百利保控股有限公司
Paliburg Holdings Limited
(Incorporated in Bermuda with limited liability)

(Stock Code: 617)

ANNOUNCEMENT OF 2005 GROUP RESULTS

FINANCIAL HIGHLIGHTS

	Year 2005 HK$'M	Year 2004 HK$'M (Restated)	% Change
Operating profit/(loss)	**154.1**	(83.8)	**—**
Profit/(Loss) for the year attributable to equity holders of the parent	**517.5**	(31.3)	**—**
Basic earnings/(loss) per ordinary share attributable to equity holders of the parent	**HK7.18 cents**	HK(0.58) cent	**—**
Proforma net asset value per ordinary share	**HK$0.91**	HK$0.52	**+75.0%**
Proposed final dividend	**HK0.2 cent**	Nil	**—**

OPERATING HIGHLIGHTS

- For the year ended 31st December, 2005, the Group achieved an audited consolidated profit attributable to shareholders of HK$517.5 million, as compared with the loss of HK$31.3 million (as restated) recorded for the 2004 financial year.
- The satisfactory results attained in the year under review was primarily due to the increased profit contribution attributable to the Group's shareholding interests in Regal Hotels International Holdings Limited, the Group's listed associated company, and the write-back of impairment of investments in a former subsidiary company engaged in a development project in Beijing, PRC.
- Due to the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), the audited consolidated profit attributable to shareholders for the 2004 financial year has been restated from a profit of HK$516.8 million, as previously announced, to a loss of HK$31.3 million. The restatement of the prior year profit was principally related to the reversal of the write-back of deficit on revaluation of hotel properties owned by Regal in the amount of HK$446.5 million and, additionally, the provision by Regal of depreciation and amortisation on its hotel properties which reduced the profit attributable to the Group with respect to its interests held in Regal.
- More importantly, it should be noted that prior to 1st January, 2005, it was the policy of Regal (which was treated as a subsidiary of the Group until 31st July, 2004) to state the value of its owned and operated hotel properties at their open market valuations, which were appraised annually and not depreciated. Upon the adoption by Regal of the new and revised HKFRSs, Regal's five hotel properties in Hong Kong are now stated at cost less accumulated depreciation and amortisation in the audited financial statements. Consequently, adjustments have been made retrospectively to the interests of the Group held in Regal to reflect the fair value of Regal's hotel properties in 1993 when the Group initially acquired Regal as a subsidiary and hence the write-back of deficit on revaluation of hotel properties owned by Regal in the amount of HK$446.5 million recognised in the 2004 financial year was reversed.
- In order to more fairly reflect the underlying net asset value of the Group and for the purposes of reference and ease of comparison, supplementary information on the Group's net assets position, compiled on a proforma basis that Regal were to continue to state its five hotel properties in Hong Kong based on their professional open market valuations as at 31st December, 2005, is provided in the section headed "Management Discussion and Analysis" below.
- Other impact on the Group's audited financial statements under review arising from the adoption of the new and revised HKFRSs are also set out in the Notes to Consolidated Financial Statements below.

PROPERTIES

Hong Kong

- The Group has a 30% retained interest in the joint venture development project at Ap Lei Chau Inland Lot No.129, Ap Lei Chau East. The lease modification terms for this development project had already been finalised with the government and the requisite land premium was fully paid in November 2005. Under the terms of the joint venture, all funding required for the development project will be procured by the other joint venture partners. The proposed development entails primarily residential accommodation having gross floor area of about 913,000 square feet together with ancillary retail, recreational and car parking facilities. Site formation works have already commenced.
- The Group owns all the office floors with total gross floor area of about 60,900 square feet and certain ground floor shops with total gross floor area of about 2,200 square feet at the office/commercial building at 211 Johnston Road, Wanchai previously developed by the Group. All the ground floor shops and over 90% of the units in the office floors are now under leases at satisfactory rentals.
- The development project at Rainbow Lodge, 9 Ping Shan Lane, Yuen Long, New Territories was completed in 2004 and has a total of 16 duplex units with aggregate gross area of 30,800 square feet with ancillary car parking facilities. The Group still retains a majority of the duplex units, which will be released for sale when overall market activities revive.

The People's Republic of China

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

removed. Having considered the current valuation of the Group's interest in the development site, the Group has made appropriate write-back of the provisions for impairment in respect of such investments in the audited financial statements for the year under review.

Other Investments

- The Group recently resolved with the purchaser who defaulted on the agreement entered into by the Group in July 2003 with respect to the sale of the Group's entire joint venture interest in the development project at Gong Ren Ti Yu Chang Street East, Chao Yang District, Beijing and the sale transaction is expected to be formally completed shortly.
- With a view to rationalise its investment portfolio so as to focus primarily on core projects and assets, the Group has substantially disposed of most of the remaining minor investments in the PRC.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

Construction Business

- The construction business of the Group is operated through Chatwin Engineering Limited, which is a wholly owned subsidiary of the Group. The business operations of Chatwin have further improved in the year under review and have generated increased profits. With the gradual recovery of the construction industry in Hong Kong, Chatwin is actively seeking to expand its businesses in both the private as well the public sectors.

