



SHUN TAK HOLDINGS LIMITED

信德集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 242)

2005 Annual Results Announcement

GROUP RESULTS

The Group's audited profit attributable to equity holders of the Company for the year ended 31 December 2005 amounted to HK\$364.4 million, a decrease of 24.1% over 2004 profit of HK\$480.3 million, as restated. Basic earnings per share were HK 17.5 cents (2004: HK 23.7 cents, as restated).

DIVIDENDS

A final dividend of HK 4.5 cents (2004: HK 6.5 cents) per share has been proposed. In addition to the interim dividend of HK 2.5 cents (2004: HK 4.5 cents) per share previously paid, the total dividends for the year amounted to HK 7.0 cents (2004: HK 11.0 cents) per share.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December

		2005	(Restated) 2004
	Note	(HK\$'000)	(HK\$'000)
Turnover	3	2,489,018	3,749,130
Other revenues		152,211	100,604
Other income		18,667	105,342
		2,659,896	3,955,076
Cost of inventories sold or consumed		(740,272)	(1,692,944)
Staff costs		(544,013)	(555,857)
Depreciation and amortisation		(132,634)	(163,022)
Other costs		(769,643)	(667,440)
Fair value changes on investment properties		134,483	—
Operating profit	3, 4	607,817	875,813
Finance costs	5	(33,725)	(12,850)
Investment loss		—	(48,543)
Share of results of associates		71,605	65,382
Share of results of jointly controlled entities		(1,438)	(2,409)
Profit before taxation		644,259	877,393
Taxation	6	(63,266)	(79,489)
Profit after taxation		<u>580,993</u>	<u>797,904</u>
Attributable to:			
Equity holders of the Company		364,390	480,303
Minority interests		216,603	317,601
		<u>580,993</u>	<u>797,904</u>
Dividends		<u>146,142</u>	<u>231,323</u>
Earnings per share (HK cents)	7		
— basic		<u>17.5</u>	<u>23.7</u>
— diluted		<u>16.8</u>	<u>22.7</u>

CONSOLIDATED BALANCE SHEET
At 31 December

	Note	2005 (HK\$'000)	(Restated) 2004 (HK\$'000)
Non-current assets			
Property, plant and equipment		936,855	924,367
Investment properties		2,912,255	2,756,359
Leasehold land		601,782	615,347
Associates		196,955	67,028
Jointly controlled entities		14,553	14,191
Goodwill		2,275	—
Investments		—	914,584
Available-for-sale investments		1,057,684	—
Mortgage loans receivable		283,099	973,563
Deferred tax assets		11,285	2,725
Other non-current assets		370,951	326,802
		<u>6,387,694</u>	<u>6,594,966</u>
Current assets			
Properties under development		1,026,554	909,521
Inventories		235,674	451,201
Trade and other receivables	8	303,049	236,955
Investments		—	77,657
Available-for-sale investments		29,038	—
Derivative financial instruments		5,363	—
Taxation recoverable		4,169	685
Cash and bank balances		3,864,250	3,872,661
		<u>5,468,097</u>	<u>5,548,680</u>
Current liabilities			
Bank borrowings		166,995	784,329
Trade and other payables	8	519,243	535,661
Provision for employee benefits		28,222	27,940
Taxation payable		65,211	73,492
		<u>779,671</u>	<u>1,421,422</u>
Net current assets		<u>4,688,426</u>	<u>4,127,258</u>
Total assets less current liabilities		<u>11,076,120</u>	<u>10,722,224</u>
Non-current liabilities			
Bank borrowings		849,724	495,423
Deferred tax liabilities		158,412	125,496
Loans from minority shareholders		1,104,858	1,576,084
		<u>2,112,994</u>	<u>2,197,003</u>
Net assets		<u>8,963,126</u>	<u>8,525,221</u>
Equity			
Share capital		520,505	520,007
Reserves		6,530,298	6,220,145
Proposed dividends		93,691	135,202
Equity attributable to equity holders of the Company		<u>7,144,494</u>	<u>6,875,354</u>
Minority interests		1,818,632	1,649,867
Total equity		<u>8,963,126</u>	<u>8,525,221</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Basis of preparation and accounting policies

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described in note 2 below.

