

# NOTES TO THE ACCOUNTS

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## 1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the accounts are set out below:

### (a) Basis of preparation of the accounts

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (the "HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties are stated at fair value.

In the current year, the Group adopted the new Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The adoption of the new SSAP 12 resulted in a change to the Group's accounting policy on deferred taxation. Details of the change to the Group's accounting policy on deferred taxation and its effect are set out in note 1(p) below.

### (b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary companies made up to 31st December. Subsidiary companies are those entities in which the Company, directly or indirectly, controls the composition of their board of directors, controls more than half of their voting power or holds more than half of their issued share capital.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiary companies.

In the Company's balance sheet investments in subsidiary companies are stated at cost less provision for impairment losses. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

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## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (c) Goodwill

Goodwill represents the excess of purchase consideration over the fair values of the Group's share of the net assets of subsidiary companies/business acquired at the date of acquisition.

Goodwill on acquisitions that occurred prior to 1st January 2001 was eliminated against reserves. Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight line method over its estimated useful life.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously eliminated against reserves, is assessed and written down immediately to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account.

### (d) Fixed assets

#### (i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by professional valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the operating profit. Any subsequent increases are credited to the operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuation is released from the investment properties revaluation reserve to the consolidated profit and loss account.

#### (ii) Properties under development

Properties under development are interests in land and buildings on which construction work has not been completed. Properties under development are carried at cost or carrying amount (for fixed assets transferred from investment properties into this category for redevelopment) which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any impairment losses.

Carrying amount of assets transferred from investment properties into this category for redevelopment represents amount recorded under their original classification. Upon sale or reclassification back to investment properties, any previous revaluation reserve on the property frozen in the investment properties revaluation reserve at the time of reclassification will be transferred to the consolidated profit and loss account or unfrozen.

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## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (d) Fixed assets (Continued)

#### (iii) Other properties

Other properties are stated at cost less accumulated depreciation and impairment losses.

#### (iv) Other fixed assets

Other fixed assets, comprising plant and machinery, furniture and equipment, leasehold improvements, motor vehicles and yachts, are stated at cost less accumulated depreciation and impairment losses.

#### (v) Depreciation

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

No depreciation is provided on properties under development.

Depreciation of buildings of other properties is provided to write off the cost less accumulated impairment losses on a straight line basis over 40 years whereas leasehold land is amortised on a straight line basis over the remaining unexpired period of the lease.

Depreciation of other fixed assets is provided on a reducing balance basis at 10% to 20% per annum after charging an initial depreciation of 20% in the year of acquisition.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the consolidated profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

#### (vi) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included under properties under development, other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account.

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## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (e) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below their carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment will be reduced to its fair value. The impairment loss is recognised as an expense in the consolidated profit and loss account.

This impairment loss is written back to the consolidated profit and loss account when the circumstances and events that led to the write-downs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

### (f) Land and buildings for resale

Land and buildings for resale are stated at the lower of cost and net realisable value. Cost comprises land cost, development expenditure, professional fees and interest capitalised. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### (g) Inventories

Inventories are stated at the lower of cost and net realisable value and are calculated on the first-in first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### (h) Trade debtors

Provision is made against trade debtors to the extent they are considered to be doubtful. Trade debtors in the balance sheet are stated net of such provision.

### (i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

### (j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (k) Revenue recognition

The Group recognises income on the following bases:

#### (i) Rental income

Rental income is recognised on a straight line basis over the terms of the lease agreements.

#### (ii) Agency commission and management fees

Agency commission and management fees are recognised on an accrual basis.

#### (iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

#### (iv) Income on sale of goods

Income on sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

#### (v) Income on sale of investments

Income on sale of investments is recognised when the title to the investments is passed to the purchaser.

#### (vi) Income on sale of properties

Income on sale of properties is recognised either upon the completion of the sale and purchase agreement or when the relevant project is completed which is determined by the issuance of occupation permit, whichever is later.

#### (vii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

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## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (l) Retirement benefit obligations

The Group's contributions to the retirement benefit scheme which is defined contribution in nature and available to all employees in Hong Kong are expensed as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

### (m) Borrowing costs

Borrowing costs incurred for the financing of the development of properties that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised and included in the cost of properties under development.

Finance costs, which represent arrangement fees, legal fees and other related costs that are directly associated with the arrangement of long term bank loans, are deferred and amortised over the terms of the loans.

