2005 FINAL RESULTS – ANNOUNCEMENT

HIGHLIGHTS

Key financial results

- Profit before non-operating items increased by 39% to HK$688 million
- Profit attributable to shareholders of HK$2.7 billion including revaluation surpluses
- Shareholders' funds increased by 21% to HK$14.9 billion (HK$10.51 per share) as at 31 December 2005. This figure is stated after application of the new accounting policies under which the 31 December 2004 figure was restated from HK$17.4 billion to HK$12.3 billion
- Net borrowings decreased by HK$2.0 billion to HK$2.3 billion, with the net gearing level reducing to 13%
- RevPAR for the group's hotels increased by 17%

Key developments

- Completed sale of The Kowloon Hotel
- Purchased land for the development of The Peninsula Shanghai and received preliminary planning approval
- Closed The Peak Tower for complete revitalisation
- Disposed of a parcel of land in Phuket
- Completed a JPY 14.2 billion term loan facility for The Peninsula Tokyo
- The Peninsula Manila became a subsidiary of the company

FINANCIAL HIGHLIGHTS	2005	2004 *(restated)*
Consolidated Income Statement (HK$m)		
(for the year ended 31 December)		
Turnover	**3,269**	3,112
EBITDA	**1,092**	992
Profit before non-operating items	**688**	495
Profit attributable to equity shareholders of the company	**2,664**	2,786
Consolidated Balance Sheet (HK$m)		
(at 31 December)		
Total assets	**21,972**	21,061
Shareholders' funds	**14,896**	12,342
Net borrowings	**2,313**	4,274
Key Data		
Earnings per share *(HK cents)*	**189**	199
Earnings per share excluding non-operating items*, net of related tax and minority interests (HK cents)*	**45**	28
Dividends per share *(HK cents)*	**14**	12
Net assets per share *(HK$)*	**10.51**	8.80
Gearing	**13%**	26%
Interest cover *(times)*	**5.2x**	3.1x

The directors hereby announce the audited results for the year ended 31 December 2005, which have been reviewed by the company's Audit Committee, comprising a majority of independent non-executive directors, one of whom chairs the committee, and the company's auditors, KPMG.

FINANCIAL REVIEW

Significant changes in accounting policies have impacted the presentation of the group's accounts this year. Whilst the changes made in compliance with the newly adopted accounting policies have had a significant impact on our earnings and assets, the directors believe the underlying fundamentals of the business remain unaltered.

The first significant change to be aware of is that hotel properties (other than shopping arcades and offices at hotels) and golf courses are stated at cost less depreciation and any provision for impairment, rather than at fair market value as previously. As at 31 December 2004, these assets were valued at a fair market value in the balance sheet of HK$7,160 million whereas upon restatement, this figure became HK$4,291 million under the cost less depreciation model.

Secondly, whilst investment properties continue to be carried at fair value, any revaluation surpluses or deficits are now reflected in the group's profit and loss account, leading to significant, non-operating volatility in the group's earnings. Furthermore, there is now a requirement to make provision, at the profits tax rate, for deferred taxation in respect of such revaluation surpluses in the group's balance sheet. As at 31 December 2005, the amount of such deferred tax provision was HK$2,295 million, of which HK$2,177 million related to Hong Kong investment properties. It is the directors' position that the group's investment properties are held for the long term and that if any Hong Kong investment properties were sold, tax would not be payable on the disposal at that time as the gain would be capital in nature. Such capital gains are subject to a nil tax rate in Hong Kong.

Finally, as outlined above, depreciation must now be recognised against the group's hotel assets despite the policy of the group to continually maintain and refurbish such assets. This has led to an additional charge for the year of HK$142 million.

The above changes in accounting policies have resulted in the net assets as at 31 December 2004 attributable to the company's shareholders being restated to HK$12.3 billion (HK$8.80 per share) from the previously published figure of HK$17.4 billion (HK$12.40 per share).

The directors wish to draw shareholders' attention to the fact that the changes outlined above have no material effect on the group's EBITDA and operational cash flow, and that the group continues to be managed by reference to the underlying characteristics of the business, irrespective of the accounting rules currently prevailing. In particular, strong emphasis is placed by management on EBITDA and operating profit before non-operating items and on the long-term fair value of the assets in the group's balance sheet.

Turnover

The total turnover of the group for the year increased by 5%, as compared to 2004, to HK$3,269 million. Several factors should be taken into account when comparing year-on-year turnover. During 2005, The Kowloon Hotel was sold, resulting in the receipt of one month's revenue only from this asset. The Peak Tower closed for substantial renovation at the end of April, contributing only four months' rental income. Finally, The Peninsula Manila became a subsidiary of the company in March 2005, as a result of which its accounts were consolidated for the first time, with the group receiving 10 months' revenue from the property.

The underlying 5% increase in turnover from the hotels was a positive performance. Strong business and leisure traffic in all our markets translated into higher occupancies, room rates and consumption of food and beverage and other hotel services. In Hong Kong, positive consumer sentiment fuelled much higher domestic patronage of the hotel.

With regard to the local property market, which had already begun to recover in 2004, the continued strength of the Hong Kong economy in 2005 contributed to rising demand for office and residential space, and equally led to many high-end retail brands looking for increased space.

EBITDA and EBITDA margin

EBITDA (earnings before interest, taxation, depreciation and amortisation) rose by 10% to HK$1,092 million. The increase is attributable mainly to the improvement in the contribution from the hotel division. After adjusting for the results of The Kowloon Hotel which has been sold, EDITDA would have risen by 20%.

EBITDA margin represents EBITDA as a percentage of turnover and is analysed as follows:

	2005	2004 *(restated)*
Hotels	**29%**	26%
Rentals from non-hotel properties	**70%**	71%
Other businesses	**26%**	30%
Overall EBITDA margin	**33%**	32%
Arising in Hong Kong	**49%**	45%
Other Asia	**35%**	40%
United States of America	**13%**	5%

Most hotels improved their margins in 2005, but the overall effect was diluted by the voluntary retirement payout to staff at The Peninsula Manila, whilst this property was not included in the 2004 comparative figures. If not for this, EBITDA margin would have risen to 30% for hotels and 34% overall. The closure of The Peak Tower for eight months led to a small decrease in the overall margin on non-hotel properties, although the effect was mitigated by the strong performance of The Repulse Bay. The margin on other businesses was depressed chiefly as a result of the closure of Peak Entertainment at the end of 2004 and lower revenues at the Peak Tram, both as a result of the renovation of The Peak Tower, and the loss of profit from the Thai Country Club whilst re-grassing of the greens was underway.

