instruments

During the year, fuel swap contracts were designated as cash flow hedges to hedge fuel price risk in anticipated future fuel purchases. These contracts were remeasured at fair value based on the estimated future cash flows. The fair value gains or losses will be transferred from hedging reserve to the profit and loss account when the forecast purchases occur, at various dates between 1 month to 6 months from the balance sheet date. At 31 December 2005, the outstanding fuel swap contracts were stated at their fair value of HK$5,363,000 (2004: nil).

Note 28 Cash and Bank Balances

	Group		Company	
	2005 (HK$'000)	2004 (HK$'000)	2005 (HK$'000)	2004 (HK$'000)
Bank deposits	**3,616,566**	3,482,268	**2,554,564**	2,579,611
Cash and bank balances	**247,684**	390,393	**41,723**	208,081
	3,864,250	3,872,661	**2,596,287**	2,787,692

Details of the effective interest rates and denomination of bank balances and bank deposits are shown in notes 42(a) and 42(b) to the financial statements respectively. At the balance sheet date, the amount of bank deposits with a maturity over three months was nil (2004: HK$750,000).

The carrying amount of cash, bank balances and bank deposits approximates their fair value because of their immediate or short term maturity.

Note 29 Bank Borrowings

	Group 2005 (HK$'000)	Group 2004 (HK$'000)
Bank loans repayable within a period		
Not exceeding 1 year	**166,995**	784,329
More than 1 year but not exceeding 2 years	**194,742**	145,099
More than 2 years but not exceeding 5 years	**654,982**	350,324
	1,016,719	1,279,752
Less: Current portion	**(166,995)**	(784,329)
Non-current portion	**849,724**	495,423

Bank loans to the extent of HK$263,469,000 (2004: HK$295,252,000) are secured by charges on certain vessels of the Group of HK$465,089,000 (2004: HK$514,567,000). The balance is secured by corporate guarantee of the Company. Bank loans to the extent of HK$419,719,000 (2004: HK$482,752,000) are repayable by instalments. Bank loans are interest bearing at HIBOR plus 0.5% to HIBOR plus 0.8% (2004: HIBOR plus 0.5% to HIBOR plus 0.8%) per annum.

The carrying amount of bank borrowings approximates the fair value based on cash flows discounted using effective interest rates of HIBOR plus 0.5% to HIBOR plus 0.8% (2004: HIBOR plus 0.5% to HIBOR plus 0.8%) per annum.

Note 30 Trade and Other Payables

	Group		Company	
	2005 (HK$'000)	(Restated) 2004 (HK$'000)	2005 (HK$'000)	(Restated) 2004 (HK$'000)
Amounts due to subsidiaries	**—**	—	**1,031,610**	933,763
Amount due to an associate	**2,846**	2,846	**—**	—
Loan	**5,000**	5,000	**—**	—
Trade and other creditors, deposits and accrued charges	**511,397**	527,815	**24,356**	29,493
	519,243	535,661	**1,055,966**	963,256

Amounts due to subsidiaries and an associate and loan are unsecured, non-interest bearing and with no fixed term of repayment. The carrying amount of trade and other payables either approximates their fair value because of their immediate or short term maturity, or is not materially different from their fair value.

Note 30 Trade and Other Payables (Continued)

The ageing analysis of trade creditors is as follows:

	Group	
	2005	2004
	(HK$'000)	(HK$'000)
0 – 30 days	**150,071**	189,964
31 – 60 days	**3,649**	761
61 – 90 days	**452**	550
over 90 days	**8,731**	708
	162,903	191,983

Note 31 Provision for Employee Benefits

Provision for employee benefits represents cost of cumulative compensated absences that the Group expects to pay.

	Group		Company	
	2005	2004	**2005**	2004
	(HK$'000)	(HK$'000)	**(HK$'000)**	(HK$'000)
At 1 January	**27,940**	24,521	**7,187**	3,196
Net amount provided during the year	**970**	4,260	**659**	4,034
Amount paid during the year	**(688)**	(841)	**(204)**	(43)
At 31 December	**28,222**	27,940	**7,642**	7,187

Note 32 Loans from Minority Shareholders

Loans from minority shareholders are unsecured and with no fixed term of repayment. The Group has not provided any guarantee in favour of the minority shareholders in respect of the loans advanced. Amount to the extent of HK$26,950,000 (2004: HK$24,141,000) is interest bearing at HIBOR plus 0.58% (2004: HIBOR plus 0.58%) per annum while the balance is non-interest bearing. For the interest bearing portion, the carrying amount is not materially different from the fair value. For the non-interest bearing portion, it is not meaningful to disclose fair value.