All other borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred.

### (n) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases.

#### (i) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(k) (i) above.

Direct costs incurred specifically to earn revenues from an operating lease are deferred and allocated to income over the lease term in proportion to the recognition of the lease income.

#### (ii) Operating lease charges

When the Group has the use of assets under operating leases, rental payments applicable to such operating leases net of any incentives received from the leasing company are charged to the consolidated profit and loss account on a straight line basis over the lease periods.

### (o) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the consolidated profit and loss account.

The balance sheets of overseas subsidiary companies expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date whilst their profit and loss accounts are translated at average exchange rates. Exchange differences arising therefrom are dealt with as a movement in reserves.

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## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (p) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The change in accounting policy on deferred taxation as a result of the adoption of the new SSAP 12 has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 24, the Group's opening retained profits at 1st January 2002 and 2003 have been reduced by HK\$28,761,104 and HK\$31,528,360 respectively, which represent the net deferred tax liabilities provided for. The profit for the year ended 31st December 2002 has been reduced by HK\$2,767,256.

### (q) Contingent liabilities and contingent assets

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION

- (a) The Group is principally engaged in the investment holding, property investment, property rental, property development, estate management and agency and sales of golf related products. Revenues recognised during the year are as follows:

	<u>2003</u>	<u>2002</u>
	HK\$	HK\$
Turnover		
Property rental	167,119,035	182,701,990
Property sales	10,450,000	8,000,000
Property related services	9,940,013	10,027,818
Sales of golf related products	12,964,126	7,934,828
Dividend Income	1,061,303	1,170,391
Sales of listed investments	11,320,109	—
	<u>212,854,586</u>	<u>209,835,027</u>

- (b) Operating lease arrangement

The Group leases out investment properties and land and buildings for resale under lease terms generally in the range of two to ten years.

As at 31st December 2003, the future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	<b>Group</b>		<b>Company</b>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	HK\$	HK\$	HK\$	HK\$
Not later than one year	135,366,000	138,505,000	8,118,000	7,837,000
Later than one year but not later than five years	130,130,000	133,752,000	2,122,000	5,863,000
Later than five years	19,865,000	6,561,000	—	—
	<u>285,361,000</u>	<u>278,818,000</u>	<u>10,240,000</u>	<u>13,700,000</u>

- (c) In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as the secondary reporting format. The Group is organised into four main business segments, namely property rental, property sales, property related services and sales of golf related products, and operates in Hong Kong and North America.

There are no sales between the geographical segments.



## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments

	2003					
	Property rental	Property sales	Property related services	Sales of golf related products	Others	Group
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover						
Total revenue	167,119,035	10,450,000	13,083,236	12,964,126	12,381,412	215,997,809
Inter-segment revenue	—	—	(3,143,223)	—	—	(3,143,223)
External revenue	167,119,035	10,450,000	9,940,013	12,964,126	12,381,412	212,854,586
Segment results	106,218,968	5,732,110	5,828,252	(14,390,859)	4,280,691	107,669,162
Unallocated income						13,447,086
Unallocated costs						(40,326,328)
Operating profit						80,789,920
Finance costs						(19,396,660)
Profit before taxation						61,393,260
Taxation						(12,823,529)
Profit after taxation						48,569,731
Minority interests						(6,089,412)
Profit attributable to shareholders						42,480,319
Segment assets	1,975,285,509	115,510,663	9,009,815	9,958,722	36,888,983	2,146,653,692
Unallocated assets						197,740,075
Total assets						2,344,393,767
Segment liabilities	360,070,828	2,263,725	9,053,784	1,096,742	36,404	372,521,483
Unallocated liabilities						201,822,580
Minority interests						70,879,270
Deferred gain						1,819,046
						647,042,379
Capital expenditure						
— segment	14,171,863	—	—	603,119	—	14,774,982
— unallocated						2,489,801
Depreciation and amortisation						
— segment	941,037	—	—	2,050,960	—	2,991,997
— unallocated						4,666,111
Impairment losses	—	—	—	3,228,819	3,153,963	6,382,782
Net revaluation deficit charged to investment properties (taken to reserves)	128,732,431	—	—	—	—	128,732,431