Profit before non-operating items

The underlying strong performance of the business during the year was reflected in significantly improved profit before non-operating items of HK$688 million, up 39% as compared to 2004. This is one of the key measures on which management focusses, as it believes this more properly reflects the performance of the business. As discussed above, this performance was driven by the continuing strength of the group's hotel properties whilst a number of the group's non-hotel assets were at various stages of renovation.

Non-operating items

On 1 February 2005, the group completed the sale of The Kowloon Hotel Limited ("TKHL") which held The Kowloon Hotel for HK$1.9 billion, in order to focus its resources on developing and marketing the Peninsula brand. A non-operating gain of HK$1.2 billion was recognised, being the difference between the sale proceeds net of related expenses of HK$1.9 billion and the net asset value of TKHL at completion, which was restated at HK$0.7 billion, excluding assigned intercompany debts. In relation to the sale of TKHL, a net fair value loss of HK$218 million in respect of financial instruments arose from an offsetting swap arrangement (see note 6). Revenue, EBITDA and operating profit generated from TKHL for the pre-completion period in January 2005, amounting to HK$28 million, HK$14 million and HK$13 million respectively, have been included in the income statement.

On 15 December 2005, the group disposed of land in Phuket, Thailand for a cash consideration of approximately HK$163 million, thereby recognising a gain of HK$60 million. The land was never developed and had been vacant since the group acquired it.

Financing charges

Financing charges on borrowings in 2005 amounted to HK$171 million. Of this, HK$8 million was capitalised in respect of projects under development, leaving a net charge of approximately HK$163 million to the income statement. Following the disposal of The Kowloon Hotel and land in Phuket, the group's debt was reduced, and net financing charges were 33% lower than 2004.

The weighted average gross interest rate for the year remained at **5.0%** (2004: 5.0%). Interest cover has improved, with operating profit at **5.2 times** (2004 *restated*: 3.1 times) net financing charges for the year.

Taxation

The taxation charge for the year increased compared to 2004 mainly due to the increase in operating profit of the group. The positive outlook for the group's businesses also led to the recognition of deferred tax assets previously not accounted for totalling HK$110 million, in respect of unutilised tax losses of certain subsidiaries, that are likely to be utilised in future years.

Deferred tax liabilities with respect to accumulated valuation surpluses on investment properties increased to **HK$2.3 billion** (2004 *restated*: HK$2.1 billion), thereby recognising a deferred tax expense of HK$164 million. Including this item, the total tax expenses for non-operating items for the year amounted to **HK$173 million** (2004 *restated*: HK$480 million).

Profit attributable to shareholders
Profit attributable to shareholders amounted to HK$2.7 billion for the year ended 31 December 2005, compared to HK$2.8 billion in 2004. The restatement of 2004's figures follows the adoption of new accounting standards effective from 1 January 2005.

Earnings per share
Earnings per share was **189 cents** (2004 *restated*: 199 cents). After adjustment for non-operating items net of related tax and minority interests, earnings per share rose by 61% to **45 cents** (2004 *restated*: 28 cents).

Dividend
An interim dividend of **4 cents** per share was paid during the year 2005 (2004: 3 cents). To balance our improved operating performance with our future commitments to the Tokyo and Shanghai hotel projects, the directors are recommending to shareholders that the final dividend be set at 10 cents per share. Together with the interim dividend of 4 cents per share, this represents a total dividend for 2005 of 14 cents per share which is an increase of 17% over last year. Shareholders will also be given the option to receive their dividend in the form of scrip rather than cash.

Balance sheet and borrowings
Shareholders' funds as at 31 December 2005 amounted to HK$14.9 billion, or HK$10.51 per share, after incorporating the year-end revaluations on investment properties, an increase of 21% as compared to 2004.

Net borrowings decreased by 46% to HK$2.3 billion, during the year mainly as a result of the application of the proceeds from the sale of The Kowloon Hotel. Gearing, expressed as the percentage of net borrowings to the total of net borrowings and net assets, decreased significantly to **13%** (2004 *restated*: 26%), which remains well within the debt capacity of the group.

Care is taken to ensure that borrowing facilities do not impose onerous or restrictive covenants, and that the terms of the facilities match the underlying requirements. Borrowings are managed centrally and are not normally earmarked for specific investments other than those arranged to fund specific projects, such as The Peninsula Chicago, The Peninsula Bangkok, The Peninsula Palace Beijing, The Peninsula Manila and The Peninsula Tokyo.

Derivative financial instruments
With the adoption of the new accounting standards, derivative financial assets and liabilities are recorded at their fair value.

The favourable change in fair value of derivative financial instruments in 2005 resulted in a decrease of net liabilities in respect of these instruments.

OPERATING REVIEW

Hotels
All the Peninsula hotels are either top or amongst the leaders in room rate and revenue per available room (RevPAR) in their respective cities and this has enabled our group to capture a strong share of the growth in revenue brought about by the favourable market conditions in 2005.

In North America, the three Peninsula hotels continue to be recognised as market leaders and have enjoyed a significant increase in average room rates. The Peninsula New York increased its RevPAR by 16% to HK$3,655, The Peninsula Beverly Hills by 11% to HK$3,395 and The Peninsula Chicago by 17% to HK$2,087.

Our flagship hotel, The Peninsula Hong Kong, enjoyed sustained demand with an occupancy of 79%, thus increasing its RevPAR by 11% to HK$2,271. The Peninsula Palace Beijing continues to benefit from its recent full renovation and increased its RevPAR by 40% to HK$874. These two hotels have both established retail arcades that continue to be sought after by high-end retail brands. In 2005, these arcades achieved 96% occupancy at an average rent of HK$268 per square foot per month in Hong Kong, and 100% occupancy at HK$80 per square foot per month in Beijing.

Elsewhere in Asia, the market conditions were less certain. Nevertheless, The Peninsula Manila achieved a pleasing RevPAR growth of 17% to HK$493 and The Peninsula Bangkok was able to grow its RevPAR by 5% to HK$935.