Note 33 Share Capital

	2005 Number of shares	2005 (HK$'000)	2004 Number of shares	2004 (HK$'000)
Authorised				
Ordinary shares of HK$0.25 each				
At 1 January and 31 December	**4,000,000,000**	**1,000,000**	4,000,000,000	1,000,000
Issued and fully paid				
Ordinary shares of HK$0.25 each				
At 1 January	**2,080,026,240**	**520,007**	1,942,433,910	485,608
Conversion of convertible guaranteed bonds	**—**	**—**	127,390,540	31,848
Exercise of share options	**5,000,000**	**1,250**	10,201,790	2,551
Repurchase of shares	**(3,008,000)**	**(752)**	—	—
At 31 December	**2,082,018,240**	**520,505**	2,080,026,240	520,007

In December 2005, the Company repurchased 3,008,000 of its own ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$19,654,000. The highest and lowest prices paid per share were HK$6.60 and HK$6.40 respectively. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Pursuant to Section 49H of the Companies Ordinance, an amount equivalent to the par value of the shares cancelled of HK$752,000 was transferred from retained profits to capital redemption reserve. The premium and expenses paid on the repurchase of the shares of HK$18,902,000 was charged to retained profits.

Note 34 Share Option Schemes

The Company had a share option scheme which was adopted on 18 May 1993 (the 1993 share option scheme) and terminated on 31 May 2002. A new share option scheme was adopted on 31 May 2002 (the 2002 share option scheme), whereby the board of directors of the Company may grant share options to eligible persons, including directors and employees of the Company, to subscribe for ordinary shares in the Company. Details of the share option schemes are disclosed under Disclosure of Interests (section (d)) in the Report of the Directors on pages 44 to 45.

Note 34 Share Option Schemes (Continued)

Details of the share options are as follows:

2005

Date of grant	Exercise price	Number of share options: At 1 January 2005	Granted during the year	Exercised during the year	At 31 December 2005	Note
a) The 1993 share option scheme						
3 January 2000	**HK$1.15**	**20,869,566**	**—**	**—**	**20,869,566**	**(i)**
b) The 2002 share option scheme						
25 May 2004	**HK$3.15**	**112,454,870**	**—**	**(5,000,000)**	**107,454,870**	**(i)**
8 July 2004	**HK$3.95**	**918,800**	**—**	**—**	**918,800**	**(ii)**
22 September 2004	**HK$4.20**	**5,000,000**	**—**	**—**	**5,000,000**	**(i)**
		118,373,670	**—**	**(5,000,000)**	**113,373,670**	
		139,243,236	**—**	**(5,000,000)**	**134,243,236**	

2004

Date of grant	Exercise price	Number of share options: At 1 January 2004	Granted during the year	Exercised during the year	At 31 December 2004	Note
a) The 1993 share option scheme						
24 March 1995	HK$3.35	5,401,791	—	(5,401,791)	—	
3 January 2000	HK$1.15	25,669,565	—	(4,799,999)	20,869,566	(i)
		31,071,356	—	(10,201,790)	20,869,566	
b) The 2002 share option scheme						
25 May 2004	HK$3.15	—	112,454,870	—	112,454,870	(i)
8 July 2004	HK$3.95	—	918,800	—	918,800	(ii)
22 September 2004	HK$4.20	—	5,000,000	—	5,000,000	(i)
		—	118,373,670	—	118,373,670	
		31,071,356	118,373,670	(10,201,790)	139,243,236	

Notes:

(i) The share options outstanding at 31 December 2005 and 31 December 2004 are granted to directors and exercisable during a period of 10 years commencing on the date of each grant.

(ii) The share options outstanding at 31 December 2005 and 31 December 2004 are granted to employees and exercisable during a period of 5 years commencing on the date of grant.