Building Related Business

- The Group also operates a comprehensive range of other building related businesses including development consultancy comprising architectural, engineering and interior design services, project management, building services and estate management. These operating divisions have been providing professional support and services to most of the in-group projects as well as third party clients.
- The Group's technology-based building related businesses are undertaken by the Leading Technology group, which is wholly owned by the Group. While competition in this business segment remains intense, the businesses of the Leading Technology group continue to progress steadily.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

- For the year ended 31st December, 2005, Regal achieved an audited consolidated profit attributable to shareholders of HK$528.4 million, representing an increase of 43.6% over the corresponding figure of HK$367.9 million (as restated) attained in the 2004 financial year.
- Further information on the principal business operations of Regal, including its management discussion and analysis, is contained in Regal's announcement separately released today.

OUTLOOK

- The financial position of the Group is very healthy and the Group is now well positioned to take on new business development opportunities. While the strategic shareholding in Regal will continue to be held as a core investment, the Group is actively planning to replenish its assets portfolio in property development and investments, which remain to be the core businesses of the Group. Having regard to the optimistic outlook on the PRC economy, the Group is confident that the joint venture development project being undertaken in Beijing has huge profit potential. The Group is at the same time reviewing potential investment opportunities in other key mainland cities, with a view to securing new projects that are beneficial to the future growth of the Group.
- Due to the satisfactory results achieved, the Directors have decided to resume the payment of a final dividend to shareholders. This clearly endorses the confidence level of the Directors in the future prospects of the Group and the Directors are also hopeful that additional returns will be brought to shareholders in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

- Prior to 31st July in 2004, Regal was accounted for as a subsidiary of the Company as the Group then held over 50% of the voting interests in the ordinary shares of Regal. Since then, Regal ceased to be a subsidiary of the Company and is being equity accounted for as an associate of the Group.
- Net cash outflow from operating activities during the year under review amounted to HK$11.6 million (2004 - net cash inflow of HK$163.2 million). Net interest payment for the year amounted to HK$30.8 million (2004 - HK$59.7 million).
- As previously reported in the interim report of the Company for the six months ended 30th June, 2005 (the "2005 Interim Report"), prior to 1st January, 2005, it was the policy of Regal to state the value of its owned and operated hotel properties at their open market valuations for existing use appraised annually and not depreciated. Upon the adoption by Regal of the new and revised HKFRSs, Regal's five hotel properties in Hong Kong are now stated at cost less accumulated depreciation and amortisation on the hotel land and buildings. Consequently, adjustments have been made retrospectively to the interests of the Group held in Regal to reflect the fair value of Regal's hotel properties in 1993 when the Group initially acquired Regal as a subsidiary.
- In order to more fairly reflect the underlying economic values of Regal's hotel properties in Hong Kong, the Group considers it appropriate also to present to shareholders, as set out below, supplementary information on the Group's statement of net assets on a proforma basis that Regal were to continue to state its five hotel properties in Hong Kong at their open market valuations as at 31st December, 2005.

STATEMENT OF PROFORMA NET ASSETS

	31st December, 2005 HK$'M (Unaudited)	31st December, 2004 HK$'M (Unaudited)
NON-CURRENT ASSETS		
Interests in associates	**2,697.4**	2,136.5
Add: Attributable revaluation surplus relating to hotel properties of Regal*	**3,469.4**	1,221.2
	6,166.8	3,357.7
Other non-current assets	**184.2**	329.4
	6,351.0	3,687.1
CURRENT ASSETS	**641.8**	382.6
CURRENT LIABILITIES	**(304.2)**	(281.0)
NET CURRENT ASSETS	**337.6**	101.6
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,688.6**	3,788.7
NON-CURRENT LIABILITIES	**(148.2)**	(34.4)
PROFORMA NET ASSETS	**6,540.4**	3,754.3
MINORITY INTERESTS	**(0.2)**	(0.2)
PROFORMA NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**6,540.2**	3,754.1
Proforma net asset value per ordinary share	**HK$0.91**	HK$0.52

* Based on open market valuations as at 31st December, 2005 less fair value adjustment already taken into account by the Group in its interests in associates

- As at 31st December, 2005, the Group's gross borrowings net of cash and bank balances amounted to HK$66.7 million (2004 - HK$10.3 million). Gearing ratio based on total assets of HK$3,523.4 million (2004 - HK$2,848.5 million, as restated) was 1.9% (2004 - 0.4%, as restated). However, based on the proforma total assets of HK$6,992.8 million as at 31st December, 2005 (2004 - HK$4,069.7 million), as adjusted for the revaluation surplus relating to the hotel properties as aforesaid, the gearing ratio would be 1.0% (2004 - 0.3%).
- As the Group's borrowings are all denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest primarily determined with reference to interbank offered rates, the use of hedging instruments for currency or interest rates purposes is not considered to be necessary.
- During the year under review, the Group refinanced one of its outstanding bank borrowings with a long term bank loan. Information in relation to the maturity profile of the borrowings, the pledge of assets and the contingent liabilities of the Group as of 31st December, 2005 is disclosed in the annual report of the Company for the year ended 31st December, 2005 (the "2005 Annual Report"), which will be despatched to shareholders on or before 30th April, 2006. During the year under review, the Company continued to adopt similar funding, treasury and remuneration policies as disclosed in the Company's 2005 Interim Report. Detailed information in such aspects is contained in the Company's 2005 Annual Report.
- The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Operating Highlights" and "Outlook" above.
- The Group's significant investments principally constitute its shareholding interests in Regal, the listed associate of the Company. The significant investments of Regal comprise primarily its ownership and operating interests in the five Regal Hotels in Hong Kong and the investment in the jointly controlled Regalia Bay development. The performance of Regal and its operations during the year under review, their future prospects, the commentary on the local hotel industry and changes in general market conditions and their potential impact on the operating performance of Regal as well as the progress and prospects on the Regalia Bay development are contained in Regal's announcement separately released today.