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments

	2002					Group HK\$
	Property rental	Property sales	Property related services	Sales of golf related products	Others	
	HK\$	HK\$	HK\$	HK\$	HK\$	
Turnover						
Total revenue	182,701,990	8,000,000	13,364,249	7,934,828	1,170,391	213,171,458
Inter-segment revenue	—	—	(3,336,431)	—	—	(3,336,431)
External revenue	<u>182,701,990</u>	<u>8,000,000</u>	<u>10,027,818</u>	<u>7,934,828</u>	<u>1,170,391</u>	<u>209,835,027</u>
Segment results	<u>121,059,497</u>	<u>3,433,333</u>	<u>5,735,694</u>	<u>(7,669,946)</u>	<u>(1,329,611)</u>	<u>121,228,967</u>
Unallocated income						7,416,401
Unallocated costs						(46,143,409)
Operating profit						82,501,959
Finance costs						(21,955,535)
Profit before taxation						60,546,424
Taxation						(9,185,102)
Profit after taxation						51,361,322
Minority interests						(2,631,457)
Profit attributable to shareholders						<u>48,729,865</u>
Segment assets	2,108,215,746	133,060,262	6,788,900	18,482,514	33,804,200	2,300,351,622
Unallocated assets						198,188,249
Total assets						<u>2,498,539,871</u>
Segment liabilities	393,944,397	5,014,574	8,151,870	1,479,985	57,582	408,648,408
Unallocated liabilities						185,240,821
Minority interests						79,075,459
Deferred gain						15,266,132
						<u>688,230,820</u>
Capital expenditure						
— segment	4,764,839	—	—	722,077	—	5,486,916
— unallocated						5,050,155
Depreciation and amortisation						
— segment	1,499,222	—	5,857	1,729,522	—	3,234,601
— unallocated						5,107,214
Net revaluation deficit charged to investment properties (taken to reserves)	135,248,471	—	—	—	—	135,248,471

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format - geographical segments

	2003			
	Turnover	Segment results	Total assets	Capital expenditure
	HK\$	HK\$	HK\$	HK\$
Hong Kong	149,089,311	95,816,037	2,003,759,537	16,275,464
North America	63,765,275	11,853,125	340,634,230	989,319
	<u>212,854,586</u>	<u>107,669,162</u>	<u>2,344,393,767</u>	<u>17,264,783</u>
	2002			
	Turnover	Segment results	Total assets	Capital expenditure
	HK\$	HK\$	HK\$	HK\$
Hong Kong	140,355,451	89,591,498	2,095,652,019	8,971,994
North America	69,479,576	31,637,469	402,887,852	1,565,077
	<u>209,835,027</u>	<u>121,228,967</u>	<u>2,498,539,871</u>	<u>10,537,071</u>

## 3 OPERATING PROFIT

	2003	2002
	HK\$	HK\$
Operating profit is stated after crediting and charging the following:		
Crediting		
Gross rental income from		
— investment properties	153,322,110	163,098,297
— land and buildings for resale	13,796,925	19,603,693
Dividend income from listed investments	1,061,304	1,170,389
Interest income	336,614	682,985
Gain on disposal of investment property, including		
— realisation on investment properties revaluation reserve	3,274,605	—
Gain on disposal of listed investments	6,373,350	—
Realisation of deferred gain (note 22)	13,447,086	7,416,401
Charging		
Amortisation and impairment of goodwill	4,843,229	1,614,410
Auditors' remuneration	2,041,384	1,972,067
Cost of goods sold	7,368,876	5,143,442
Cost of land and building for resale sold	4,292,495	4,566,667
Depreciation	6,043,698	6,727,405
Impairment of investment securities	3,153,963	—
Loss on disposal of other fixed assets	238,074	508,495
Outgoings in respect of		
— investment properties	31,986,288	29,109,142
— land and buildings for resale	4,259,142	3,682,683
Operating lease rental for land and buildings	2,657,179	2,563,416
Provision for doubtful debts	74,615	2,537,632
Write-down of inventories	2,574,000	—
Staff costs (note 4)	30,020,189	33,397,105

#### 4 STAFF COSTS

	2003	2002
	HK\$	HK\$
Salaries (excluding directors' emoluments)	29,370,540	32,607,079
Retirement benefit costs (note)	649,649	790,026
	<u>30,020,189</u>	<u>33,397,105</u>

**Note:**

The Group has contributions made to the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is defined contribution in nature, for all the eligible employees of the Group in Hong Kong. The contributions from the employees and employer are made to the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group and managed by an independent administrator.