Note 2 Impact of New Hong Kong Financial Reporting Standards

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

- a) The adoption of HKASs 2, 7, 8, 10, 12, 14, 18, 19, 21, 23, 24, 28, 31, 33, 36, 37 and HK-Int 4 has not resulted in substantial changes to the Group's accounting policies. In summary:
 - (i) HKASs 2, 7, 10, 12, 14, 18, 19, 21, 23, 33, 36, 37 and HK-Int 4 have no material effect on the Group's accounting policies.
 - (ii) HKASs 8, 28 and 31 affect certain disclosures of the financial statements.
 - (iii) HKAS 24 affects the identification of related parties and the disclosure of related party transactions.
- b) The adoption of HKAS 1 and HKAS 27 affects certain presentation in the consolidated profit and loss account, consolidated balance sheet and consolidated statement of changes in equity, including the following:
 - (i) Investment properties, which were previously included in fixed assets, are now presented separately on the consolidated balance sheet.
 - (ii) Shares of taxation of associates and jointly controlled entities, which were previously included in total taxation, are now included in the shares of results of associates and jointly controlled entities respectively.
 - (iii) On the consolidated balance sheet, minority interests are now shown within equity. On the consolidated profit and loss account, minority interests are presented as an allocation of the total profit or loss for the year.
- c) The adoption of HKAS 16 and HK-Int 2 has resulted in a change in the accounting policy of hotel properties. In prior years, no depreciation was provided on hotel properties owned by the Group's associates, and share of results and net assets of associates were stated on this basis.

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

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

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

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

(i) *Investments in debt and equity securities*

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

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

(ii) *Derivative financial instruments*

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

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

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

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

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

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

(i) *Goodwill*

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

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

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

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

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

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

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

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

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

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

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

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

adjustments which take effect retrospectively

^ adjustments which take effect prospectively from 1 January 2005

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

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

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

adjustments which take effect retrospectively

^ adjustments which take effect prospectively from 1 January 2005

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

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

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

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

Note 3 Segment Information

Business segments

2005

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

2004 (restated)

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

Geographical segments

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

Note 4 Operating Profit

	2005 (HK\$'000)	(Restated) 2004 (HK\$'000)
After crediting:		
Interest income	117,004	26,952
Rental income from investment properties	126,418	118,901
Less: Direct operating expenses arising from investment properties	<u>(15,010)</u>	<u>(18,696)</u>
	111,408	100,205
Dividend income from listed and unlisted investments	96,067	120,759
Profit on sale of listed investments	1,692	484
After charging:		
Cost of inventories		
— properties	223,974	1,305,563
— others	<u>516,298</u>	<u>387,381</u>
	740,272	1,692,944

Note 5 Finance Costs

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

Note 6 Taxation

	2005 (HK\$'000)	(Restated) 2004 (HK\$'000)
Company and subsidiaries		
Hong Kong profits tax	35,800	55,558
Overseas tax	4,589	4,848
Deferred tax	22,877	19,083
	<u>63,266</u>	<u>79,489</u>

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

Deferred tax has been provided for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits.

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

Note 7 Earnings per Share

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

Note 8 Trade Receivables and Payables - Ageing Analysis

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

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

The ageing analysis of trade creditors is as follows:

	2005 (HK\$'000)	2004 (HK\$'000)
0 — 30 days	150,071	189,964
31 — 60 days	3,649	761
61 — 90 days	452	550
over 90 days	8,731	708
	<u>162,903</u>	<u>191,983</u>

BUSINESS REVIEW

Transportation

Driven by the vigorous growth in travel to and within the Pearl River Delta region, TurboJET's total passenger volume during the year increased by 7% as compared to 2004 to over 11 million passengers. The passenger volume on the popular Hong Kong-Macau route was 9.7 million passengers, an increase of 5% over 2004 and a record high since the formation of TurboJET in 1999. Escalating fuel prices, the major cost component of the shipping operation, continued to be a challenge however. Fuel prices in 2005 rose over 40% as compared to 2004. For the year ended 31 December 2005, the transportation division recorded an operating profit of HK\$188 million (2004: HK\$243 million).