DIVIDEND

- In view of the satisfactory results achieved, the Directors have resolved to recommend the payment of a final dividend of HK0.2 cent per ordinary share for the year ended 31st December, 2005 (2004 - nil), absorbing a total amount of approximately HK$14.4 million (2004 - nil), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 16th June, 2006. No interim dividend was paid for the year ended 31st December, 2005 (2004 - nil).

CLOSURE OF REGISTER

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

YEAR END RESULTS

Consolidated Income Statement

	Year ended 31st December, 2005 HK$'M	Year ended 31st December, 2004 HK$'M (Restated)
REVENUE (Notes 3 & 4)	**106.8**	698.3
Cost of sales	**(80.0)**	(443.8)
Gross profit	**26.8**	254.5
Other income and gains (Note 4)	**91.8**	7.9
Administrative expenses	**(27.0)**	(57.8)
Other operating income/(expenses), net (Note 5)	**0.1**	(56.8)
Write-back of provisions/(Provisions) for write-downs and impairments, net (Note 6)	**63.0**	(142.3)
Write-back of impairment of a hotel property	**—**	30.0
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (Note 3)	**154.7**	35.5
Depreciation and amortisation	**(0.6)**	(119.3)
OPERATING PROFIT/(LOSS)	**154.1**	(83.8)
Finance costs (Note 8)	**(11.3)**	(52.6)
Share of profits and losses of:		
Jointly controlled entity	**—**	60.1
Associates	**376.8**	84.1
PROFIT BEFORE TAX	**519.6**	7.8
Tax (Note 9)	**(2.1)**	9.9
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND MINORITY INTERESTS	**517.5**	17.7
Attributable to:		
Equity holders of the parent	**517.5**	(31.3)
Minority interests	**—**	49.0
	517.5	17.7
DIVIDEND		
Proposed final	**14.4**	—
EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 10)		
Basic	**HK7.18 cents**	HK(0.58) cent
Diluted	**HK6.72 cents**	HK(0.67) cent

Consolidated Balance Sheet

	31st December, 2005 HK$'M	31st December, 2004 HK$'M (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	**4.4**	1.5
Investment properties	**0.3**	0.9
Goodwill	**—**	58.0
Property under development	**—**	7.2
Property held for future development	**26.7**	26.7
Interests in associates	**2,697.4**	2,136.5
Available-for-sale equity investments/ Long term investments	**122.2**	203.5
Equity investments at fair value through profit or loss	**8.6**	—
Loans receivable	**22.0**	31.6
Total non-current assets	**2,881.6**	2,465.9
CURRENT ASSETS		
Equity investments at fair value through profit or loss/Short term investments	**3.2**	5.1
Properties held for sale	**242.9**	250.6
Inventories	**1.5**	3.3
Debtors, deposits and prepayments (Note 11)	**50.3**	26.3
Time deposits	**72.4**	81.8
Cash and bank balances	**22.1**	15.5
	392.4	382.6
Asset of a disposal group classified as held for sale	**249.4**	—
Total current assets	**641.8**	382.6
CURRENT LIABILITIES		
Creditors and accruals (Note 12)	**101.0**	118.6
Tax payable	**5.7**	5.3
Interest bearing bank and other borrowings	**13.0**	107.6
Deposits received	**85.6**	49.5
	205.3	281.0
Liability directly associated with the asset classified as held for sale	**98.9**	—
Total current liabilities	**304.2**	281.0
NET CURRENT ASSETS	**337.6**	101.6
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,219.2**	2,567.5
NON-CURRENT LIABILITIES		
Interest bearing bank and other borrowings	**(148.2)**	—
Advance from the minority shareholder of a subsidiary company	**—**	(34.4)
Total non-current liabilities	**(148.2)**	(34.4)
Net assets	**3,071.0**	2,533.1
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**72.1**	72.1
Reserves	**2,984.3**	2,460.8
Proposed final dividend	**14.4**	—
	3,070.8	2,532.9
Minority interests	**0.2**	0.2
Total equity	**3,071.0**	2,533.1

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the investment properties and equity investments, which have been measured at fair value. A disposal group classified as held for sale is stated at the lower of carrying amount and fair value less costs to sell.