Note 35 Reserves

a) Group

	2005 (HK$'000)	(Restated) 2004 (HK$'000)
Share premium account	**4,095,965**	4,081,491
Capital redemption reserve account	**5,771**	5,019
Capital reserve account	**—**	(27,582)
Legal reserve account	**7,548**	—
Investment property revaluation reserve account	**—**	183,421
Investment revaluation reserve account	**14,552**	—
Hedging reserve account	**1,885**	—
Exchange reserve account	**5,389**	1,352
Profit and loss account	**2,399,188**	1,976,444
	6,530,298	6,220,145

The movements of the Group's reserves for the years ended 31 December 2005 and 31 December 2004 are presented in the consolidated statement of changes in equity on pages 58 to 59 of the financial statements.

The application of share premium and capital redemption reserve is governed by Sections 48B and 49H respectively of the Companies Ordinance.

Legal reserve is a non-distributable reserve of certain subsidiaries and associates which is set aside from the profits of these companies in accordance with the Commercial Code of Macau Special Administrative Region.

Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the balance sheet date and is dealt with in accordance with the accounting policy of available-for-sale investments as set out in note 2(m) to the financial statements.

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy of cash flow hedges in note 2(o) to the financial statements.

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy of foreign currencies in note 2(w) to the financial statements.

Note 35 Reserves (Continued)

b) Company

	Share premium account (HK$'000)	Capital redemption reserve account (HK$'000)	Profit and loss account (HK$'000)	Total (HK$'000)
At 1 January 2004	3,795,658	5,019	817,979	4,618,656
Profit for the year	—	—	134,034	134,034
Conversion of convertible guaranteed bonds	264,972	—	—	264,972
Exercise of share options	21,065	—	—	21,065
Expenses on issue of shares	(204)	—	—	(204)
Dividends	—	—	(231,323)	(231,323)
At 31 December 2004	4,081,491	5,019	720,690	4,807,200
Profit for the year	—	—	149,462	149,462
Exercise of share options	14,500	—	—	14,500
Expenses on issue of shares	(26)	—	—	(26)
Repurchase of shares	—	752	(19,578)	(18,826)
Expenses on repurchase of shares	—	—	(76)	(76)
Dividends	—	—	(146,142)	(146,142)
At 31 December 2005	**4,095,965**	**5,771**	**704,356**	**4,806,092**

At the balance sheet date, reserves of the Company available for distribution to shareholders, as calculated under Section 79B of the Companies Ordinance, amounted to HK$704,356,000 (2004: HK$720,690,000).

The consolidated profit attributable to equity holders of the Company includes a profit of HK$121,381,000 (2004: HK$134,034,000) which has been dealt with in the financial statements of the Company.

Note 36 Consolidated Cash Flow Statement

a) Acquisition of interest in a subsidiary

	2005 (HK$'000)	2004 (HK$'000)
Net assets acquired		
Property, plant and equipment	138	—
Inventories	587	—
	725	—
Goodwill arising on acquisition (note 19)	2,275	—
	3,000	—
Satisfied by		
Consideration	3,000	—
Consideration	(3,000)	
Consideration payable	800	—
Cash outflow on acquisition of interest in a subsidiary	(2,200)	—

On 15 August 2005, a subsidiary which is 80% owned by the Group acquired 100% interest in Clean Living (Macau) Limited (CLML), which operates a laundry business based in Macau. The carrying amounts of the net assets acquired represent their fair values at the date of acquisition.

CLML contributed revenue of HK$1,603,000 and a loss of HK$551,000 to the Group between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2005, the Group's total revenues and profit for the year would have been HK$2,643,612,000 and HK$581,366,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenues and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, nor is it intended to be a projection of future results.