The only hotel property which has not performed satisfactorily in 2005 is Quail Lodge, which has struggled to establish a clear market position following its renovation carried out in 2003, although its RevPAR increased by 13% to HK$1,393 in 2005. We have decided to resume direct management of this property from 1 April 2006.

Overall, the hotel division's revenue and EBITDA for the year were HK$2,662 million and HK$769 million, an increase of 5% and 16% respectively as compared to 2004. If the figures for The Kowloon Hotel, which was sold in February 2005, are excluded from this comparison, the increase in revenue and EBITDA would be 19% and 33%.

With the growth of business levels, it has been a challenge to manage costs while maintaining and improving the level of service provided to guests. It is therefore pleasing that we have been able to control our operating costs, as a result of which the EBITDA margin on our hotel businesses has increased from 26% last year to 29% in 2005.

	For the year ended 31 December				
	Occupancy %		Average Room Rate (HK$)		% RevPAR Improvement
	2005	2004	**2005**	2004	
The Peninsula Hong Kong*	**79**	77	**2,872**	2,659	11
The Peninsula New York	**75**	76	**4,902**	4,137	16
The Peninsula Chicago	**71**	72	**2,947**	2,490	17
The Peninsula Beverly Hills	**83**	84	**4,091**	3,634	11
The Peninsula Bangkok	**72**	77	**1,293**	1,155	5
The Peninsula Palace Beijing**	**72**	62	**1,219**	1,008	40
The Peninsula Manila	**78**	69	**630**	606	17
Quail Lodge Resort	**61**	54	**2,297**	2,288	13

**In 2004, due to renovation, the average number of rooms available for the period was reduced to 269.*
***In 2005 and 2004, due to renovation, the average number of rooms available for the period was reduced to 484 and 500 respectively.*

Non-hotel properties and other businesses
The bulk of our non-hotel properties are situated in Hong Kong, which has enjoyed a strong rebound in both the residential and office lettings markets in 2005 with a further influx of international companies establishing or increasing their presence in the city. Following the latest phase of apartment renovations at The Repulse Bay, the average occupancy and rental per square foot of the unfurnished apartments increased to 86% and HK$28 per square foot per month respectively. Occupancy at St John's Building remained steady at 90%. The Peak Tower was closed for most of the year for its renovation which has progressed steadily towards its planned completion in the summer of 2006. Our other non-hotel operations, including the Thai Country Club, The Landmark complex in Vietnam, the Peak Tram and our club and airport lounge management operations, have continued to perform well. With The Peak Tower being closed for most of 2005, revenue and EBITDA from non-hotel properties were relatively flat compared to the previous year, at HK$374 million and HK$263 million respectively. Revenue of our other businesses increased to HK$233 million and EBITDA decreased to HK$60 million.

Development and projects
Our strategy is to focus our resources on a limited number of new hotel developments at any one time, as exemplified by the current projects in Tokyo and Shanghai. Both these hotels are situated in exceptional locations, The Peninsula Tokyo in the prestigious Marunouchi area, overlooking the Imperial Palace gardens, and The Peninsula Shanghai, the only new-build with a frontage on to the Bund.

During the year, satisfactory progress has been made on both of these projects. In Tokyo, the hotel shell and core is under construction with topping out expected in the middle of 2006. The interior designs have been completed and the fit-out contract has been finalised. In Shanghai, completion of the land purchase took place in August 2005 and agreement has been reached with the authorities on the key planning parameters of our architectural scheme. We are in the process of progressing our designs and seeking approvals from the authorities in order to commence construction before the end of 2006.

In recent years, we have repeatedly emphasised seeking ways to enhance the value of our existing assets, through new concepts and redevelopments. The many ongoing enhancement projects at our hotels and properties and in particular the renovation of The Peak Tower are examples of these initiatives. We are also seeking to add value to our investment in The Peninsula Manila through the renovation project which we have initiated.

Strategy and outlook

The way in which our hotels and other properties have been able to capture market share and benefit from the economic recovery in our key locations in the past 2-3 years has reinforced our strategy based on:

1. building our brand qualities and image;
2. enhancing service delivery through staff training, development and empowerment;
3. focusing on prime locations, asset quality and design and build standards; and
4. enhancing the value and functionality of all space within our existing assets.

We believe that the new hotel development projects and enhancement projects on existing properties currently in progress will provide good longer-term growth prospects for the group. In addition, there continues to be potential for increasing market share at several of our properties which were either recently opened or renovated.

The current outlook for 2006 is positive, with most of our hotels experiencing improved RevPARs as compared to the start of 2005, as well as strong forward bookings on hand. Demand for our Hong Kong properties, particularly on the residential side, remains strong and we look forward to the possibility of increasing rentals upon the expiry of current lease terms. The way in which we have repositioned the layout of our retail malls in the Peninsulas in Hong Kong and Beijing has sustained strong demand from high-end retail brands.

Of course, the hospitality industry remains susceptible to unforeseen events which could have a major impact on global travel, the latest threat being a possible widespread outbreak of avian flu. We believe we have the experience and the contingency plans in place to react to such circumstances and mitigate the effects. Fundamentally, however, our industry is both cyclical and not immune to such short term shocks.

CONSOLIDATED INCOME STATEMENT (HK$m)

(for the year ended 31 December)

	Note	2005	2004 (restated)
Turnover	3	**3,269**	3,112
Other revenue		**7**	8
		3,276	3,120
Cost of inventories		**(232)**	(222)
Staff costs and related expenses		**(1,028)**	(996)
Rent and utilities		**(261)**	(238)
Other operating expenses		**(663)**	(672)
Operating profit before depreciation and amortisation ("EBITDA")		**1,092**	992
Depreciation and amortisation		**(238)**	(240)
Operating profit		**854**	752
Financing charges		**(163)**	(243)
Share of losses of jointly controlled entity/assoicates		**(3)**	(14)
Profit before non-operating items		**688**	495
Increase in fair value of investment properties		**1,089**	2,812
Net gain on disposal of The Kowloon Hotel	6	**953**	-
Other non-operating items	7	**199**	79
Profit before taxation		**2,929**	3,386
Taxation	8(a)	**(208)**	(573)
Profit for the year		**2,721**	2,813
Attributable to:			
Equity shareholders of the company		**2,664**	2,786
Minority interests		**57**	27
Profit for the year		**2,721**	2,813
Earnings per share (HK cents)			
- Basic	9(a)	**189**	199
- *Adjusted**	9(b)	**45**	28
Dividends per share (HK cents)		**14**	12
Dividends payable to equity shareholders of the company attributable to the year:	10		
Interim dividend declared during the year		**57**	42
Final dividend proposed after the balance sheet date		**142**	126
		199	168