Travelers have responded enthusiastically to the TurboJET Sea Express service between Hong Kong International Airport and key PRD destinations, including the Macau and Shenzhen airports. It enables passengers to transit conveniently without Hong Kong customs and immigration formalities. This service has achieved continuing growth since its launch in 2003 and passenger volume in 2005 increased by 70% as compared to 2004.

The Group's shipping operation has a proud history over four decades as the market leader on the Hong Kong-Macau route. Shun Tak-China Travel Shipping Investments Limited is one of the largest high-speed ferry operators in Asia. Operating under the name "TurboJET", the division owns a fleet of 33 vessels and is the only operator of 24-hour ferry services between Hong Kong and Macau.

Hospitality

Due to the robust growth in Macau's economy and the record-breaking number of visitors, the Group's hospitality division reported for 2005 an increase in operating profit to HK\$28 million (2004: HK\$9 million). Total visitor arrivals in Macau in 2005 was approximately 18.7 million, an increase of over 12% as compared to 2004. Driven by the liberalization of travel restrictions on individual travelers from mainland China, this growth trend is expected to continue.

The Group's hotel properties benefited from the influx of visitors to Macau. Its 50%-owned Mandarin Oriental Macau (Mandarin) and 34.9%-owned Westin Resort Macau (Westin) reported increases in net profit for the year. Both hotels recorded strong growth in average room rates but slightly lower occupancy rates during the year. The Mandarin, which secured

several key event bookings, recorded a 29% increase in average room rate with a 5% decrease in occupancy rate, as compared with 2004. The Westin recorded an increase of 12% in average room rate and a 1% decrease in occupancy rate for the same period. Westin was voted the Best Business Hotel in Macau in 2005 by readers of Business Traveller magazine.

The Macau Tower Convention and Entertainment Centre (Macau Tower), which is managed by the Group, has firmly established itself as a favorite tourist landmark and a popular venue for major public events, conventions and banquets. In August, Macau Tower launched a 233-meter controlled-descent SkyJump, which is listed in the Guinness World Records as the world's highest commercial decelerator descent facility. The Travel Awards of Travel Trade Gazette designated Macau Tower as the Asia Pacific region's Best Theme Attraction in October 2005.

Property

The Group's property division reported an operating profit of HK\$146 million (2004: HK\$551 million) for the year ended 31 December 2005. The profit decreased as most of the completed development properties had been sold in previous years and new property developments are currently under planning and construction. The Group expects that, with the planned completion of Nova City Stage 1 in 2006, promising profits will be recorded accordingly.

In Macau, Phase II of Nova Taipa Gardens was branded as Nova City and pre-sale of Stage 1 of Nova City, which consists of 5 residential towers with 684 units, was launched in September and over 90% of the units were sold by the end of 2005. The Group expects that Stage 1 will be completed in the second quarter of 2006. Superstructure works for Stage 2 of Nova City, which will comprise 4 luxury residential towers with 552 units, commenced in October 2005 and is scheduled for completion in early 2007. The remaining stage is under planning.

In Hong Kong, remaining units of the Group's luxury development in Western Mid-Levels, the Belcher's, continued to be sold during the year. By the end of 2005, over 99% of saleable units had been sold. Liberté Place, the Group's commercial complex in West Kowloon, recorded steady improvement in occupancy rate and profit contribution during 2005. Superstructure works for the luxury residential development at 120 Pokfulam Road, formerly known as 124 Pokfulam Road, commenced in September 2005 and are scheduled for completion in 2007.

The Group's property management division provides quality services for a diversified range of multi-functional residential, commercial and industrial properties. The division's management portfolio extends to over 10 million square feet in Hong Kong and Macau. Properties under the division's management include Liberté, The Belcher's, The Westwood and Liberté Place in Hong Kong; and Nova Taipa Gardens Phase I, Macau Tower and Shun Tak House in Macau. Shun Tak Property Management Limited is the first Hong Kong-based property management company in Macau that complies with the ISO9001:2000 certificate requirements.