Note 36 Consolidated Cash Flow Statement (Continued)

b) Disposal of interests in subsidiaries

	2005 (HK$'000)	2004 (HK$'000)
Net assets disposed of		
Cash and bank balances	—	176
Minority interests	—	(79)
	—	97
Realisation of capital reserve	—	(3,680)
	—	(3,583)
Profit on disposal	—	3,680
	—	97
Satisfied by		
Consideration	—	97
Consideration received	—	97
Cash and cash equivalents disposed of	—	(176)
Cash outflow on disposal of interests in subsidiaries	—	(79)

c) Analysis of cash and cash equivalents

	2005 (HK$'000)	2004 (HK$'000)
Investment funds (notes 21 and 20)	**13,581**	57,890
Cash and bank balances (note 28)	**3,864,250**	3,872,661
	3,877,831	3,930,551
Bank deposits with a maturity over three months	—	(750)
Cash and cash equivalents in the consolidated cash flow statement	**3,877,831**	3,929,801

Cash and cash equivalents at the balance sheet date include cash and bank balances of HK$16,355,000 (2004: HK$18,860,000) held by subsidiaries which are not freely remissible to the Group because of currency exchange restrictions.

d) Major non-cash transactions

(i) During the year, the Group entered into an agreement for the acquisition of the entire issued share capital of Built City Investments Limited, whose principal asset is a 51% interest in Basecity Investments Limited, which indirectly wholly-owns Properties Sub F, Limited, which has the right of a land concession in respect of the property site located at Lot B, District B2, Zone B, NAPE in Macau. The Company will issue an estimated number of 97,591,776 ordinary shares of the Company as part of the consideration.

(ii) During the year, part of the dividend income of HK$60,543,000 from investments was settled through the current account with an investee company.

Note 37 Segment Information

Business segments

Group

2005

	Transportation (HK$'000)	Property (HK$'000)	Hospitality (HK$'000)	Investment and others (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Turnover and revenue						
External turnover	1,638,103	496,655	257,895	96,365	—	2,489,018
Inter-segment turnover	77,144	1,739	30,264	—	(109,147)	—
Other revenues	27,098	2,177	807	21,596	—	51,678
	1,742,345	500,571	288,966	117,961	(109,147)	2,540,696
Segment results	187,990	145,928	28,239	90,322	—	452,479
Fair value changes on investment properties	—	134,483	—	—	—	134,483
Unallocated income						18,667
Unallocated expense						(98,345)
Interest income						100,533
Operating profit						607,817
Finance costs						(33,725)
Share of results of associates	354	12,205	57,415	1,631	—	71,605
Share of results of jointly controlled entities	4,186	(475)	(5,149)	—	—	(1,438)
Profit before taxation						644,259
Taxation						(63,266)
Profit after taxation						580,993
Assets						
Segment assets	2,222,997	5,023,592	559,078	1,163,562	(21,455)	8,947,774
Associates	3,154	(258)	192,228	1,831	—	196,955
Jointly controlled entities	18,796	16,290	(20,533)	—	—	14,553
Unallocated assets						2,696,509
Total assets						11,855,791
Liabilities						
Segment liabilities	291,760	550,587	28,732	796	(21,455)	850,420
Unallocated liabilities						2,042,245
Total liabilities						2,892,665
Other information						
Capital expenditure	113,856	19,873	11,726	640		
Depreciation	112,832	2,831	2,830	241		
Amortisation of leasehold land	2,976	172	10,417	—		
Impairment losses on receivables	—	12	3,606	—		

Note 37 Segment Information (Continued)

Business segments

Group (Restated) 2004

	Transportation (HK$'000)	Property (HK$'000)	Hospitality (HK$'000)	Investment and others (HK$'000)	Eliminations (HK$'000)	Consolidated (HK$'000)
Turnover and revenue						
External turnover	1,577,307	1,895,492	153,123	123,208	—	3,749,130
Inter-segment turnover	9,569	1,600	7,070	—	(18,239)	—
Other revenues	72,523	3,921	430	11,855	—	88,729
	1,659,399	1,901,013	160,623	135,063	(18,239)	3,837,859
Segment results	243,226	550,798	9,180	121,585	—	924,789
Unallocated income						17,122
Unallocated expenses						(77,973)
Interest income						11,875
Operating profit						875,813
Finance costs						(12,850)
Investment loss						(48,543)
Share of results of associates	—	38,773	24,629	1,980	—	65,382
Share of results of jointly controlled entities	3,439	84	1,159	(7,091)	—	(2,409)
Profit before taxation						877,393
Taxation						(79,489)
Profit after taxation						797,904
Assets						
Segment assets	2,010,288	5,652,219	536,292	1,038,669	(2,156)	9,235,312
Associates	—	21,238	63,395	(17,605)	—	67,028
Jointly controlled entities	12,810	16,765	(15,384)	—	—	14,191
Unallocated assets						2,827,115
Total assets						12,143,646
Liabilities						
Segment liabilities	236,665	895,864	51,368	744	(2,156)	1,182,485
Unallocated liabilities						2,435,940
Total liabilities						3,618,425
Other information						
Capital expenditure	16,330	7,445	5,724	101		
Depreciation	131,609	4,160	8,138	953		
Amortisation of leasehold land	2,976	172	10,417	—		
Amortisation of goodwill	—	—	1,140	3,068		
Interest and redemption premium on convertible guaranteed bonds written back	—	88,220	—	—		