** Adjusted for non-operating items, net of related tax and minority interests.*

CONSOLIDATED BALANCE SHEET (HK$m)
(at 31 December)

	Note	2005	2004 *(restated)*
Non-current assets			
Fixed assets			
Properties, plant and equipment		**4,406**	4,338
Investment properties		**16,155**	15,478
Leasehold land		**-**	242
		20,561	20,058
Interests in associates		**-**	80
Interest in jointly controlled entity		**446**	137
Investment in hotel management contract		**168**	174
Interests in unlisted equity instruments		**52**	52
Derivative financial instruments	13	**23**	-
Deferred tax assets		**123**	-
		21,373	20,501
Current assets			
Inventories		**77**	74
Debtors and payments in advance	11	**216**	224
Taxation recoverable		**3**	-
Derivative financial instruments	13	**2**	-
Cash and cash equivalents		**301**	262
		599	560
Current liabilities			
Creditors and accruals	12	**(867)**	(1,128)
Interest-bearing borrowings		**(139)**	(354)
Derivative financial instruments	13	**(5)**	-
Current taxation		**(78)**	(45)
		(1,089)	(1,527)
Net current liabilities		**(490)**	(967)
Total assets less current liabilities		**20,883**	19,534
Non-current liabilities			
Interest-bearing borrowings		**(2,475)**	(4,182)
Net defined benefit retirement obligation		**(21)**	(10)
Derivative financial instruments	13	**(204)**	-
Deferred tax liabilities	8(b)	**(2,577)**	(2,386)
		(5,277)	(6,578)
Net assets		**15,606**	12,956
Capital and reserves			
Share capital	14	**709**	701
Reserves		**14,187**	11,641
Total equity attributable to equity shareholders of the company		**14,896**	12,342
Minority interests		**710**	614
Total equity		**15,606**	12,956

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

(a) Basis of preparation

The audited consolidated income statement and consolidated balance sheet have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") in issue that came into effect on 1 January 2005 issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies used in preparation of the consolidated income statement and consolidated balance sheet are consistent with those adopted in 2004, except that the group has changed some of its accounting policies following its adoption of the new/revised HKFRS. Note 1(b) sets out information on the significant changes in accounting policies.

(b) Change in accounting policies

Adoption of the following new/revised HKFRS, which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK-INT" and "HK(SIC)-INT"), that necessitated material changes in accounting policies or presentation of financial statements are summarised as follows:

(i) The adoption of HKAS 1 "Presentation of Financial Statements" and HKAS 27 "Consolidated and Separate Financial Statements" has resulted in a change in the presentation of minority interests, which are now shown within equity. On the face of the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year.

(ii) The adoption of HKAS 16 "Property, Plant and Equipment" and HK-INT 2 "The Appropriate Policies for Hotel Properties" has resulted in a change in the accounting policy for the group's hotel properties and other properties, which are now stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the carrying values of the assets on a straight line basis over the shorter of the unexpired period of the land lease and the anticipated remaining useful lives of the assets. The useful lives which have been adopted are summarised as follows:

- hotel buildings	75 to 150 years
- other buildings	50 years
- golf courses	100 years
- external wall finishes, windows, roofing and glazing works	10 to 40 years
- major plant and machinery	15 to 25 years
- furniture, fixtures and equipment	3 to 20 years
- operating equipment	3 to 5 years
- motor vehicles	5 to 10 years

No depreciation is provided on freehold land as it is deemed to have an indefinite life.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(iii) The adoption of HKAS 17 "Leases" and HK-INT 4 "Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases" has resulted in a change in the accounting policy relating to leasehold land. A lease of land and building is split into a lease of land and a lease of building in proportion to the relative fair values of the interests in the land and the building elements at the inception of the lease. The leasehold land is stated at cost and is amortised over the period of the lease on a straight line basis whereas the leasehold building is stated at cost less accumulated depreciation and impairment losses.

(iv) The adoption of HKAS 40 "Investment Property" and HK(SIC)-INT 21 "Income Taxes – Recovery of Revalued Non-depreciable Assets" has resulted in a change in the accounting policy for the group's investment properties, whereby changes in fair value are recognised in the income statement. Deferred tax on movements in changes in fair value of investment properties is recognised using tax rates that are applicable to the property 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.

In addition, golf courses have been reclassified as other properties and are stated at cost less accumulated depreciation and impairment losses in accordance with HKAS 16; whilst land with undetermined future use has been reclassified as investment property and is stated at fair value.

(v) The adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in a change in the accounting policy for financial instruments.

Derivative financial instruments are stated at fair value. The gain or loss on changes in fair value is recognised generally in the income statement unless the derivative financial instrument qualifies for hedge accounting. Where a derivative financial instrument qualifies for hedge accounting and is designated as a cash flow hedge, the effective part and the ineffective part of any unrealised gain or loss on the instrument is recognised directly in equity and in the income statement respectively. The cumulative gain or loss associated with the effective part of the cash flow hedge is removed from equity and is generally recognised in the income statement in the same period or periods during which the gain or loss arising from the hedged transaction is recognised in the income statement.

The group's long term investments which are equity in nature (other than investments in subsidiaries, associates and jointly controlled entities) that do not have a quoted market price in an active market and which have been reclassified as available-for-sale securities and fair value cannot be reliably measured are classified as interests in equity instruments and recognised in the balance sheet at cost less impairment losses. If there is objective evidence that an individual investment has been impaired, such impairment would be recognised in the income statement. Impairment losses for equity instruments are not reversed.

The group's borrowings are measured at amortised cost over the period of the borrowings using an effective interest method.

(vi) The adoption of HKFRS 3 "Business Combination" has resulted in a change in accounting policy for acquired goodwill, being the excess of the cost of business combination over the net fair value of net assets acquired, which is now stated at cost less accumulated impairment losses. Negative goodwill arising from business combination is recognised immediately in the income statement.

