



**KECK SENG INVESTMENTS (HONG KONG) LIMITED**  
**激成投資(香港)有限公司**

*(Incorporated in Hong Kong under the Companies Ordinance)*  
(Stock Code: 00184)

**2005 FINAL RESULTS ANNOUNCEMENT**

The Directors of Keck Seng Investments (Hong Kong) Limited (the “Company”) hereby announce the consolidated final results of the Company and its subsidiaries (the “Group”), and associated companies for the year ended 31 December 2005. These results have been reviewed by the Audit Committee of the Board of Directors and the figures in respect of the preliminary announcement of these results have been compared by the Company’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

The consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2005 was HK\$122,363,000 (HK\$0.36 per share), compared to HK\$97,446,000 (HK\$0.286 per share) in 2004.

The Directors have recommended a final dividend of HK\$0.04 per share for the year (2004: HK\$0.03).

Subject to shareholders’ approval of the payment of the final dividend at the forthcoming Annual General Meeting of the Company, the proposed final dividend is expected to be paid on 12 July 2006.

**CONSOLIDATED INCOME STATEMENT***For the year ended 31 December*

		<b>2005</b>	2004
	<i>Note</i>	<i>HK\$'000</i>	(restated) <i>HK\$'000</i>
<b>Turnover</b>		<b>586,063</b>	403,668
Cost of sales		<b>(91,984)</b>	(81,680)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>494,079</b>	321,988
Valuation gains on investment properties		<b>13,444</b>	11,000
Other revenue	5	<b>19,784</b>	10,629
Other net (loss)/income	6	<b>(26,724)</b>	16,244
Direct operating expenses		<b>(113,968)</b>	(24,863)
Marketing and selling expenses		<b>(10,584)</b>	(14,446)
Depreciation and amortisation		<b>(89,896)</b>	(94,411)
Administrative and other operating expenses		<b>(116,681)</b>	(98,044)
		<hr/>	<hr/>
<b>Profit from operations</b>		<b>169,454</b>	128,097
Finance costs	7a	<b>(10,328)</b>	(8,139)
Share of profits less losses of associates		<b>34,859</b>	14,827
		<hr/>	<hr/>
<b>Profit before taxation</b>	7	<b>193,985</b>	134,785
Income tax	8	<b>(14,500)</b>	(4,994)
		<hr/>	<hr/>
<b>Profit for the year</b>		<b>179,485</b>	129,791
		<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>122,363</b>	97,446
Minority interests		<b>57,122</b>	32,345
		<hr/>	<hr/>
		<b>179,485</b>	129,791
		<hr/> <hr/>	<hr/> <hr/>
<b>Dividends attributable to the year:</b>			
Interim dividend paid – HK\$0.04 (2004: HK\$0.015) per share		<b>13,608</b>	5,103
Proposed final dividend – HK\$0.04 (2004: HK\$0.03) per share		<b>13,608</b>	10,206
		<hr/>	<hr/>
		<b>27,216</b>	15,309
		<hr/> <hr/>	<hr/> <hr/>
<b>Basic earnings per share</b>	9	<b>36.0 cents</b>	28.6 cents
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## CONSOLIDATED BALANCE SHEET