Investment

The Group owns a consolidated interest in Sociedade de Turismo e Diversões de Macau, S.A. (STDM) of approximately 15.8%. In 2005, the Group recognized HK\$93.3 million in ordinary dividends declared by STDM for the year 2004. In 2004, the Group recognized HK\$ 115.5 million in dividend income, comprising HK\$ 74.4 million and HK\$ 41.1 million declared and paid for the years 2003 and 2002 respectively. Taking that into account, the Group's dividend income for the year 2005 from STDM increased by 25.4% when compared to the year 2004. STDM owns an 80% equity interest in Sociedade de Jogos de Macau S.A. (SJM), one of three gaming concessionaires granted a concession in 2002 by the Macau SAR Government to operate casinos in Macau.

RECENT DEVELOPMENTS AND PROSPECTS

The Group continues to make progress towards the development of an international multi-modal transportation network in the PRD region, with Macau as the hub, to facilitate convenience to passengers and complement the transportation division's well-established shipping operation.

In June 2005, the division established a joint venture company "Shun Tak & CITS Coach (Macao) Limited" to operate bus services within Macau and cross-boundary to several major cities in the region.

In January 2006, extending its transportation services to air travel, the Group announced a joint venture with China National Aviation Company Limited to form Groupax Limited, which will indirectly hold a 49% interest in a new Macau-based airline, Macau Asia Express Limited (MAX). MAX will fly initially to new destinations in China mainland and other parts of Asia, offering individual travelers high-value flights and travel packages. Subject to approval by the Macau SAR Government, MAX will adopt a highly competitive cost model and target to undertake its first commercial flight by early 2007.

The hospitality division's preliminary plan for major renovation and extension at the Westin, comprising a spa center, refurbished food and beverage outlets, marina and serviced apartments, was approved by the Macau SAR Government in October 2005.

The Group has several major Macau property developments in progress. Development for the Nam Van site, centrally situated adjacent to the Macau Tower, is under planning. Subject to the approval of the Macau SAR Government, the development will comprise approximately 3.8 million square feet total developable gross floor area for residential, commercial, retail, hotel and entertainment uses and will be linked to Macau Tower's conference and exhibition facilities. Subject to approval from the Gaming Inspection and Coordination Bureau of Macau, a portion of the Nam Van complex will be leased to SJM for a casino operation.

The Group announced plans in September 2005 to form a joint venture with Hongkong Land Holdings Limited to develop a prime site on the Macau NAPE waterfront, adjacent to the MGM Grand Macau complex under construction. With unobstructed views of Nam Van Lake

and Macau Tower, the development will comprise approximately 1.6 million square feet for luxury residential and lakefront serviced apartments, an upscale retail arcade of about 398,000 square feet and a 210-room luxurious hotel that will be managed by Mandarin Oriental Hotel Group.

The Group will also develop a site in Cotai with STDM, subject to Macau SAR Government approval, in place of the originally announced site in Taipa. Total developable gross floor area of the site will be the same as the previous site, approximately 2.1 million square feet.

In March 2006, the Group entered into a HK\$5 billion syndicated loan facility agreement with 20 top financial institutions. The syndicate is led by The Hongkong and Shanghai Banking Corporation Limited and has a well-balanced mix of major global banks. The facility is structured as a two-tier clean loan comprising a 5-year revolving credit line and a 7-year term loan. It is the largest syndicated loan ever formed to fund developments in Macau and carries the most favourable pricing ever extended to a Macau operation on a 7-year term. The successful completion of this loan offers further solid proof of the Group's leadership status in the market. Proceeds will be used mainly to finance the Group's planned property projects, including the Nam Van and NAPE developments.

The Group is committed to pursuing premium investment opportunities with long-term growth potential which are synergistic with its core businesses and strengthen its position as a leading conglomerate in the Pearl River Delta region.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31 December 2005, the Group's total net assets increased by 5% over last year to HK\$8,963 million. Cash flow and liquidity position remains strong and healthy. The bank balances and deposits amounted to HK\$3,864 million at 31 December 2005, representing a decrease of HK\$9 million from last year end date.

At 31 December 2005, total loan facilities and other financing available to the Group amounted to HK\$3,715 million, of which HK\$2,693 million remained undrawn. The facilities outstanding at the year end comprised HK\$1,017 million in bank loans and HK\$5 million in other loan.