Note 37 Segment Information (Continued)

Geographical segments

Group

	Hong Kong (HK$'000)	Macau (HK$'000)	Others (HK$'000)	Consolidated (HK$'000)
2005				
Turnover and revenue	**1,481,336**	**897,574**	**161,786**	**2,540,696**
Segment assets	**9,261,575**	**2,057,224**	**536,992**	**11,855,791**
Capital expenditure	**118,338**	**26,374**	**2,060**	
2004 (restated)				
Turnover and revenue	2,826,278	885,927	125,654	3,837,859
Segment assets	9,721,281	1,868,872	553,493	12,143,646
Capital expenditure	23,595	1,103	5,235	

Note 38 Significant Related Party Transactions

a) During the year, details of significant related party transactions were as follows:

	Note		2005 (HK$'000)	2004 (HK$'000)
STDM Group	(i)			
Dividend income from STDM			**93,341**	115,518
Ship tickets sold to STDM Group		*	**474,104**	473,966
Discount granted to STDM Group on ship tickets purchased by STDM Group		*	**23,594**	23,698
Commission paid to STDM Group on ship tickets sold by STDM Group		*	**15,388**	15,744
Fees received from STDM for management of hotels and Macau Tower Convention & Entertainment Centre (MTCEC)		*	**37,134**	38,646
Fuel purchased from STDM Group for Macau shipping operations		*	**189,269**	126,063
Amount collected by STDM Group for sale of ship tickets and related services in Macau			**310,129**	315,447
Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau			**145,590**	137,890
Amount reimbursed by STDM Group for staff expenses and administrative resources shared			**29,725**	28,821
Amount reimbursed by STDM for management of MTCEC			**17,380**	46,796
Associates				
Insurance premium paid to an associate			**33,992**	31,553
Jointly controlled entities				
Ship passengers handling fees received on behalf of a jointly controlled entity			**32,190**	19,166
Key management personnel				
Fees received under Ferry Services Co-operation Agreement with a jointly controlled entity of New World Development Company Limited (NWD)	(ii)	*	**30,000**	30,000
Directors' emoluments	(iii)			
Salaries and other short-term employee benefits			**27,711**	28,633
Post-employment benefits			**1,072**	1,031
Other related parties				
Commission paid to China Travel Service (Hong Kong) Limited (CTSHK) for sale of ship tickets	(iv)	*	**28,675**	27,901
Net income collected by CTSHK for sale of ship tickets and related services			**127,079**	138,575

* *These related party transactions also constitute continuing connected transactions disclosable in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.*

Note 38 Significant Related Party Transactions (Continued)

b) At the balance sheet date, the Group had the following balances with related parties:

	Note	2005 (HK$'000)	2004 (HK$'000)
STDM Group	(i)		
Net receivable from/(payable to) STDM Group	(v)	**7,956**	(22,899)
Minority shareholder's loan from STDM to a subsidiary	(vi)	**100,000**	100,000
Associates			
Amounts due by associates	(vii)	**302,611**	296,225
Jointly controlled entities			
Amounts due by jointly controlled entities	(viii)	**34,280**	31,670
Construction costs payable to a jointly controlled entity	(ix)	**40,362**	79,854
Key management personnel			
Minority shareholder's loans from NWD to subsidiaries	(x)	**176,172**	263,338
Minority shareholder's loan from a company beneficially owned by Dr. Stanley Ho to a subsidiary	(xi)	**117,907**	125,107
Other related parties			
Minority shareholder's loans from Sun Hung Kai Properties Limited (SHK) to subsidiaries	(x)	**533,701**	824,300

Notes:

(i) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Mr. David Shum, directors of the Company, have beneficial interests in STDM. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung (appointed representative of a corporate director), Mrs. Mok Ho Yuen Wing, Louise, Ms. Pansy Ho and Mr. David Shum are directors of STDM. STDM is a substantial shareholder of the Company.