At 31 December

	Note	2005 HK\$'000	2004 (restated) HK\$'000
<b>Non-current assets</b>			
Investment properties		173,000	158,000
Other properties and fixed assets		730,388	808,875
Interest in leasehold land held for own use under operating leases		121,671	123,481
Interest in associates		242,759	353,677
Available-for-sale securities		1,008	818
Deferred tax assets		4,508	–
		<u>1,273,334</u>	<u>1,444,851</u>
<b>Current assets</b>			
Properties under development		126,255	85,475
Properties held for sale		207,428	238,833
Inventories		2,815	3,761
Trade and other receivables	10	20,137	27,734
Cash and cash equivalents		639,303	444,794
		<u>995,938</u>	<u>800,597</u>
<b>Current liabilities</b>			
Trade and other payables	11	95,408	92,770
Bank loans and overdrafts	12	46,279	115,481
Amounts and loans due to an affiliated company		26,339	77,855
Loans from associates		1,364	1,364
Loans from minority shareholders		26,625	30,222
Loan from an affiliated company		43,161	–
Taxation		48,135	43,566
		<u>287,311</u>	<u>361,258</u>
<b>Net current assets</b>		<u>708,627</u>	<u>439,339</u>
<b>Total assets less current liabilities</b>		<u>1,981,961</u>	<u>1,884,190</u>
<b>Non-current liabilities</b>			
Banks loans	12	125,386	170,265
Loans from minority shareholders		76,627	100,669
Deferred tax liabilities		4,528	2,915
		<u>206,541</u>	<u>273,849</u>
<b>NET ASSETS</b>		<u>1,775,420</u>	<u>1,610,341</u>
<b>Capital and reserves</b>			
Share capital		340,200	340,200
Reserves		1,205,071	1,083,908
Total equity attributable to the Company's equity shareholders		1,545,271	1,424,108
Minority interests		230,149	186,233
<b>TOTAL EQUITY</b>		<u>1,775,420</u>	<u>1,610,341</u>

Notes:

## 1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The accounting policies and methods of computation used in the preparation of these consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004 except the Group has changed certain of its accounting policies following its adoption of new/revised HKFRSs which are effective for accounting periods commencing on or after 1 January 2005. Certain comparative figures have been adjusted or reclassified as a result of the changes in accounting policies. Further details are disclosed in Note 3.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 3. CHANGES IN ACCOUNTING POLICIES

### a. Investment properties (HKAS 40, Investment property and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets)

#### (i) *Timing of recognition of movements in fair value in the income statement*

In prior years movements in the fair value of the Group’s investment property were recognised directly in the investment properties revaluation reserves except when, on a portfolio basis, the reserves were insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the income statement. Upon adoption of HKAS 40 with effect from 1 January 2005, all changes in the fair value of investment property are recognised directly in the income statement in accordance with the fair value model set out in HKAS 40; and land held for an undetermined future purpose is recognised as investment property if the property is freehold or, if the property is leasehold, the Group has chosen to recognise such land as investment property rather than as land held under an operating lease.

#### (ii) *Measurement of deferred tax on movements in fair value*

In prior years the Group was required to apply the tax rate that would be applicable to the sale of investment property to determine whether any amounts of deferred tax should be recognised on the revaluation of investment property. Consequently, deferred tax was only provided to the extent that tax allowances already given would be clawed back if the property were disposed of at its carrying value, as there would be no additional tax payable on disposal.

With effect from 1 January 2005, in accordance with HK(SIC) Interpretation 21, the Group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property’s use, if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model.

All the above changes in accounting policies relating to investment properties have been adopted retrospectively.

**b. Leasehold land and buildings (HKAS 17, Leases)**

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and impairment losses. Depreciation on hotel properties was provided on a straight line basis over the shorter of the joint venture period and 25 years on the cost of the hotel properties. Depreciation on land and buildings and other properties was provided on a straight line basis over the unexpired period of the lease.

With the adoption of HKAS 17 with effect from 1 January 2005, the leasehold interest in land held for own use is accounted for as being held under operating leases where the fair value of the interest in any buildings situated on the leasehold land can be separately identified from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term. If the property is in the course of development or re-development, or the property is otherwise being used in the production of inventory, the amortisation charge is included as part of the costs of the property under development or other inventory. In all other cases the amortisation charge for the period is recognised in the income statement immediately.

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. The buildings are stated at cost less accumulated depreciation, to be consistent with the new policy required to be adopted for the land element.

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the classification of leasehold land relating to hotel properties and other properties and the depreciation thereof.

The change in accounting policy has been adopted retrospectively which has had the effect of reducing the opening balance of revenue reserves as of 1 January 2005 and 2004 by HK\$8,474,000, after considering the minority interests' effect of HK\$4,772,000. In prior years the Group did not commence amortisation of the costs of land use rights until the buildings which were constructed thereon were completed and had started to generate revenue for the Group. The retrospective adjustment represents the amortisation of such land use rights from the date of acquisition as required by HKAS 17.

This change in accounting policy does not have a material effect on the financial statements for the years ended 31 December 2005 and 2004.