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

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-depreciable Assets
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 18, 19, 21, 23, 28, 31, 33, 37, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's financial statements.

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

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

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

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

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

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

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

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

(b) HKAS 32 and HKAS 39 — Financial Instruments

(i) Equity securities

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

Upon the adoption of HKAS 39, these securities held by the Group at 1st January, 2005 in the amount of HK$195.0 million are designated as available-for-sale equity investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains and losses being recognised as a separate component of equity until subsequent derecognition or impairment. The remaining equity securities in the amount of HK$8.5 million are designated as equity investments at fair value through profit or loss and are stated at fair value with gains or losses recognised in the income statement.

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1st January, 2005 in the amount of HK$5.1 million are designated as equity investments at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

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

(ii) Convertible bonds

In prior years, the Regal group's convertible bonds were stated at cost. Upon the adoption of HKAS 32, convertible bonds are split into liability and equity components. The effects of the above changes are summarised in Note 2 below. In accordance with HKAS 32, comparative amounts have been restated.

(iii) Convertible preference shares

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

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

(c) HKAS 40 — Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the 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 income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. In accordance with the transitional provisions of HKAS 40, the opening balance of retained profits has been adjusted to reflect the change prospectively. The effects of the above changes are summarised in Note 2 below.

(d) HKFRS 2 — Share-based Payment

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

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

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

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to the options granted to employees on or before 7th November, 2002.

The adoption of HKFRS 2 has had no impact on the retained profits as at 31st December, 2003 and at 31st December, 2004. The Group has recognised the cost of options which were granted during the year in the current year's income statement in accordance with the new accounting standards.

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

(e) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets

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

Goodwill arising on acquisitions on or after 1st January, 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was recognised and included in the interests in associates, and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiary companies and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the consolidated income statement. Upon the adoption of HKFRS 3, the negative goodwill included in the interests in associates and in the consolidated capital reserve were derecognised at 1st January, 2005 against the opening balance of retained profits.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1st January, 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill. Goodwill previously eliminated against the consolidated capital reserve remains eliminated against the consolidated capital reserve and is not recognised in the consolidated income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

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

(f) HKFRS 5 — Non-current Assets Held for Sale and Discontinued Operations and HKAS 27 — Consolidated and Separate Financial Statements

In prior years, the Group's interest in an investee company was classified under interests in associates despite the increase in its equity interest in that company from 50% to 100% in 2003, since the Group has entered into an agreement (the "SP Agreement") in that year to dispose of its entire equity interest in that company and accordingly the control over that company was considered temporary pending the outcome of the SP Agreement.

The SP Agreement has not been completed as at the balance sheet date and upon the adoption of HKAS 27 and HKFRS 5, the investment in the investee company is now consolidated in the Group's consolidated financial statements and the asset and liability of the investee company and its subsidiary companies are presented as asset and liability of a disposal group classified as held for sale under current assets and current liabilities, respectively. In accordance with the transitional provisions of HKFRS 5, comparative amount has not been restated.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

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

(a) Effect on the consolidated balance sheet

	Effect of adopting								
At 1st January, 2005	HKAS 1#	HKAS 16 and HK-Int 2#	HKAS 17#	HKASs 32# and 39*	HKASs 32# and 39*	HKAS 39*	HKAS 40*	HKFRS 3*	
Effect of new policies (Increase/(Decrease))	Presentation	Hotel properties	Amortisation of prepaid land lease payments	Change in classification of equity investments	Share of convertible bonds and convertible preference shares of an associate	Cumulative loss in fair value of financial assets	Surplus on revaluation of investment properties	Derecognition of negative goodwill	Total
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Assets									
Property, plant and equipment	(0.9)	—	—	—	—	—	—	—	(0.9)
Investment properties	0.9	—	—	—	—	—	—	—	0.9
Interests in associates	—	(1,122.4)	(96.7)	—	(72.6)	(9.2)	—	44.5	(1,256.4)
Available-for-sale equity investments	—	—	—	195.0	—	—	—	—	195.0
Long term investments	—	—	—	(203.5)	—	—	—	—	(203.5)
Equity investments at fair value through profit or loss	—	—	—	13.6	—	—	—	—	13.6
Short term investments	—	—	—	(5.1)	—	—	—	—	(5.1)
									(1,256.4)
Liabilities/Equity									
Equity component of convertible bonds of an associate	—	—	—	—	9.8	—	—	—	9.8
Capital reserve	—	(466.7)	—	—	—	—	—	(420.5)	(887.2)
Investment properties revaluation reserve	—	—	—	—	—	—	(0.3)	—	(0.3)
Assets revaluation reserve	—	27.7	—	—	—	—	—	—	27.7
Available-for-sale equity investments revaluation reserve	—	—	—	(4.0)	—	—	—	—	(4.0)
Investments revaluation reserve	—	—	—	4.0	—	—	—	—	4.0
Retained profits	—	(683.4)	(96.7)	—	(82.4)	(9.2)	0.3	465.0	(406.4)
									(1,256.4)