Changes in the accounting policies arising from the adoption of HKAS 1, 16, 17, 27, 32 and 40, HKFRS 3 and HK-INT 2, HK-INT 4 and HK(SIC)-INT 21 have been made in accordance with the provisions of the respective standards, which require retrospective application to prior year comparatives. However the initial adoption of HKAS 39 requires prospective adjustments made on 1 January 2005.

The effects of the adoption of new accounting policies on the consolidated income instatement and consolidated balance sheet are summarised in note 2.

2. Summary of effect of changes in the accounting policies

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRS to each of the line items in the consolidated income statement and consolidated balance sheet.

(a) Effect on the consolidated income statement for the year ended 31 December 2004 (HK$m)

	2004	Increase/(decrease) in net profit					2004
	(as previously reported)	HKAS 16	HKAS 17	HKAS 40	HK(SIC)-INT 21	Sub-total	*(as restated)*
Turnover	3,112	-	-	-	-	-	3,112
Other revenue	8	-	-	-	-	-	8
	3,120	-	-	-	-	-	3,120
Cost of inventories	(222)	-	-	-	-	-	(222)
Staff costs and related expenses	(996)	-	-	-	-	-	(996)
Rent and utilities	(238)	-	-	-	-	-	(238)
Other operating expenses	(678)	6	-	-	-	6	(672)
Operating profit before depreciation and amortisation ("EBITDA")	986	6	-	-	-	6	992
Depreciation and amortisation	(96)	(137)	(7)	-	-	(144)	(240)
Operating profit	890	(131)	(7)	-	-	(138)	752
Financing charges	(243)	-	-	-	-	-	(243)
Share of losses of associates	(14)	-	-	-	-	-	(14)
Profit before non-operating items	633	(131)	(7)	-	-	(138)	495
Increase in fair value of investment properties	-	-	-	2,812	-	2,812	2,812
Other non-operating items	67	(4)	-	16	-	12	79
Profit before taxation	700	(135)	(7)	2,828	-	2,686	3,386
Taxation	(94)	(42)	-	-	(437)	(479)	(573)
Profit for the year	606	(177)	(7)	2,828	(437)	2,207	2,813
Attributable to:							
Equity shareholders of the company	574	(177)	(7)	2,833	(437)	2,212	2,786
Minority interests	32	-	-	(5)	-	(5)	27
Profit for the year	606	(177)	(7)	2,828	(437)	2,207	2,813
Earnings per share (HK cents)							
- Basic	41	(13)	-	202	(31)	158	199
- Adjusted *	37	(12)	-	34	(31)	(9)	28

** Adjusted for non-operating items, net of related tax and minority interests.*

(b) Estimated effect on the consolidated income statement for the year ended 31 December 2005 (HK$m)

	Increase / (decrease) in net profit					
	HKAS 16	HKAS 17	HKAS 32 & 39	HKAS 40	HK(SIC)-INT 21	Total
Depreciation and amortisation	(142)	-	-	-	-	(142)
Profit before non-operating items	(142)	-	-	-	-	(142)
Increase in fair value of investment properties	-	-	-	1,089	-	1,089
Net gain on disposal of The Kowloon Hotel	1,073	133	23	(199)	-	1,030
Profit before taxation	931	133	23	890	-	1,977
Taxation	(32)	-	(4)	-	(169)	(205)
Profit for the year	899	133	19	890	(169)	1,772
Attributable to:						
Equity shareholders of the company	904	133	19	889	(169)	1,776
Minority interests	(5)	-	-	1	-	(4)
Profit for the year	899	133	19	890	(169)	1,772
Earnings per share (HK cents)						
- Basic	64	9	1	63	(12)	125
- Adjusted *	(12)	-	-	-	-	(12)

** Adjusted for non-operating items, net of related tax and minority interests.*

(c) Effect on the consolidated balance sheet at 31 December 2004 (HK$m)

	2004 *(as previously reported)*	*Increase / (decrease) in net assets* HKFRS 3	HKAS 1	HKAS 16	HKAS 17	HKAS 40	HK(SIC)-INT 21	Sub-total	2004 *(as restated)*
Non-current assets									
Properties, plant and equipment	7,631	-	-	(2,484)	(375)	(434)	-	(3,293)	4,338
Investment properties	15,227	-	-	(237)	-	488	-	251	15,478
Leasehold land	-	-	-	-	242	-	-	242	242
	22,858	-	-	(2,721)	(133)	54	-	(2,800)	20,058
Interests in associates	84	-	-	(4)	-	-	-	(4)	80
Interest in jointly controlled entity	137	-	-	-	-	-	-	-	137
Investment in hotel management contract	174	-	-	-	-	-	-	-	174
Interests in unlisted equity instruments	52	-	-	-	-	-	-	-	52
Deferred tax assets	42	-	-	(31)	-	-	(11)	(42)	-
	23,347	-	-	(2,756)	(133)	54	(11)	(2,846)	20,501
Current assets									
Inventories	74	-	-	-	-	-	-	-	74
Debtors and payments in advance	224	-	-	-	-	-	-	-	224
Cash and cash equivalents	262	-	-	-	-	-	-	-	262
	560	-	-	-	-	-	-	-	560
Current liabilities									
Creditors and accruals	(1,128)	-	-	-	-	-	-	-	(1,128)
Interest-bearing borrowings	(354)	-	-	-	-	-	-	-	(354)
Current taxation	(45)	-	-	-	-	-	-	-	(45)
	(1,527)	-	-	-	-	-	-	-	(1,527)
Net current liabilities	(967)	-	-	-	-	-	-	-	(967)
Total assets less current liabilities	22,380	-	-	(2,756)	(133)	54	(11)	(2,846)	19,534
Non-current liabilities									
Interest-bearing borrowings	(4,182)	-	-	-	-	-	-	-	(4,182)
Net defined benefit retirement obligation	(10)	-	-	-	-	-	-	-	(10)
Deferred tax liabilities	(202)	-	-	(187)	-	-	(1,997)	(2,184)	(2,386)
Minority interests	(602)	-	602	-	-	-	-	602	-
	(4,996)	-	602	(187)	-	-	(1,997)	(1,582)	(6,578)
Net assets	17,384	-	602	(2,943)	(133)	54	(2,008)	(4,428)	12,956
Capital and reserves									
Share capital	701	-	-	-	-	-	-	-	701
Share premium and capital reserve	2,595	(4)	-	-	-	-	-	(4)	2,591
Revaluation reserves									
- Investment properties	11,367	-	-	-	-	(11,367)	-	(11,367)	-
- Hotel properties	1,394	-	-	(1,394)	-	-	-	(1,394)	-
- Other properties	2	-	-	(2)	-	-	-	(2)	-
Exchange reserve	(634)	-	-	1	-	3	-	4	(630)
General reserve	1,098	-	-	-	-	-	-	-	1,098
Retained profits	861	4	-	(1,550)	(133)	11,408	(2,008)	7,721	8,582
Total equity attributable to equity shareholders of the company	17,384	-	-	(2,945)	(133)	44	(2,008)	(5,042)	12,342
Minority interests	-	-	602	2	-	10	-	614	614
Total equity	17,384	-	602	(2,943)	(133)	54	(2,008)	(4,428)	12,956

(d) Estimated effect on the consolidated balance sheet at 31 December 2005 (HK$m)

The adoption of HKAS 39 resulted in a decrease in opening reserves at 1 January 2005 by HK$304 million.