**c. Changes in presentation (HKAS 1, Presentation of financial statements)**

*(i) Presentation of share of associates' taxation (HKAS 1, Presentation of financial statements)*

In prior years, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 January 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes its share of taxation of associates accounted for using the equity method in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before taxation. These changes in presentation have been applied retrospectively with comparatives restated as shown in the consolidated income statement.

*(ii) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)*

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to the equity shareholders of the Company.

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to the presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the Company. These changes in presentation have been applied retrospectively with comparatives restated as shown in the consolidated balance sheet and income statement.

**d. Summary of the effect of changes in the accounting policies**

(i) *Effect on opening balance of total equity at 1 January 2004 and 1 January 2005*

Adjustments that have been made to the opening balances at 1 January 2005, representing the aggregate effect of retrospective adjustments to the net assets as at 31 December 2004:

	Revenue reserves <i>HK\$'000</i>	Capital and other reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>Effect of new policy – increase/(decrease)</b>					
Prior period adjustments:					
HKAS 17 – Leasehold land and building held for own use ( <i>Note 3b</i> )	(8,474)	–	(8,474)	(4,772)	(13,246)
HKAS 40 – Investment properties ( <i>Note 3a(i)</i> )	19,576	(19,576)	–	–	–
HK(SIC) Interpretation 21 – Deferred taxation ( <i>Note 3a(ii)</i> )	(2,349)	–	(2,349)	(566)	(2,915)
	<u>8,753</u>	<u>(19,576)</u>	<u>(10,823)</u>	<u>(5,338)</u>	<u>(16,161)</u>
Total effect at 1 January 2005	<u>8,753</u>	<u>(19,576)</u>	<u>(10,823)</u>	<u>(5,338)</u>	<u>(16,161)</u>

Adjustments that have been made to the opening balances at 1 January 2004:

	Revenue reserves <i>HK\$'000</i>	Capital and other reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>Effect of new policy – increase/(decrease)</b>					
HKAS 17 – Leasehold land and building held for own use ( <i>Note 3b</i> )	(8,474)	–	(8,474)	(4,772)	(13,246)
HKAS 40 – Investment properties ( <i>Note 3a(i)</i> )	10,927	(10,927)	–	–	–
HK(SIC) Interpretation 21 – Deferred taxation ( <i>Note 3a(ii)</i> )	(1,311)	–	(1,311)	(284)	(1,595)
	<u>1,142</u>	<u>(10,927)</u>	<u>(9,785)</u>	<u>(5,056)</u>	<u>(14,841)</u>
Total effect at 1 January 2004	<u>1,142</u>	<u>(10,927)</u>	<u>(9,785)</u>	<u>(5,056)</u>	<u>(14,841)</u>

(ii) *Effect on profit after taxation for the year ended 31 December 2005 (estimated) and 31 December 2004 (as adjusted)*

In respect of the year ended 31 December 2005, the following table provides estimates of the extent to which the profits for that period are higher or lower than they would have been had the previous policies still been applied in the year, where it is practicable to make such estimates. In respect of the year ended 31 December 2004, the table discloses the adjustments that have been made to the profits as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs.

	Year ended 31 December 2005			Year ended 31 December 2004		
	Equity shareholders of the Company <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>	Equity shareholders of the Company <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Effect of new policy – increase/(decrease)</b>						
HKAS 40 – Investment properties ( <i>Note 3a(i)</i> )	10,375	3,069	13,444	8,649	2,351	11,000
HK(SIC) Interpretation 21 – Deferred taxation ( <i>Note 3a(ii)</i> )	(1,245)	(368)	(1,613)	(1,038)	(282)	(1,320)
	<u>9,130</u>	<u>2,701</u>	<u>11,831</u>	<u>7,611</u>	<u>2,069</u>	<u>9,680</u>
Total effect for the period	<u>9,130</u>	<u>2,701</u>	<u>11,831</u>	<u>7,611</u>	<u>2,069</u>	<u>9,680</u>
Effect on earnings per share – basic	<u>HK2.7 cents</u>			<u>HK2.2 cents</u>		

(iii) *Effect on net income recognised directly in equity for the year ended 31 December 2005 (estimated) and 31 December 2004 (as adjusted)*

In respect of the year ended 31 December 2005, the following table provides estimates of the extent to which the income or expenses recognised directly in equity are higher or lower than they would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

In respect of the year ended 31 December 2004, the table discloses the adjustments that have been made to the net income or expenses as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs.