* Adjustments taken effect prospectively from 1st January, 2005

Adjustments/Presentation taken effect retrospectively

	Effect of adopting										
At 31st December, 2005	HKAS 1	HKAS 16 and HK-Int 2	HKAS 17	HKASs 32 and 39	HKASs 32 and 39	HKAS 39	HKAS 40	HKFRS 2	HKFRS 3	HKAS 27 and HKFRS 5	
Effect of new policies (Increase/(Decrease))	Presentation	Hotel properties	Amortisation of prepaid land lease payments	Change in classification of equity investments	Share of convertible bonds and convertible preference shares of an associate	Cumulative loss in fair value of financial assets	Surplus on revaluation of investment properties	Equity-settled share option arrangements	Discontinuation of amortisation of goodwill/ Derecognition of negative goodwill	A disposal group classified as held for sale	Total
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Assets											
Property, plant and equipment	(0.3)	—	—	—	—	—	—	—	—	—	(0.3)
Investment properties	0.3	—	—	—	—	—	—	—	—	—	0.3
Interests in associates	—	(1,151.3)	(109.1)	—	(54.9)	(15.3)	—	—	43.5	(150.5)	(1,437.6)
Available-for-sale equity investments	—	—	—	122.2	—	—	—	—	—	—	122.2
Long term investments	—	—	—	(130.8)	—	—	—	—	—	—	(130.8)
Deferred expenditure	—	—	—	—	—	(0.7)	—	—	—	—	(0.7)
Equity investments at fair value through profit or loss	—	—	—	11.8	—	—	—	—	—	—	11.8
Short term investments	—	—	—	(3.2)	—	—	—	—	—	—	(3.2)
Asset of a disposal group classified as held for sale	—	—	—	—	—	—	—	—	—	249.4	249.4
											(1,188.9)
Liabilities/Equity											
Liability directly associated with the asset classified as held for sale	—	—	—	—	—	—	—	—	—	98.9	98.9
Interest bearing bank and other borrowings	—	—	—	—	—	(0.5)	—	—	—	—	(0.5)
Equity component of convertible bonds of an associate	—	—	—	—	9.8	—	—	—	—	—	9.8
Capital reserve	—	(466.7)	—	—	—	—	—	—	(420.5)	—	(887.2)
Share option reserve	—	—	—	—	—	—	—	4.2	—	—	4.2
Investment properties revaluation reserve	—	—	—	—	—	—	(0.3)	—	—	—	(0.3)
Assets revaluation reserve	—	27.7	—	—	—	—	—	—	—	—	27.7
Available-for-sale equity investments revaluation reserve	—	—	—	(4.1)	—	—	—	—	—	—	(4.1)
Investments revaluation reserve	—	—	—	4.0	—	—	—	—	—	—	4.0
Retained profits	—	(712.3)	(109.1)	0.1	(64.7)	(15.5)	0.3	(4.2)	464.0	—	(441.4)
											(1,188.9)

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

Effect of new policies (Increase/(Decrease))	HKAS 16 and HK-Int 2 Hotel properties HK$'M	HKAS 17 Amortisation of prepaid land lease payments HK$'M	HKASs 32 and 39 Change in classification of equity investments HK$'M	HKASs 32 and 39 Share of convertible bonds and convertible preference shares of an associate HK$'M	HKAS 39 Cumulative loss in fair value of financial assets HK$'M	HKAS 40 Surplus on revaluation of investment properties HK$'M	HKFRS 3 Derecognition of negative goodwill HK$'M	Total HK$'M
1st January, 2004								
Capital reserve	(466.7)	—	—	—	—	—	—	(466.7)
Assets revaluation reserve	706.7	—	—	—	—	—	—	706.7
Retained profits	(178.0)	(78.6)	—	(68.4)	—	—	—	(325.0)
Minority interests	134.8	(114.0)	—	(100.4)	—	—	—	(79.6)
								(164.6)
1st January, 2005								
Equity component of convertible bonds of an associate	—	—	—	9.8	—	—	—	9.8
Capital reserve	(466.7)	—	—	—	—	—	(420.5)	(887.2)
Investment properties revaluation reserve	—	—	—	—	—	(0.3)	—	(0.3)
Assets revaluation reserve	27.7	—	—	—	—	—	—	27.7
Available-for-sale equity investments revaluation reserve	—	—	(4.0)	—	—	—	—	(4.0)
Investments revaluation reserve	—	—	4.0	—	—	—	—	4.0
Retained profits	(683.4)	(96.7)	—	(82.4)	(9.2)	0.3	465.0	(406.4)
								(1,256.4)