The estimated effect associated to the changes in accounting policies on the consolidated balance sheet at 31 December 2005 is summarised below:

	Increase / (decrease) in net assets						
	HKFRS 3	HKAS 1	HKAS 16	HKAS 32 & 39	HKAS 40	HK(SIC)-INT 21	Total
Non-current assets							
Properties, plant and equipment *	-	-	(1,625)	-	(88)	-	(1,713)
Investment properties	-	-	88	-	156	-	244
Derivative financial instruments	-	-	-	23	-	-	23
Deferred tax assets	-	-	-	-	-	(16)	(16)
	-	-	(1,537)	23	68	(16)	(1,462)
Current assets							
Derivative financial instruments	-	-	-	2	-	-	2
	-	-	-	2	-	-	2
Current liabilities							
Creditors and accruals	-	-	-	189	-	-	189
Interest-bearing borrowings	-	-	-	1	-	-	1
Derivative financial instruments	-	-	-	(5)	-	-	(5)
	-	-	-	185	-	-	185
Net current liabilities	-	-	-	187	-	-	187
Total assets less current liabilities	-	-	(1,537)	210	68	(16)	(1,275)
Non-current liabilities							
Interest-bearing borrowings	-	-	-	6	-	-	6
Derivative financial instruments	-	-	-	(204)	-	-	(204)
Deferred tax liabilities	-	-	(282)	-	-	(2,161)	(2,443)
Minority interests	-	710	-	-	-	-	710
	-	710	(282)	(198)	-	(2,161)	(1,931)
Net assets	-	710	(1,819)	12	68	(2,177)	(3,206)
Capital and reserves							
Capital reserve	(4)	-	-	-	-	-	(4)
Revaluation reserves							
- Investment properties	-	-	-	-	(12,424)	-	(12,424)
- Hotel properties	-	-	(371)	-	-	-	(371)
- Other properties	-	-	(2)	-	-	-	(2)
Hedging reserve	-	-	-	(15)	-	-	(15)
Exchange reserve	-	-	1	-	2	-	3
Retained profits	4	-	(1,447)	25	12,480	(2,177)	8,885
Total equity attributable to equity shareholders of the company	-	-	(1,819)	10	58	(2,177)	(3,928)
Minority interests		710	-	2	10	-	722
Total equity	-	710	(1,819)	12	68	(2,177)	(3,206)

** The estimated effect is based on the fair value as at 31 December 2004.*

3. Turnover (HK$m)

Turnover represents the gross amount invoiced for services, inventories and facilities including management fees and rental income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2005	2004
Hotels		
Rooms	**1,297**	1,191
Food and beverage	**735**	715
Commercial rentals	**377**	382
Others	**253**	236
	2,662	2,524
Rentals from non-hotel properties	**374**	364
Other businesses	**233**	224
	3,269	3,112

4. Segment turnover and other information (HK$m)

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group in making operating and financial decisions. The revenue and operating performance of the group's hotel business segment are subject to a higher degree of seasonal volatility by nature whilst those for the group's property leasing segment are subject to a relatively lower degree of seasonality.

(a) Business segments

The group is comprised of the following main business segments:

Hotels	Hotel room accommodation, leasing of commercial shopping arcades and office premises, provision of food and beverage at restaurant outlets, operation of retail outlets and other minor departments such as spa, telephone, guest transportation and laundry within the hotel premises.
Rentals from non-hotel properties	Leasing of commercial and office premises (other than those in hotel properties) and residential apartments.
Other businesses	Various other businesses including operation of golf courses, the Peak Tram, food and beverage outlets other than those in owned hotels, wholesaling of food and beverage products, laundry, and provision of management and consultancy services for clubs.

	Hotels		Rentals from non-hotel properties		Other businesses		Consolidated	
	2005	2004 *(restated)*	**2005**	2004 *(restated)*	**2005**	2004 *(restated)*	**2005**	2004 *(restated)*
Segment turnover and results								
- for the year ended 31 December								
Turnover								
Total segment	**2,663**	2,532	**375**	364	**252**	244	**3,290**	3,140
Inter-segment	**(1)**	(8)	**(1)**	-	**(19)**	(20)	**(21)**	(28)
	2,662	2,524	**374**	364	**233**	224	**3,269**	3,112
Segment operating profit before depreciation and amortisation	**769**	664	**263**	260	**60**	68	**1,092**	992
Depreciation and amortisation	**(213)**	(211)	**-**	-	**(25)**	(29)	**(238)**	(240)
Segment operating profit	**556**	453	**263**	260	**35**	39	**854**	752
Financing charges							**(163)**	(243)
Share of losses of jointly controlled entity/associates	**(3)**	(14)	**-**	-	**-**	-	**(3)**	(14)
Profit before non-operating items							**688**	495
Increase in fair value of investment properties							**1,089**	2,812
Net gain on disposal of The Kowloon Hotel							**953**	-
Other non-operating items							**199**	79
Profit before taxation							**2,929**	3,386
Taxation							**(208)**	(573)
Profit for the year							**2,721**	2,813
Segment balance sheet								
- as at 31 December								
Properties, plant and equipment	**4,086**	3,986	**-**	-	**320**	352	**4,406**	4,338
Investment properties	**6,142**	5,989	**9,646**	9,024	**367**	465	**16,155**	15,478
Leasehold land	**-**	242	**-**	-	**-**	-	**-**	242
Interests in associates	**-**	80	**-**	-	**-**	-	**-**	80
Interest in jointly controlled entity	**446**	137	**-**	-	**-**	-	**446**	137
Investment in hotel management contract	**168**	174	**-**	-	**-**	-	**168**	174
Interests in unlisted equity instruments	**43**	43	**-**	-	**9**	9	**52**	52
Other segment assets	**232**	225	**21**	14	**40**	59	**293**	298
Derivative financial instruments							**25**	-
Taxation recoverable							**3**	-
Deferred tax assets							**123**	-
Cash and cash equivalents							**301**	262
Total assets							**21,972**	21,061
Liabilities								
Segment liabilities	**639**	638	**185**	134	**64**	366	**888**	1,138
Bank loans and other liabilities							**5,478**	6,967
Total liabilities							**6,366**	8,105
Capital expenditure incurred during the year	**626**	207	**136**	55	**33**	12	**795**	274