It is the Group's policy to secure adequate funding to match with cash flows required for working capital and investing activities. The maturity profile of the Group's borrowings as at 31 December 2005 is set out below:

Maturity Profile

Within 1 year	1-2 years	2-5 years	Total
17%	19%	64%	100%

Based on a net cash surplus of HK\$2,842 million at the year end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to equity holders of the Company) was nil (2004: nil). The Group will continue with its financial strategy of maintaining a prudent gearing ratio and consider steps to reduce its finance costs.

During the year, 5,000,000 new shares were issued upon exercise of share options and 3,008,000 shares were repurchased and cancelled.

Pledge of Assets

At the year end, certain assets of the Group with an aggregate carrying value of HK\$465 million (2004: HK\$515 million) were pledged with banks for loan facilities.

Contingent Liabilities

There was no material contingent liabilities under the Group at the year end.

Financial Risk

The Group adopts a conservative policy in financial risk management with minimal exposure to currency and interest rate risks. It is the Group's policy not to engage in any speculative trading activity. The funds raised by the Group are on a floating rate basis. None of the Group's outstanding borrowings was denominated in foreign currency at the year end. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars so that the exposure to foreign exchange fluctuations is minimal. The Group engages in fuel hedging activities to minimise its exposure to fluctuations in fuel prices in accordance with the Group's approved treasury policies.

Human Resources

The Group, including subsidiaries but excluding associates and jointly controlled entities, employed approximately 2,300 employees at the year end. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on performance. Social activities are organised to foster team spirit amongst staff. Staff are encouraged to attend training classes that are related to the Group's businesses.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 8 June 2006 to Tuesday, 13 June 2006, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong registrars, Computershare Hong Kong Investor Services Limited, of Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Wednesday, 7 June 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2005, the Company had repurchased a total of 3,008,000 shares on the Stock Exchange of Hong Kong Limited ("Stock Exchange") and details of which are as follows:

Date of Repurchases	Number of Shares Repurchased	Price per Share	
		Highest HK\$	Lowest HK\$
1 December 2005	2,008,000	6.60	6.40
2 December 2005	<u>1,000,000</u>	6.60	6.55
Total	<u>3,008,000</u>		

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance. During the year ended 31 December 2005, the Company took steps to comply with the Code Provisions in the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

At the annual general meeting held on 14 June 2005 (which was chaired by Ms. Pansy Ho, Managing Director, due to the Chairman being unable to attend), amendments to the Articles of Association of the Company were proposed and approved by shareholders to provide that every director, including non-executive Directors appointed for a specific term of three years, shall be subject to retirement by rotation at least once every three years. On 14 June 2005, the Board also set up a Remuneration Committee to consider human resource issues and to make recommendations to the Board. Its terms of reference were adopted to comply with the Code.

In the opinion of the Directors, having taken the steps above, and in conjunction with corporate governance procedures already in place, the Company has (save as stated above) complied with the Code throughout the year ended 31 December 2005.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions By Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Based on specific enquiry of the Directors of the Company, the Directors have complied with the required standard, as set out in the Model Code during the year ended 31 December 2005.

PUBLICATION OF FURTHER INFORMATION

All the information required by Appendix 16 of the Listing Rules will be published on the Stock Exchange’s website in due course.

ANNUAL GENERAL MEETING

The 2006 Annual General Meeting of the Company will be held on Tuesday, 13 June 2006. Notice of Annual General Meeting will be published in newspapers and dispatched to shareholders of the Company in due course.

By order of the Board
Stanley Ho
Group Executive Chairman

Hong Kong, 24 April 2006

As at the date hereof, the executive Directors are Dr. Stanley Ho, Ms. Pansy Ho, Ms. Daisy Ho, Dr. Ambrose So, Mr. Patrick Huen, Mr. Andrew Tse, Mr. Anthony Chan, Ms. Maisy Ho and Mr. David Shum.

The non-executive Directors are Dato’ Dr. Cheng Yu Tung and Mrs. Mok Ho Yuen Wing, Louise and the independent non-executive Directors are Sir Roger Lobo, Mr. Robert Kwan and Mr. Norman Ho.