#### 5 FINANCE COSTS

	2003	2002
	HK\$	HK\$
Interest expense		
— bank loans and overdrafts wholly repayable within five years	19,607,981	19,486,663
— bank loans not wholly repayable within five years	—	2,941,697
Other incidental borrowing costs	665,402	615,327
	<u>20,273,383</u>	<u>23,043,687</u>
Amount capitalised in properties under development	(876,723)	(1,088,152)
	<u>19,396,660</u>	<u>21,955,535</u>

#### 6 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

**Directors' emoluments**

The aggregate amounts of emoluments to the directors of the Company during the year are as follows:

	2003	2002
	HK\$	HK\$
Fees	321,400	321,400
Salaries, housing and other allowances, benefits in kind	15,714,390	15,918,920
Bonuses	2,079,372	2,079,372
Contributions to the MPF Scheme	60,000	60,000
	<u>18,175,162</u>	<u>18,379,692</u>

## 6 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

### Directors' emoluments (Continued)

Emoluments band	Number of directors	
	2003	2002
HK\$Nil - HK\$1,000,000	6	6
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	1	1
HK\$2,500,001 - HK\$3,000,000	1	1
HK\$10,000,001 - HK\$10,500,000	1	1
	10	10

The fees paid by the Group to the independent non-executive directors for the year amounted to HK\$212,000 (2002: HK\$212,000).

The above analysis includes four (2002: four) individuals whose emoluments were among the five highest paid individuals in the Group.

### Senior management's emoluments

Details of the aggregate emoluments to the other one (2002: one) individual whose emoluments were among the five highest in the Group and have not been included in directors' emoluments above are as follows:

	2003	2002
	HK\$	HK\$
Salaries, housing and other allowances, benefits in kind	3,273,120	3,293,870
Bonuses	473,520	452,870
Contributions to the MPF Scheme	12,000	12,000
	3,758,640	3,758,740

  

Emoluments band	Number of individuals	
	2003	2002
HK\$3,500,001 - HK\$4,000,000	1	1

During the year, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

## 7 TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. No overseas taxation has been provided as there is no estimated taxable profit for the overseas subsidiary companies for the year (2002: Nil).

The amount of taxation charged to the consolidated profit and loss account represents:

	2003	2002
	HK\$	HK\$
Current		
Current year provision	6,967,744	6,418,174
Under/(over) provision in prior years	94,826	(328)
Deferred (note 21)	5,760,959	2,767,256
	<u>12,823,529</u>	<u>9,185,102</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong where the Company operates and the difference is set out as follows:

	2003	2002
	HK\$	HK\$
Profit before taxation	61,393,260	60,546,424
Calculated at a taxation rate of 17.5% (2002: 16%)	10,743,821	9,687,428
Income not subject to taxation	(4,208,925)	(1,368,419)
Expenses not deductible for taxation purposes	1,089,909	834,800
Deferred tax on tax losses and other temporary differences not recognised	5,209,040	(1,840,870)
Effect of different taxation rates in other countries	(3,258,922)	1,872,491
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	3,153,780	—
Under/(over) provision in prior years	94,826	(328)
Taxation charge	<u>12,823,529</u>	<u>9,185,102</u>

## 8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$8,690,644 (2002: HK\$63,169,967).

## 9 DIVIDENDS

	2003	2002
	HK\$	HK\$
Interim, paid, of HK4.5 cents (2002: HK6.0 cents) per ordinary share	12,945,143	17,260,181
Final, proposed, of HK5.0 cents (2002: HK5.0 cents) per ordinary share	14,383,484	14,383,484
	<u>27,328,627</u>	<u>31,643,665</u>

**Note:**

At a meeting held on 31st March 2004, the directors declared a final dividend of HK5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in the accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2004.

## 10 EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$42,480,319 (2002: HK\$48,729,865) and 287,669,676 (2002: 287,669,676) ordinary shares in issue during the year.

## 11 GOODWILL

	2003	2002
	HK\$	HK\$
Cost		
At 1st January and 31st December	8,072,049	8,072,049
Accumulated amortisation and impairment charge		
At 1st January	3,228,820	1,614,410
Amortisation charge	1,614,410	1,614,410
Impairment charge	3,228,819	—
At 31st December	<u>8,072,049</u>	<u>3,228,820</u>
Net book value		
At 31st December	<u>—</u>	<u>4,843,229</u>

**Note:**

Goodwill represented the excess of purchase consideration in respect of the acquisition from a third party in respect of the business and related assets of digital video equipment and software tools for golf teaching of HK\$9,605,162 over its net assets acquired of HK\$1,533,113 in 2001. The goodwill was amortised using the straight line method over its estimated useful life of five years and was fully impaired during the year.