* ***Analysis of hotels' turnover***

	2005	*2004*
Rooms	***1,297***	*1,191*
Food and beverage	***735***	*715*
Commercial rentals	***377***	*382*
Others	***253***	*236*
	2,662	*2,524*

(b) Geographical segments

The group's hotel operations and property rental businesses are principally located in Hong Kong, the People's Republic of China, Thailand, The Philippines, Vietnam and the United States of America. The golf course operations are located in Thailand and the United States of America. Other miscellaneous businesses are mostly conducted in Hong Kong.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location in which the business operation is conducted. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		**Other Asia**		**United States of America**	
	2005	2004 *(restated)*	**2005**	2004 *(restated)*	**2005**	2004 *(restated)*
For the year ended 31 December						
Revenue from external customers	**1,411**	1,566	**775**	567	**1,083**	979
Segment assets	**15,442**	15,003	**3,494**	3,153	**2,584**	2,643
Capital expenditure incurred during the year	**197**	94	**562**	145	**36**	35
Depreciation and amortisation	**54**	69	**77**	62	**107**	109

5. Other revenue

Other revenue represents dividends from unlisted equity instruments and interest earned.

6. Net gain on disposal of The Kowloon Hotel (HK$m)

	2005	2004
Gain on disposal of The Kowloon Hotel (note 15)	**1,171**	-
Fair value changes of related derivative financial instruments	**(218)**	-
	953	-

The disposal of The Kowloon Hotel has resulted in a reduction in bank borrowings. To maintain the group's interest rate risk hedging policy, the loan interest hedging ratio was re-adjusted by way of offsetting swap arrangements rendering some swaps ineffective, which gave rise to the one-off loss of HK$218 million.

7. Other non-operating items (HK$m)

	2005	2004 *(restated)*
Gain on disposal of investment property	**60**	-
Reversal of impairment losses, net	**117**	91
Impairment loss on interest in associates	**-**	(5)
Others	**22**	(7)
	199	79

8. Taxation (HK$m)

(a) Taxation in the consolidated income statement represents:

	2005	2004 *(restated)*
Current tax – Hong Kong Profits Tax		
Provision for the year	**38**	49
Over-provision in respect of prior years	**-**	(1)
	38	48
Current tax - Overseas		
Provision for the year	**80**	14
Under-provision in respect of prior years	**-**	5
	80	19
Deferred tax		
Increase in net deferred tax liabilities	**119**	506
Transfer from hedging reserve	**(29)**	-
Origination and reversal of temporary differences	**90**	506
	208	573

The above tax expenses include **HK$173 million** (2004 (*restated*): HK$480 million) in respect of non-operating items.

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 jurisdictions.

(b) Deferred taxation in the consolidated balance sheet

In prior years, the deferred tax effects 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. HK(SIC)-INT 21 "Deferred taxes – Recovery of revalued non-depreciable assets" now removes the aforesaid presumption and requires deferred tax effects arising from the revaluation of investment properties be measured on the basis of tax consequences that would follow from recovery of the carrying amount through use, at the profits tax rate. The application of this new interpretation has necessitated a restatement of the opening deferred tax liabilities. Accordingly, within the group's overall deferred tax provisions, a provision for deferred tax liabilities with regard to revaluation of the group's investment properties in Hong Kong amounting to **HK$2,177 million** (2004: HK$2,008 million) has been made.

However, it should be noted that the directors have no intention to sell these properties; and should any such sale eventuate, any gain would be regarded as capital in nature and would not be subject to any tax in Hong Kong.

9. Earnings per share

(a) Earnings per share - basic

	2005	2004 *(restated)*
Profit attributable to equity shareholders of the company (HK$m)	**2,664**	2,786
Weighted average number of shares in issue (million shares)	**1,411**	1,402
Earnings per share (HK cents)	**189**	199

(b) Earnings per share - adjusted

	2005	2004 *(restated)*
Profit attributable to equity shareholders of the company (HK$m)	**2,664**	2,786
Less:		
Increase in fair value of investment properties (HK$m)	**(1,089)**	(2,812)
Net gain on disposal of The Kowloon Hotel (HK$m)	**(953)**	-
Other non-operating items (HK$m)	**(199)**	(79)
Add:		
Tax and minority interests attributable to non-operating items (HK$m)	**218**	491
Earnings excluding non-operating items and related tax and minority interests effects (HK$m)	**641**	386
Earnings per share - adjusted (HK cents)	**45**	28

10. Dividends (HK$m)

(a) Dividends payable to equity shareholders of the company attributable to the year

	2005	2004
Interim dividend declared and paid of **4 cents** per share (2004: 3 cents per share)	**57**	42
Final dividend proposed after the balance sheet date of **10 cents** per share (2004: 9 cents per share)	**142**	126
	199	168

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the company attributable to the previous financial year, approved and paid during the year

	2005	2004
Final dividend in respect of the previous financial year, approved and paid during the year, of **9 cents** per share (2004: 8 cents per share)	**126**	112

11. Debtors and payments in advance (HK$m)

	2005	2004
Trade debtors (ageing analysis is shown below)	**94**	104
Rental deposits and payments in advance	**122**	120
	216	224

The directors consider that the carrying amount of all debtors and payments in advance approximates their fair value.

The group has no concentrations of credit risk in view of its large number of customers. The group maintains a defined credit policy to ensure that credit is given only to customers with an appropriate credit history. In respect of the group's rental income from operating leases, rentals are normally received in advance and sufficient rental deposits are held to cover potential exposure of credit risk. As such, the group normally does not obtain collateral from its customers.