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

Effect of new policies	HKAS 1 Share of post-tax profits and losses of associates HK$'M	HKAS 16 Hotel properties HK$'M	HKAS 17 Amortisation of prepaid land lease payments HK$'M	HKASs 16 and 17 Deferred tax HK$'M	HKAS 39 Gain in fair value of financial assets HK$'M	HKASs 32 and 39 Share of convertible bonds and convertible preference shares of an associate HK$'M	HKFRS 2 Equity-settled share option arrangements HK$'M	HKFRS 3 Discontinuation of amortisation of goodwill/ recognition of negative goodwill as income HK$'M	Total HK$'M
Year ended 31st December, 2005									
Decrease in other income and gains	—	—	—	—	—	—	—	(2.3)	(2.3)
Increase in administrative expenses	—	—	—	—	—	—	(1.6)	—	(1.6)
Increase/(Decrease) in share of profits and losses of associates	46.7	(35.5)	(10.2)	(6.5)	30.8	(2.6)	(2.6)	—	20.1
Decrease in depreciation and amortisation	—	—	—	—	—	—	—	1.3	1.3
Increase in tax	(46.7)	—	—	—	—	—	—	—	(46.7)
Total increase/(decrease) in profit	—	(35.5)	(10.2)	(6.5)	30.8	(2.6)	(4.2)	(1.0)	(29.2)
Increase/(Decrease) in basic earnings per share (cents)	—	(0.5)	(0.1)	(0.1)	0.4	—	(0.1)	—	(0.4)
Increase/(Decrease) in diluted earnings per share (cents)	—	(0.5)	(0.1)	(0.1)	0.4	—	(0.1)	—	(0.4)

Effect of new policies	HKAS 1 Share of post-tax profits and losses of associates HK$'M	HKAS 16 and HK-Int 2 Hotel properties HK$'M	HKAS 17 Amortisation of prepaid land lease payments HK$'M	HKASs 16, 17 and HK-Int 2 Write-back of impairment loss/ provisions HK$'M	HKASs 16 and 17 Deferred tax HK$'M	HKASs 32 and 39 Share of convertible preference shares and convertible bonds of an associate HK$'M	Total HK$'M
Year ended 31st December, 2004							
Decrease in other income and gains	—	(0.2)	—	—	—	—	(0.2)
Increase in other operating income/(expenses), net	—	17.0	—	—	—	—	17.0
Decrease in write-back of provisions for write-downs and impairment, net	—	—	—	(446.5)	—	—	(446.5)
Decrease in write-back of impairment of a hotel property	—	—	—	(135.8)	—	—	(135.8)
Increase in depreciation and amortisation	—	(73.1)	(12.9)	—	—	—	(86.0)
Increase in finance costs	—	—	—	—	—	(4.4)	(4.4)
Increase/(Decrease) in share of profits and losses of associates	11.8	(14.3)	(4.2)	(2.1)	0.4	(2.8)	(11.2)
Decrease/(Increase) in tax	(11.8)	—	—	—	13.3	—	1.5
Total increase/(decrease) in profit	—	(70.6)	(17.1)	(584.4)	13.7	(7.2)	(665.6)
Increase/(Decrease) in basic earnings per share (cents)	—	(0.6)	(0.2)	(9.4)	0.1	(0.1)	(10.2)
Increase/(Decrease) in diluted earnings per share (cents)	—	(0.5)	(0.1)	(7.9)	0.1	(0.1)	(8.5)

3. SEGMENT INFORMATION

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

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

(a) the property development and investment segment comprises the development and sale of properties, the leasing of office and commercial premises and the provision of estate agency services;

(b) the construction and building related businesses segment is engaged in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;

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

(d) the securities investment segment is engaged in securities trading businesses; and

(e) the others segment mainly comprises brewery operations, laundry services, bakery operations and other investments.

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

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

(a) Business segments

The following table presents revenue and profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st December, 2005 and 2004.

Group

	Property development and investment 2005 HK$'M	Property development and investment 2004 HK$'M	Construction and building related businesses 2005 HK$'M	Construction and building related businesses 2004 HK$'M	Hotel ownership and management 2005 HK$'M	Hotel ownership and management 2004 HK$'M (Restated)	Securities investment 2005 HK$'M	Securities investment 2004 HK$'M	Others 2005 HK$'M	Others 2004 HK$'M	Eliminations 2005 HK$'M	Eliminations 2004 HK$'M	Consolidated 2005 HK$'M	Consolidated 2004 HK$'M (Restated)
Segment revenue:														
Sales to external customers	10.5	37.6	66.5	93.6	—	533.0	29.8	0.5	—	33.6	—	—	106.8	698.3
Intersegment sales	—	0.6	4.6	25.4	—	1.4	—	—	—	5.8	(4.6)	(33.2)	—	—
Total	10.5	38.2	71.1	119.0	—	534.4	29.8	0.5	—	39.4	(4.6)	(33.2)	106.8	698.3
Segment results before depreciation and amortisation	191.2	51.6	(36.5)	(157.7)	—	176.1	2.8	(1.4)	3.0	4.4	0.5	(8.4)	161.0	64.6
Depreciation and amortisation	(0.1)	(0.1)	(0.3)	(13.4)	—	(102.5)	—	—	—	(3.1)	—	—	(0.4)	(119.1)
Segment operating results	191.1	51.5	(36.8)	(171.1)	—	73.6	2.8	(1.4)	3.0	1.3	0.5	(8.4)	160.6	(54.5)
Interest income and unallocated non-operating and corporate gains													17.3	3.9
Unallocated non-operating and corporate expenses													(23.6)	(33.0)
Unallocated depreciation and amortisation													(0.2)	(0.2)
Operating profit/(loss)													154.1	(83.8)
Finance costs													(11.3)	(52.6)
Share of profits and losses of:														
Jointly controlled entity	—	60.1	—	—	—	—	—	—	—	—	—	—	—	60.1
Associates	137.2	—	—	(0.1)	239.7	91.2	—	—	(0.1)	(7.0)	—	—	376.8	84.1
Profit before tax													519.6	7.8
Tax													(2.1)	9.9
Profit for the year before allocation between equity holders of the parent and minority interests													517.5	17.7
Attributable to:														
Equity holders of the parent													517.5	(31.3)
Minority interests													—	49.0
													517.5	17.7