	Year ended 31 December 2005			Year ended 31 December 2004		
	Equity shareholders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000	Equity shareholders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
<b>Effect of new policy – increase/(decrease)</b>						
HKAS 40 Investment properties – effect on investment property revaluation reserve (Note 3a(i))	(10,375)	-	(10,375)	(8,649)	-	(8,649)
Total effect for the period	<u>(10,375)</u>	<u>-</u>	<u>(10,375)</u>	<u>(8,649)</u>	<u>-</u>	<u>(8,649)</u>

#### 4. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Geographical segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

##### Geographical segments by the location of assets

The Group's business operations are sub-divided into Macau, the People's Republic of China ("PRC"), the Socialist Republic of Vietnam ("Vietnam"), Canada and other markets classified by the location of assets.

	Year ended 31 December 2005 (HK\$'000)					
	Macau	PRC	Vietnam	Canada	Others	Total
Turnover	192,648	46,069	339,764	905	6,677	586,063
Other revenue – allocated	12,744	2,941	2,245	–	–	17,930
– unallocated	–	–	–	–	1,854	1,854
<b>Total revenue</b>	<b>205,392</b>	<b>49,010</b>	<b>342,009</b>	<b>905</b>	<b>8,531</b>	<b>605,847</b>
Segment result	130,191	(11,065)	53,981	217	(3,870)	169,454
Finance costs	(204)	(1,686)	–	–	(8,438)	(10,328)
Share of profits less losses of associates	(10)	20,407	9,694	4,742	26	34,859
Profit/(loss) before taxation	129,977	7,656	63,675	4,959	(12,282)	193,985
Income tax	–	–	–	–	–	(14,500)
<b>Profit after taxation</b>						<b>179,485</b>
Minority interests	32,731	4,090	21,127	–	(826)	57,122
<b>Profit attributable to equity shareholders</b>						<b>122,363</b>
Depreciation and amortisation	4,164	8,944	76,612	–	176	89,896
Impairment of interest in an associate	–	19,713	–	–	–	19,713
Capital expenditure incurred during the year	45,720	2,273	4,072	–	–	52,065
Segment assets #	571,515	180,578	619,862	–	16,010	1,387,965
Interest in associates	–	144,000	35,197	58,564	4,998	242,759
Unallocated assets	–	–	–	–	638,548	638,548
<b>Total assets</b>	<b>571,515</b>	<b>324,578</b>	<b>655,059</b>	<b>58,564</b>	<b>659,556</b>	<b>2,269,272</b>
Segment liabilities #	73,051	18,351	52,542	66	155,042	299,052
Unallocated liabilities	–	–	–	–	194,800	194,800
<b>Total liabilities</b>	<b>73,051</b>	<b>18,351</b>	<b>52,542</b>	<b>66</b>	<b>349,842</b>	<b>493,852</b>
Minority interests						230,149



Year ended 31 December 2004 (restated) (HK\$'000)