The ageing analysis of trade debtors is as follows:

	2005	2004
Less than 3 months	**90**	101
More than 3 months but less than 6 months	**3**	2
More than 6 months	**1**	1
	94	104

12. Creditors and accruals (HK$m)

	2005	2004
Trade creditors (ageing analysis is shown below)	**66**	68
Interest payable	**8**	12
Accruals of fixed assets	**43**	212
Tenants' deposits	**258**	234
Golf membership deposits	**43**	45
Receipt in advance	**-**	193
Other payables	**449**	364
	867	1,128

The ageing analysis of trade creditors is as follows:

	2005	2004
Less than 3 months	**65**	66
More than 3 months but less than 6 months	**1**	1
More than 6 months	**-**	1
	66	68

13. Derivative financial instruments (HK$m)

	31 December 2005 Assets	31 December 2005 Liabilities	1 January 2005 Assets	1 January 2005 Liabilities
Cash flow hedges:				
Interest rate swaps	**6**	**(32)**	3	(310)
Forward foreign exchange contracts	**3**	**-**	-	(29)
Currency swap	**2**	**-**	17	-
	11	**(32)**	20	(339)
Held for trading, at fair value through profit or loss:				
Interest rate swaps	**-**	**(166)**	-	-
Others	**14**	**(11)**	6	(37)
Total	**25**	**(209)**	26	(376)
Less: Current portion				
Cash flow hedges:				
Interest rate swaps	**-**	**-**	-	(5)
Forward foreign exchange contracts	**2**	**-**	-	-
Held for trading, at fair value through profit or loss:				
Interest rate swaps	**-**	**(5)**	-	-
	2	**(5)**	-	(5)
Non-current portion	**23**	**(204)**	26	(371)

During the year, following the completion of the sale of The Kowloon Hotel and the reduction of bank borrowings in this connection, offsetting interest rate swaps were entered into for the purposes of re-adjusting the loan interest fixing ratio. As a result, some outstanding cash flow hedges became ineffective and were reclassified as interest rate swaps held for trading.

14. Share capital

	2005	2004
Number of shares of HK$0.50 each (million)		
Authorised	**1,800**	1,800
Issued		
At 1 January	**1,402**	1,402
New shares issued	**15**	-
At 31 December	**1,417**	1,402
Nominal value of shares (HK$m)		
Authorised	**900**	900
Issued		
At 1 January	**701**	701
New shares issued	**8**	-
At 31 December	**709**	701

During the year, the company issued and allotted approximately 5.5 million new shares (at HK$5.855 per share) as part consideration to acquire the 31.68% additional interest in Manila Peninsula Hotel, Inc. In addition, the company issued and allotted 7.5 million (at HK$7.62 per share) and 2.3 million (at HK$9.21 per share) new shares in respect of the 2004 final scrip dividend and 2005 interim scrip dividend respectively. The new shares issued have resulted in an increase in fully paid share capital of HK$8 million and share premium of HK$103 million. All ordinary shares issued during the year rank pari passu in all respects with the existing shares in issue. All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

15. Acquisition and disposal of subsidiaries

Net cash (outflow)/inflow of cash and cash equivalents arising from the acquisition/disposal of subsidiaries during the year (HK$m)

	Acquisition	Disposal
Cash consideration paid	(12)	-
Balance of sales consideration received, net of expenses	-	1,687
Cash and cash equivalents acquired/(disposed of)	10	(3)
	(2)	1,684

Details of net assets acquired/(disposed of) and the consideration (paid)/received are analysed below:

Properties, plant and equipment	176	(264)
Investment properties	8	(452)
Current assets	20	(18)
Cash and cash equivalents	10	(3)
Current taxation	(1)	7
Deferred taxation	6	7
Current liabilities	(42)	18
Interest-bearing borrowings	(10)	-
Minority interest	(40)	-
Net assets acquired/(disposed of)	127	(705)
Interest in an associate	(83)	-
Gain on disposal of a subsidiary (note 6)	-	(1,171)
	44	(1,876)
Consideration:		
Cash consideration paid	(12)	-
New shares issued	(32)	-
Sales consideration received, net of expenses	-	1,876
	(44)	1,876

OTHER CORPORATE INFORMATION

Purchase, sale and redemption of listed securities
There was no purchase, sale or redemption of the company's listed securities during the year.

Corporate governance
The company is committed to fulfilling its responsibilities to shareholders by ensuring that the proper processes for oversight and management of its businesses are in place, in operation and are regularly reviewed. The Board acknowledges its responsibility to ensure that good corporate governance practices and procedures are established.

Throughout the year, the company has complied with all the code provisions and a majority of the recommended best practices as set out in the Code on Corporate Governance Practices (CG Code) in Appendix 14 of the Listing Rules. In March 2005, the company adopted its own code on corporate governance practices, which was updated in October 2005 and encompassed all code provisions and most of the recommended best practices in the CG Code.

Annual general meeting and book close dates
The annual general meeting will be held at The Peninsula Hong Kong on 18 May 2006 at 12 noon. The register of members will be closed from 15 May 2006 to 18 May 2006 inclusive, and subject to the passing of the necessary resolution at the forthcoming annual general meeting, the final dividend will be payable on or about 23 June 2006 to shareholders whose names appear on the register of members on 18 May 2006. Shareholders will be given the option to receive their dividend in the form of scrip rather than cash.

Miscellaneous
The annual report of the company containing all the information required by the Stock Exchange Listing Rules will be despatched to the shareholders as well as published on the website of the Stock Exchange in due course.

By Order of the Board
Christobelle Liao, Company Secretary
Hong Kong, 16 March 2006

As at the date of this announcement, the board of directors of the company comprises the following directors:

The Hon. Sir Michael Kadoorie *(Chairman)*
Ian D Boyce *(Deputy Chairman)*
Clement K M Kwok
(Managing Director and Chief Executive Officer)
Sir Sidney Gordon
Ronald J McAulay
William E Mocatta
Dr The Hon. Sir David K P Li*
Robert C S Ng*
James S Dickson Leach
Pierre R Boppe
Robert W Miller*
C Mark Broadley *(Chief Financial Officer)*
Patrick B Paul*
Peter C Borer *(Chief Operating Officer)*

*** Independent non-executive director**