(ii) Dato' Dr. Cheng Yu Tung is chairman of NWD.

(iii) Further details of directors' emoluments are disclosed in note 7 to the financial statements.

(iv) CTSHK is a subsidiary of China Travel International Investment Hong Kong Limited which is a minority shareholder of a subsidiary.

(v) Net receivable from/(payable to) STDM Group includes unsecured non-interest bearing current account, trade and other receivable and payable.

(vi) The subsidiary, Shun Tak, Serviços Recreativos, S.A., holds development rights of a site in Taipa Macau and is owned as to 80% by the Group and 20% by STDM. The minority shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.

(vii) Amounts due by associates are unsecured and with no fixed term of repayment.

Amount to the extent of HK$291,475,000 (2004: HK$264,542,000) is interest bearing at 6% per annum while the remaining balances are non-interest bearing. The related interest income amounted to HK$16,746,000 (2004: HK$15,646,000) and the sum of HK$14,138,000 (2004: HK$14,325,000) remained unsettled as at the balance sheet date.

Note 38 Significant Related Party Transactions (Continued)

(viii) *Amounts due by jointly controlled entities are unsecured.*

Amount to the extent of HK$7,200,000 (2004: nil) is interest bearing at 5% per annum while the remaining balances are non-interest bearing.

Amount to the extent of HK$9,200,000 (2004: nil) is expected to be repayable within one year and the remaining balances have no fixed term of repayment. The related interest income amounted to HK$360,000 (2004: nil) and remained unsettled as at the balance sheet date.

(ix) *Construction costs payable represents the balance payable to the main contractor for the development of Liberté.*

(x) *The subsidiaries, Ranex Investments Limited (Ranex) and Treasure Peninsula Limited (TPL), hold the development project of The Belcher's and provide second mortgage financing to the buyers of The Belcher's respectively. The subsidiaries are owned as to 51% by the Group, 29% by SHK, 10% by NWD and 10% by an unrelated third party. The minority shareholders' loans to Ranex from NWD and SHK are unsecured, interest bearing at HIBOR plus 0.58% per annum and with no fixed term of repayment. The minority shareholders' loans to TPL from NWD and SHK are unsecured, non-interest bearing and with no fixed term of repayment.*

Moreover, SHK also provides minority shareholder's loan to a subsidiary, Onluck Finance Limited, which provides second mortgage financing to the buyers of Liberté. This subsidiary is owned as to 64.56% by the Group and 35.44% by SHK. The loan is unsecured, non-interest bearing and with no fixed term of repayment.

(xi) *The subsidiary, Shun Tak Cultural Centre Limited, holds 100% interest in Shun Tak Business Centre in Guangzhou and is owned as to 60% by the Group and 40% by a company beneficially owned by Dr. Stanley Ho. The minority shareholder's loan is unsecured, non-interest bearing and with no fixed term of repayment.*

Note 39 Provident Fund Scheme

Pursuant to the Mandatory Provident Fund Schemes Ordinance, the Group has established a mandatory provident fund (MPF) scheme in December 2000. Since the Group has obtained exemption for its existing provident fund scheme, all staff were offered the choice of switching to the MPF scheme or staying in existing scheme. Where staff elected to join the MPF scheme, both the Group and staff are required to contribute 5% of the employees' relevant income (capped at HK$20,000). Staff may elect to contribute more than the minimum as a voluntary contribution.

Apart from the MPF scheme, the Group has a defined contribution fund scheme covering all qualified staff who elected not to switch to the MPF scheme. The Group and its employees are each required to make contributions to the scheme calculated at 5% of the employees' basic salaries on a monthly basis.

The assets held under the MPF scheme and the defined contribution fund scheme are managed by independent trustees. The Group's contributions charged to the profit and loss account for the year ended 31 December 2005 were HK$22,008,000 (2004: HK$21,054,000). Under the defined contribution fund scheme, no forfeitures of employer's contributions resulting from leaving scheme members were applied to reduce the Group's contributions for both years. At the balance sheet date, forfeited contributions of HK$22,219,000 (2004: HK$20,459,000) were available to the Group to reduce the contributions to the scheme in future.