	Macau	PRC	Vietnam	Canada	Others	Total
Turnover	179,557	40,746	181,903	861	601	403,668
Other revenue – allocated	5,113	2,319	1,374	–	–	8,806
– unallocated	–	–	–	–	1,823	1,823
<b>Total revenue</b>	<b>184,670</b>	<b>43,065</b>	<b>183,277</b>	<b>861</b>	<b>2,424</b>	<b>414,297</b>
Segment result	119,224	(5,381)	5,044	351	8,859	128,097
Finance costs	(170)	(1,857)	–	–	(6,112)	(8,139)
Share of profits less losses of associates	(15)	6,438	8,530	(123)	(3)	14,827
<b>Profit/(loss) before taxation</b>	<b>119,039</b>	<b>(800)</b>	<b>13,574</b>	<b>228</b>	<b>2,744</b>	<b>134,785</b>
Income tax	–	–	–	–	–	(4,994)
<b>Profit after taxation</b>						<b>129,791</b>
Minority interests	34,516	(4,094)	1,863	–	60	32,345
<b>Profit attributable to equity shareholders</b>						<b>97,446</b>
Depreciation and amortisation	4,040	13,480	76,715	–	176	94,411
Impairment of interest in an associate	–	–	–	–	–	–
Capital expenditure incurred during the year	19,107	10,890	16,930	–	–	46,927
Segment assets #	554,123	184,513	689,741	–	17,887	1,446,264
Interest in associates	–	143,306	153,906	51,491	4,974	353,677
Unallocated assets	–	–	–	–	445,507	445,507
<b>Total assets</b>	<b>554,123</b>	<b>327,819</b>	<b>843,647</b>	<b>51,491</b>	<b>468,368</b>	<b>2,245,448</b>
Segment liabilities #	89,217	76,637	47,869	8	242,852	456,583
Unallocated liabilities	–	–	–	–	178,524	178,524
<b>Total liabilities</b>	<b>89,217</b>	<b>76,637</b>	<b>47,869</b>	<b>8</b>	<b>421,376</b>	<b>635,107</b>
Minority interests	–	–	–	–	–	186,233

## Business segments

	Property development, investment and management	Hotel and club operations	Unallocated	Total
<i>Year ended 31 December 2005 (HK\$'000)</i>				
Revenue from external customers	196,234	389,829	–	586,063
Contribution to profit from operations	140,860	28,594	–	169,454
Segment assets #	850,802	773,559	644,911	2,269,272
Capital expenditure incurred during the year	45,720	6,345	–	52,065

### *Year ended 31 December 2004 (restated) (HK\$'000)*

Revenue from external customers	176,322	227,346	–	403,668
Contribution to profit from operations	127,991	106	–	128,097
Segment assets #	714,788	1,080,179	450,481	2,245,448
Capital expenditure incurred during the year	19,107	27,820	–	46,927

# Segment assets and liabilities are before elimination of inter-segment balances.

## 5. OTHER REVENUE:

	2005 HK\$'000	2004 HK\$'000
Interest income from bank deposits	14,026	6,244
Dividend income from available-for-sale listed securities	28	24
Others revenue from hotel operations and miscellaneous income	5,730	4,361
	<u>19,784</u>	<u>10,629</u>

## 6. OTHER NET (LOSS)/INCOME:

	2005 HK\$'000	2004 HK\$'000
Exchange (loss)/gain	(26,531)	20,998
Loss on disposal of fixed assets	(193)	(4,754)
	<u>(26,724)</u>	<u>16,244</u>

7. PROFIT BEFORE TAXATION IS ARRIVED AT AFTER CHARGING/(CREDITING):

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
<b>(a) Finance costs</b>		
Interest on bank advances and other borrowings wholly repayable within five years	4,908	4,858
Interest on other loans	5,354	3,189
Interest paid on amounts due to an affiliated company	71	67
Other borrowing costs	27	28
	<u>10,360</u>	<u>8,142</u>
Total borrowing costs	10,360	8,142
Less: Borrowing costs capitalised into properties under development at a rate of 2.3% (2004: 2.3%) per annum	(32)	(3)
	<u>(32)</u>	<u>(3)</u>
	<u><b>10,328</b></u>	<u><b>8,139</b></u>
<b>(b) Staff costs</b>		
Contributions to defined contribution retirement schemes	1,766	1,264
Salaries, wages and other benefits	48,096	38,788
	<u>49,862</u>	<u>40,052</u>
	<u><b>49,862</b></u>	<u><b>40,052</b></u>
<b>(c) Other items</b>		
Cost of properties sold (including the release of provisions for construction costs (note))	34,298	55,988
Cost of inventories	54,724	25,692
Impairment of interest in an associate	19,713	–
Auditors' remuneration – audit services	1,219	1,016
– other services	306	273
Operating lease charges for hire of premises	271	254
Rentals receivable from investment properties less direct outgoings	(9,602)	(8,002)
Other rental income less direct outgoings	(17,948)	(15,618)
	<u>(17,948)</u>	<u>(15,618)</u>

*Note:* The financial statements include provisions for construction costs for work performed, which are estimated based on information available to the Directors, including independent surveyors' reports, where applicable. Upon completion of certain units of a property development during the year ended 31 December 2004, the Directors have reassessed the adequacy of provisions for construction costs for this property development based on information provided by an independent surveyor on 8 July 2004, and provisions for construction costs amounting to HK\$16,866,000 were released to cost of sales in the consolidated income statement for the year ended 31 December 2004.