	Property development and investment 2005 HK$'M	Property development and investment 2004 HK$'M	Construction and building related businesses 2005 HK$'M	Construction and building related businesses 2004 HK$'M	Hotel ownership and management 2005 HK$'M	Hotel ownership and management 2004 HK$'M (Restated)	Securities investment 2005 HK$'M	Securities investment 2004 HK$'M	Others 2005 HK$'M	Others 2004 HK$'M	Eliminations 2005 HK$'M	Eliminations 2004 HK$'M (Restated)	Consolidated 2005 HK$'M	Consolidated 2004 HK$'M (Restated)
Segment assets	273.4	346.2	31.6	71.6	—	—	3.2	5.1	23.7	33.9	—	—	331.9	456.8
Interests in associates	385.1	223.4	0.3	0.3	2,333.7	1,934.9	—	—	0.1	0.2	(21.8)	(22.3)	2,697.4	2,136.5
Asset of a disposal group classified as held for sale	249.4	—	—	—	—	—	—	—	—	—	—	—	249.4	—
Cash and unallocated assets													244.7	255.2
Total assets													3,523.4	2,848.5
Segment liabilities	(7.8)	(11.9)	(75.8)	(80.9)	—	—	—	—	(0.1)	(0.1)	—	—	(83.7)	(92.9)
Liability directly associated with the asset classified as held for sale	(98.9)	—	—	—	—	—	—	—	—	—	—	—	(98.9)	—
Bank and other borrowings and unallocated liabilities													(269.8)	(222.5)
Total liabilities													(452.4)	(315.4)
Other segment information:														
Depreciation	0.1	0.1	0.3	0.3	—	102.4	—	—	—	3.1				
Amortisation of goodwill	—	—	—	13.1	—	0.1	—	—	—	—				
Impairment loss/(Write-back of impairment losses) recognised in the income statement	(121.0)	—	58.0	189.6	—	(30.0)	—	—	—	—				
Write-back in values of properties	—	(47.3)	—	—	—	—	—	—	—	—				
Capital expenditure	—	—	1.1	0.3	—	13.9	—	—	—	1.4				
Other non-cash expenses/(income)	—	0.2	—	—	—	—	—	—	(0.8)	0.6				

(b) Geographical segments

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

Group

	Hong Kong 2005 HK$'M	Hong Kong 2004 HK$'M	Mainland China 2005 HK$'M	Mainland China 2004 HK$'M	Eliminations 2005 HK$'M	Eliminations 2004 HK$'M	Consolidated 2005 HK$'M	Consolidated 2004 HK$'M
Segment revenue:								
Sales to external customers	106.4	665.6	0.4	32.7	—	—	106.8	698.3
Other segment information:								
Segment assets	329.2	375.3	2.7	81.5	—	—	331.9	456.8
Capital expenditure	1.1	14.2	—	1.4				

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

	2005 HK$'M	2004 HK$'M (Restated)
Revenue		
Rental income:		
Investment properties	**0.1**	0.1
Properties held for sale	**9.4**	8.5
Hotel properties	**—**	12.0
Construction and construction-related income	**50.2**	85.2
Proceeds from sale of properties	**0.1**	23.9
Estate management fees	**3.8**	5.3
Property development consultancy and project management fees	**12.5**	3.1
Hotel operations and management services	**—**	521.0
Proceeds from sale of equity investments at fair value through profit or loss/short term investments	**29.8**	0.5
Other operations, including estate agency, laundry services, brewery and bakery operations	**0.9**	38.7
	106.8	698.3

	2005 HK$'M	2004 HK$'M (Restated)
Other income and gains		
Interest income from:		
Bank balances	2.1	0.2
Loans receivable	4.3	2.7
Dividend income from:		
Listed investments	9.9	0.1
Unlisted investments	1.4	0.3
Gain on disposal of investment properties (after a transfer from the revaluation reserve of a surplus of HK$0.6 million)	—	0.5
Gain on disposal of long term investments	—	0.4
Fair value gains on equity investments at fair value through profit or loss, net	2.3	—
Gain on disposal of interests in subsidiary companies	68.2	—
Excess over the cost of a business combination/ Recognition of negative goodwill	1.0	1.8
Others	2.6	1.9
	91.8	7.9

5. Other operating income/(expenses), net, include the following items:

	2005 HK$'M	2004 HK$'M (Restated)
Loss on deconsolidation of a listed subsidiary company	—	(12.4)
Termination fee in respect of cancellation of the disposal of a hotel property	—	(39.0)

6. Write-back of provisions/(Provisions) for write-downs and impairments, net, represent the following items:

	2005 HK$'M	2004 HK$'M (Restated)
Write-back in values of properties	—	47.3
Write-back of provision for impairment of interest in property under development indirectly held by an associate	121.0	—
Impairment of goodwill	(58.0)	(189.6)
	63.0	(142.3)

7. An analysis of profit/(loss) on sale of investments or properties of the Group is as follows:

	2005 HK$'M	2004 HK$'M
Profit on disposal of listed investments	0.5	0.5
Profit/(Loss) on sale of properties	(0.1)	8.9

8. Included in the Group's finance costs for the prior year was an amount of HK$6.0 million representing the amortisation of loan costs.