Note 40 Commitments

a) Capital commitments

	Group 2005 (HK$'000)	Group 2004 (HK$'000)	Company 2005 (HK$'000)	Company 2004 (HK$'000)
Contracted but not provided for				
Capital expenditure	**39,085**	32,337	**—**	—
Capital contribution to jointly controlled entities	**6,490**	6,368	**6,490**	6,368
	45,575	38,705	**6,490**	6,368

At the balance sheet date, the Group had outstanding commitments of:

(i) the payment of HK$750 million in cash and the issue of 148,883,374 ordinary shares of the Company for the acquisition of the entire issued share capitals of the companies that will hold the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau.

(ii) the issue of an estimated number of 97,591,776 ordinary shares of the Company, for the acquisition of the entire issued share capital of Built City Investments Limited, whose principal asset is a 51% interest in Basecity Investments Limited, which indirectly wholly-owns Properties Sub F, Limited, which has the right of a land concession in respect of the property site located at Lot B, District B2, Zone B, NAPE in Macau.

In addition to the above, the Group's share of capital commitments of a jointly controlled entity itself is as follows:

	Group 2005 (HK$'000)	Group 2004 (HK$'000)
Contracted but not provided for	**—**	16
Authorised but not contracted for	**—**	7
	—	23

Note 40 Commitments (Continued)

b) Lease commitments

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

	Group	
	2005	2004
	(HK$'000)	(HK$'000)
Within one year	**4,379**	3,655
In the second to fifth year inclusive	**3,333**	5,151
Over five years	**494**	1,153
	8,206	9,959

The leasing arrangements of land held under operating leases are set out in notes 15, 24 and 25 to the financial statements. Apart from these leases, the Group's operating leases are for terms ranging from 1 to 7 years.

c) Future minimum lease payments receivable

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2005	2004
	(HK$'000)	(HK$'000)
Within one year	**97,057**	88,395
In the second to fifth year inclusive	**115,892**	148,899
Over five years	**33,589**	40,951
	246,538	278,245

The Group's operating leases are for terms ranging from 1 to 10 years.

d) At the balance sheet date, the Group had commitments under various contracts to complete property development projects at a total value of HK$95,592,000 (2004: HK$1,391,000).

Note 41 Contingent Liabilities

	Group		Company	
	2005	2004	**2005**	2004
	(HK$'000)	(HK$'000)	**(HK$'000)**	(HK$'000)
Guarantees issued by the Company for credit facilities granted by third parties to subsidiaries	**—**	—	**753,200**	984,500
Letters of credit outstandng	**3,880**	349	**—**	—

In addition to the above, the Group had provided guarantee to a third party in respect of the sum owing by a jointly controlled entity to the said third party under a license agreement. At the balance sheet date, the Group's share of such contingent liabilities amounted to HK$1,557,000 (2004: HK$845,000).

Note 42 Financial Risk Management

The Group adopts a conservative policy in financial risk management and focuses on minimising potential adverse effects on the Group's performance. The Group's activities are exposed to the following risks:

a) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The following tables set out the carrying amounts, by maturity, of the Group's financial instruments at 31 December 2005 and 31 December 2004 that are exposed to interest rate risk:

	Not exceeding 1 year (HK$'000)	More than 1 year but not exceeding 2 years (HK$'000)	More than 2 years but not exceeding 5 years (HK$'000)	More than 5 years (HK$'000)	No fixed term of repayment (HK$'000)	Total (HK$'000)	Effective annual interest rate %
2005							
Floating rate							
Mortgage loans receivable	**21,001**	**14,219**	**44,570**	**224,310**	**—**	**304,100**	**9.89**
Available-for-sale investments	**—**	**—**	**13,679**	**6,853**	**—**	**20,532**	**4.36**
Bank balances	**168,063**	**—**	**—**	**—**	**—**	**168,063**	**2.23**
Bank borrowings	**166,995**	**194,742**	**654,982**	**—**	**—**	**1,016,719**	**4.67**
Loans from minority shareholders	**—**	**—**	**—**	**—**	**26,950**	**26,950**	**4.63**
Fixed rate							
Amount due by an associate	**—**	**—**	**—**	**—**	**291,475**	**291,475**	**6.00**
Amount due by a jointly controlled entity	**7,200**	**—**	**—**	**—**	**—**	**7,200**	**5.00**
Available-for-sale investments	**15,457**	**—**	**9,380**	**—**	**—**	**24,837**	**4.42**
Bank deposits	**3,616,566**	**—**	**—**	**—**	**—**	**3,616,566**	**4.07**
2004							
Floating rate							
Mortgage loans receivable	28,116	59,663	174,404	739,496	—	1,001,679	7.09
Investments	—	—	15,561	3,900	—	19,461	6.85
Bank balances	157,885	—	—	—	—	157,885	0.15
Bank borrowings	784,329	145,099	350,324	—	—	1,279,752	0.85
Loans from minority shareholders	—	—	—	—	24,141	24,141	0.81
Fixed rate							
Amount due by an associate	—	—	—	—	264,542	264,542	6.00
Investments	19,767	7,765	—	—	—	27,532	6.28
Bank deposits	3,482,268	—	—	—	—	3,482,268	0.43

Note 42 Financial Risk Management (Continued)

b) Currency risk

The Group is exposed to currency risk on financial assets that are denominated in United States dollars (USD), Macau patacas (MOP), Renminbi (RMB) and Singapore dollars (SGD). As USD and MOP are pegged to Hong Kong dollars (HKD), the directors do not expect any significant movements in the USD/HKD and MOP/HKD exchange rates. For other currencies like RMB and SGD, since the volume of transactions denominated in these currencies is not significant, the directors consider the exposure to currency risk to be low. The following tables set out the carrying amounts of the Group's financial instruments at 31 December 2005 and 31 December 2004 that are exposed to currency risk:

	Denomination				
	USD (HK$'000)	MOP (HK$'000)	RMB (HK$'000)	SGD (HK$'000)	Total (HK$'000)
2005					
Available-for-sale investments	**73,920**	**61**	**—**	**251**	**74,232**
Other non-current assets	**14,930**	**—**	**—**	**—**	**14,930**
Bank deposits	**599,090**	**—**	**—**	**—**	**599,090**
Cash and bank balances	**4,434**	**6,634**	**15,289**	**6,107**	**32,464**
2004					
Investments	120,804	61	—	264	121,129
Bank deposits	229,794	—	—	—	229,794
Cash and bank balances	17,855	2,630	11,650	—	32,135

c) Price risk

The Group is exposed to equity price risk as listed equity securities are held as part of the available-for-sale investments. The Group is also exposed to commodity price risk on certain financial instruments it holds, as set out in note 23 to the financial statements.

d) Credit risk

The Group has no significant concentrations of credit risk. The credit risk on available-for-sale debt securities, cash and cash equivalents and derivative financial instruments is limited because the counterparties are considered by the directors to have high creditworthiness. Trade debtors are managed in accordance with the credit policies as set out in note 26 to the financial statements.

e) Liquidity risk

It is the Group's policy to secure adequate funding to match with the cash flows required for working capital and investing activities. In addition, banking facilities have been put in place for contingency purposes.

f) Fuel hedging

The Group engages in fuel hedging activities to minimise its exposure to fluctuations in fuel prices. In meeting this objective, the Group's policy allows for the judicious use of approved derivatives such as swaps and options with approved counterparties and within approved hedge volume. Such derivatives are used for the purpose of risk management and do not expose the Group to market risk, since any change in their market value are offset by a compensating change in the fuel costs being hedged. Details of the Group's hedging derivatives are set out in note 27 to the financial statements.

Note 43 Events after the Balance Sheet Date

The Group subscribed for a 64% shareholding in Groupax Limited which held a 49% interest in Macau Asia Express Limited (MAEL). The Group's effective beneficial shareholding in MAEL is 31.36%. The Group's share of the initial investment cost is approximately HK$73.4 million.

On 14 March 2006, the Group signed a HK$5,000 million syndicated loan facility for its Macau projects.

Note 44 Approval of Financial Statements

The financial statements were approved by the Board of Directors on 24 April 2006.