**8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT REPRESENTS:**

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	–	–
Current tax – Overseas		
Provision for the year	18,130	16,755
Net over-provision in respect of prior years (note)	(735)	(13,081)
	<u>17,395</u>	<u>3,674</u>
Deferred tax		
Change in value of investment properties	1,613	1,320
Origination and reversal of temporary differences	(105)	–
Future benefit of tax losses recognised	(4,403)	–
	<u>(2,895)</u>	<u>1,320</u>
	<u>14,500</u>	<u>4,994</u>

The provision for Hong Kong profits tax for 2005 is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Share of associates' tax for the year ended 31 December 2005 of HK\$5,998,000 (2004: HK\$1,706,000) is included in the share of profits less losses of associates.

*Note:* In prior years, the Directors provided for Macau complementary tax based on information available to the Group at that time. During the year ended 31 December 2005, the Directors have reassessed the adequacy of those provisions and as a result of this evaluation, provisions for Macau complementary tax totalling HK\$817,000 (2004: HK\$13,106,000) have been released to the consolidated income statement for the year ended 31 December 2005.

9. The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$122,363,000 (2004 (restated): HK\$97,446,000) and on the 340,200,000 ordinary shares in issue during both years ended 31 December 2005 and 2004.

**10. TRADE AND OTHER RECEIVABLES**

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Amounts expected to be recoverable within 1 year	19,789	27,382
Amounts expected to be recoverable after 1 year	348	352
	<u>20,137</u>	<u>27,734</u>

Included in trade and other receivables are trade receivables (net of impairment losses for bad and doubtful debts) with the following ageing analysis:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current	4,060	3,065
1 to 3 months overdue	8,008	17,907
More than 3 months overdue but less than 12 months overdue	518	57
More than 12 months overdue	–	4
	<u>12,586</u>	<u>21,033</u>

The Group has a defined credit policy. The general credit terms allowed range from 0 to 30 days. Trade receivables with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

## 11. TRADE AND OTHER PAYABLES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Creditors and accruals	83,352	82,227
Sales deposits and receipt in advance	12,056	10,543
	<u>95,408</u>	<u>92,770</u>

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Due within 1 month or on demand	19,179	16,482
Due after 1 month but within 3 months	–	5,572
Due after 3 months but within 6 months	87	35
	<u>19,266</u>	<u>22,089</u>

## 12. BANK LOANS AND OVERDRAFTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Repayable after 1 year but within 2 years	16,275	29,162
Repayable after 2 years but within 5 years	80,500	81,410
Repayable after 5 years	28,611	59,693
	<u>125,386</u>	<u>170,265</u>
Repayable within 1 year	46,279	115,481
	<u>171,665</u>	<u>285,746</u>
Overdrafts – unsecured	–	39
Bank loans – secured	141,665	211,731
Bank loans – unsecured	30,000	73,976
	<u>171,665</u>	<u>285,746</u>

## OPERATIONS REVIEW

Turnover for the Group increased by 45% to HK\$586 million, as compared to HK\$403.7 million in 2004. A summary and analysis of the operations are as follows.

### Macau

On the back of strong economic growth and low unemployment, the Macau property market continued its upward momentum in 2005. Total revenue from Macau, the Group's major area of operation, increased by 11% to HK\$205.4 million. Most of the revenue came from an increase in turnover arising from the sale of properties at **Ocean Gardens**, Macau. Satisfactory sale results were recorded by the Group's subsidiary in respect of the sale of Orchid Court, a luxurious residential block in Ocean Gardens. Profit before tax from Macau increased by 9%.