9. The tax charge/(credit) for the year arose as follows:

	2005 HK$'M	2004 HK$'M (Restated)
Group:		
Current — Hong Kong		
Provision for tax in respect of profits for the year	2.1	2.4
Current — Overseas		
Provision for tax in respect of profits for the year	—	0.1
Deferred tax income	—	(12.4)
Total tax charge/(credit) for the year	2.1	(9.9)

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

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

No provision for tax was required for the jointly controlled entity in the prior year as no assessable profits were earned by the jointly controlled entity during that year.

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

The share of tax credit attributable to associates amounting to HK$46.7 million (2004 — HK$12.3 million, as restated) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

10. The calculation of basic earnings/(loss) per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK$517.5 million (2004 — loss of HK$31.3 million, as restated) and on the weighted average of 7,208.5 million (2004 — 5,383.1 million) ordinary shares of the Company in issue during the year.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2005 is based on the profit for the year attributable to equity holders of the parent, adjusted for the decrease in the Group's proportionate interest in the Regal group's earnings of HK$32.9 million and on the weighted average of 7,208.5 million ordinary shares of the Company in issue during the year assuming all outstanding convertible bonds (including optional convertible bonds) of the Regal group were converted into, and the subscription rights attaching to all outstanding warrants of Regal were exercised to subscribe for, ordinary shares of Regal at the beginning of the year. The conversion of the outstanding convertible preference shares of Regal is anti-dilutive for the year. In addition, the exercise prices of share options of the Company and Regal outstanding during the year are higher than the average market prices of the respective ordinary shares of the Company and Regal and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

The calculation of diluted loss per ordinary share for the year ended 31st December, 2004 was based on the loss for that year (as restated) attributable to equity holders of the parent, adjusted for the decrease in the Group's proportionate interest in the Regal group's earnings of HK$11.7 million assuming all outstanding convertible bonds (including optional convertible bonds) of the Regal group were converted into, and the subscription rights attaching to all outstanding warrants of Regal were exercised to subscribe for, ordinary shares of Regal at the beginning of that year or their respective dates of issue, whichever was later. The weighted average number of ordinary shares used in the calculation was the aggregate of the weighted average number of the ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 1,057.7 million assuming all the 1,990.0 million convertible preference shares of the Company were converted into the same number of ordinary shares of the Company at the beginning of that year. The conversion of the outstanding convertible preference shares of Regal was anti-dilutive for that year. In addition, the exercise prices of share options of the Company and Regal outstanding during that year were higher than the average market prices of the respective ordinary shares of the Company and Regal and, accordingly, they had no dilutive effect on the basic loss per ordinary share.

11. Included in debtors, deposits and prepayments is an amount of HK$22.4 million (2004 — HK$9.0 million) representing the trade debtors of the Group. The aged analysis of such debtors, based on the invoice date, is as follows:

	2005 HK$'M	2004 HK$'M
Outstanding balances with ages:		
Within 3 months	21.9	6.2
Between 4 to 6 months	0.5	2.0
Between 7 to 12 months	—	0.7
Over 1 year	—	0.1
	22.4	9.0

Credit terms

Trade debtors generally have credit terms of 30 to 90 days. The Group seeks to maintain strict control over its outstanding debts and overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's exposures spread over a number of counter-parties and customers, the Group has no significant concentration of credit risk.

12. Included in creditors and accruals is an amount of HK$5.2 million (2004 — HK$1.3 million) representing the trade creditors of the Group. The aged analysis of such creditors, based on the invoice date, is as follows:

	2005 HK$'M	2004 HK$'M
Outstanding balances with ages:		
Within 3 months	5.1	1.3
Over 3 months	0.1	—
	5.2	1.3

The trade creditors are non-interest-bearing and are normally settled within 90 days.

13. Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the year ended 31st December, 2005.

REVIEW OF RESULTS

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

CORPORATE GOVERNANCE

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

ANNUAL GENERAL MEETING

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

BOARD OF DIRECTORS

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

Executive Directors:

Mr. LO Yuk Sui
(Chairman and Managing Director)
Mr. Donald FAN Tung
Mr. Jimmy LO Chun To
Mr. Kenneth NG Kwai Kai

Non-Executive Director:

Mrs. Kitty LO LEE Kit Tai

Independent Non-Executive Directors:

Mr. NG Siu Chan
Hon Abraham SHEK Lai Him, JP
Mr. WONG Chi Keung

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 18th April, 2006