## Vietnam

**Sheraton Saigon Hotel & Towers and Executive Residences** This complex, which houses the premier hotel of Ho Chi Minh City, continued to perform well in 2005. The market for visitor arrivals to Vietnam, and to Ho Chi Minh City in particular, remained buoyant throughout the year. Occupancy rate for the hotel improved to 77% for 2005, as compared to 68% in 2004. Average room rate improved to US\$123 per room night, as compared to US\$100 in 2004. Total revenue from Vietnam increased by 87% to HK\$342 million. The hotel won a total of three awards in 2005, including the Best Business Hotel in Vietnam.

**Caravelle Hotel** For 2005, occupancy rate improved to 72%; average room rate improved to US\$103 per room night. Contribution to the Group's profit after tax improved to HK\$9.7 million. The hotel retained its position as one of the top hotels in Ho Chi Minh City.

## The People's Republic of China

**Holiday Inn Riverside Wuhan** The hotel market in Wuhan remained competitive throughout 2005. With aggressive marketing and stringent cost control measures in place, the hotel managed to report a profit for the first time since opening in 1999. Turnover for the hotel increased by 13% to HK\$46 million for the year. Occupancy rate for the hotel improved to 69% for 2005, as compared to 62% in 2004. Average room rate improved to Rmb342 per room night, as compared to Rmb322 in 2004.

**Beijing Riviera Development** comprised a total of 635 units of luxurious villas and apartments. 439 units have already been sold. Of the remaining 196 units, 161 units were leased out as at the end of 2005. Rental income remained stable as compared to 2004.

## Canada

All three hotels reported improved results in 2005 as compared to the small profit reported in 2004, and the loss reported in 2003. The strength of the Canadian dollar in the first half of 2005 has somewhat deterred US visitor arrivals. There had not been any significant changes in occupancy rates and average room rates at both the **Doubletree International Plaza Hotel** and the **Sheraton Ottawa Hotel**. Conscientious control of operating expenses, however, resulted in both hotels reporting improved earnings for the year. For the **Four Points Hotel by Sheraton and Conference Centre** in Quebec, improvement in occupancy rates and room rates and reduced capital expenditures resulted in the hotel reporting a positive gross operating profit for 2005 as compared to a loss in the previous year.

## FINANCIAL REVIEW

The Group's turnover was HK\$586,063,000 for the year ended 31 December 2005, an increase of 45% over the corresponding period in 2004. This increase was due primarily to higher revenue generated from the operation of the Sheraton Saigon Hotel in Vietnam. Profit from operations was HK\$169,454,000 for the year ended 31 December 2005 as compared to a profit of HK\$128,097,000 (restated) in 2004. Profit attributable to shareholders amounted to HK\$122,363,000.

As 31 December 2005, the Group has a total bank loans and other borrowings of HK\$345,781,000 and cash equivalents of HK\$639,303,000. Of the total amount of bank borrowings of HK\$171,665,000, HK\$46,279,000 is repayable within twelve months and the remaining of HK\$125,386,000 is repayable within two to five years.

The Group's bank borrowings are mostly in Hong Kong dollars and United States dollars. Cash and cash equivalents are mostly in Hong Kong dollars, Euros, Australian dollars and United States dollars. Most of the Group's bank borrowings are on a floating rate basis. Taking into account cash in hand and available credit facilities, the Group has sufficient working capital for its present requirements.

## PLEDGE OF ASSETS

As 31 December 2005, the secured bank loan facilities granted to the Group were secured by mortgages over the Group's assets, including hotel properties and related assets and properties under development with an aggregate carrying value of approximately HK\$1,020 million.

## **CONTINGENT LIABILITIES**

At 31 December 2005, there were outstanding counter indemnities relating to guarantees issued by bankers of a subsidiary in favour of the Macau SAR Government in respect of properties under development amounting to HK\$8,252,000 (2004: HK\$6,311,000).

At 31 December 2005, guarantees given by the Company to banks to secure banking facilities made available to subsidiaries and associates amounted to HK\$134.3 million and HK\$69.1 million (2004: HK\$134.5 million and HK\$66.7 million) respectively.

At 31 December 2005, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to its associate amounted to HK\$33.4 million (2004: HK\$32.3 million).

## **PROSPECTS**

The property market in Macau, after witnessing dramatic increases in capital values during the period of 2003 up to the third quarter of 2005, began to consolidate towards the end of 2005. Underlying fundamentals, however, remain strong for the market, with strong economic growth led by overseas investments in Macau's gaming industry. The rise in the general wage level in Macau is expected to continue in the coming few years, thereby building a strong base for sustainable demand for residential properties. The Group will continue to take advantage of its experience in this market, and will proactively seek opportunities to build a land bank.

Improvements in performance in the Group's hotels in Vietnam, China and Canada are expected to continue in 2006. Vietnam, in particular, is expected to continue to be a favoured destination for tourist as well as business travellers. The Sheraton Saigon Hotel and Towers, with strong management, an excellent location and good brand-name recognition, is well positioned to take advantage of this development.

The Wuhan hotel market, whilst growing, will remain competitive as a result of additional hotel room inventory being added. The Group's Holiday Inn Riverside Wuhan, however, has built up a good reputation for good management and service quality and will be able to pursue goals beyond its fair market share.

Canada is a mature economy. The higher price of gasoline is beginning to impact the travel market. The Group's hotels are well managed and are expected to continue to provide stable returns in the long run. Overall, the Group's hotels in Canada are expected to perform slightly better in 2006.

## **PERSONNEL**

At 31 December 2005, the Group had approximately 1,711 employees. A policy of localizing as many of the positions as possible is in place throughout the Group, subject to suitable and sufficient local executives and staff with relevant qualifications and experiences being available. Salary and remuneration are competitive and are based on varying conditions of human resources in the different countries in which the Company and its subsidiaries operate.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the year under review.

## **CORPORATE GOVERNANCE**

The Company has applied the principles and has complied with all the applicable code provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2005, except for deviation from:

- Code provision A.1.1 – Due to travelling schedule of the Board members, the Board has met twice in 2005 instead of four times as stipulated in the Code. Four board meetings have been scheduled for the year 2006.

- Code provision A.2.1 – the role of chairman and chief executive officer of the Company is not segregated since day-to-day operations of the Group were undertaken by the management teams in the respective geographical locations under the supervision of the executive directors. In respect of the management of the Board of Directors of the Company, the role was undertaken by Mr. HO Kian Guan, Executive Chairman of the Company. The Board of Directors is of the view that this structure has served the Company well in past years and does not impair the balance of responsibility between the Board and the management of the business.
- Code provision A.4.1 – the non-executive directors are not appointed for a specific term. In practice, however, all directors are subject to retirement by rotation not less than once every three years. This means that the specific term of appointment of a director will not exceed three years.

The Company intends to continuously review and amend the corporate governance practices and standards of the Company in a pragmatic and conscientious manner to ensure that business operations and decision making processes are implemented in a prudent and proper manner.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Board of Directors of the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Code for Securities Transactions by the Directors of the Company (the “Securities Dealing Code”). The Company has made specific enquiry of all Directors who confirmed compliance with the required standard set out in the Securities Dealing Code during the year under review.

## **REGISTER OF MEMBERS**

The Register of Members will be closed from Wednesday, 21 June 2006 to Saturday, 24 June 2006, both dates inclusive. To qualify for the proposed final dividend, all share transfers must be lodged with the Company’s share registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 20 June 2006.

## **ANNUAL GENERAL MEETING**

The forthcoming Annual General Meeting of the Company will be held on Saturday, 24 June 2006.

On behalf of the Board  
**YUEN CHIU YUK IDA**  
Secretary

Hong Kong, 25 April 2006

*Remark: At the date hereof, the Board of Directors comprises seven directors, namely, HO Kian Guan, HO Kian Hock and TSE See Fan Paul as Executive Directors, HO Kian Cheong as Non-Executive Director, and CHAN Yau Hing Robin, KWOK Chi Shun Arthur and WANG Poey Foon Angela as Independent Non-Executive Directors.*

Please also refer to the published version of this announcement in China Daily.