## 12 FIXED ASSETS

### Group

	Leasehold land and buildings in Hong Kong			Overseas freehold land and buildings		Total
	Investment properties	Properties under development	Other properties	Investment properties	Other fixed assets	
	HK\$	HK\$	HK\$	HK\$	HK\$	
Cost or valuation						
At 1st January 2003	1,576,110,000	244,965,930	96,480,660	343,200,000	59,123,615	2,319,880,205
Additions	237,929	13,266,152	151,799	363,299	3,245,604	17,264,783
Disposals	(2,443,797)	—	—	—	(3,086,353)	(5,530,150)
Revaluation deficit	(97,169,132)	—	—	(31,563,299)	—	(128,732,431)
At 31st December 2003	1,476,735,000	258,232,082	96,632,459	312,000,000	59,282,866	2,202,882,407
Accumulated depreciation						
At 1st January 2003	—	—	17,527,401	—	38,642,756	56,170,157
Charge for the year	—	—	2,302,588	—	3,741,110	6,043,698
Disposals	—	—	—	—	(1,615,290)	(1,615,290)
At 31st December 2003	—	—	19,829,989	—	40,768,576	60,598,565
Net book value						
At 31st December 2003	1,476,735,000	258,232,082	76,802,470	312,000,000	18,514,290	2,142,283,842
At 31st December 2002	1,576,110,000	244,965,930	78,953,259	343,200,000	20,480,859	2,263,710,048
The analysis of the cost or valuation as at 31st December 2003 of the above assets is as follows:						
At cost	—	168,232,082	96,632,459	—	59,282,866	324,147,407
At professional valuation 1998 (note)	—	90,000,000	—	—	—	90,000,000
At professional valuation 2003	1,476,735,000	—	—	312,000,000	—	1,788,735,000
	1,476,735,000	258,232,082	96,632,459	312,000,000	59,282,866	2,202,882,407
The analysis of the cost or valuation as at 31st December 2002 of the above assets is as follows:						
At cost	—	154,965,930	96,480,660	—	59,123,615	310,570,205
At professional valuation 1998 (note)	—	90,000,000	—	—	—	90,000,000
At professional valuation 2002	1,576,110,000	—	—	343,200,000	—	1,919,310,000
	1,576,110,000	244,965,930	96,480,660	343,200,000	59,123,615	2,319,880,205

#### Note:

Properties under development of carrying amount of HK\$90,000,000 as at 31st December 2003 (2002: HK\$90,000,000) were transferred from investment properties in 1999. The carrying amount represented the valuation of the properties as at 31st December 1998.



## 12 FIXED ASSETS (Continued)

Company

	<b>Leasehold land and buildings in Hong Kong</b>		
	<b>Investment properties</b>	<b>Other fixed assets</b>	<b>Total</b>
	HK\$	HK\$	HK\$
Cost or valuation			
At 1st January 2003	126,000,000	8,346,384	134,346,384
Additions	—	207,652	207,652
Disposals	—	(1,292,017)	(1,292,017)
Revaluation deficit	(500,000)	—	(500,000)
At 31st December 2003	<u>125,500,000</u>	<u>7,262,019</u>	<u>132,762,019</u>
Accumulated depreciation			
At 1st January 2003	—	5,012,553	5,012,553
Charge for the year	—	391,265	391,265
Disposals	—	(618,317)	(618,317)
At 31st December 2003	<u>—</u>	<u>4,785,501</u>	<u>4,785,501</u>
Net book value			
At 31st December 2003	<u>125,500,000</u>	<u>2,476,518</u>	<u>127,976,518</u>
At 31st December 2002	<u>126,000,000</u>	<u>3,333,831</u>	<u>129,333,831</u>
The analysis of the cost or valuation as at 31st December 2003 of the above assets is as follows:			
At cost	—	7,262,019	7,262,019
At professional valuation 2003	125,500,000	—	125,500,000
	<u>125,500,000</u>	<u>7,262,019</u>	<u>132,762,019</u>
The analysis of the cost or valuation as at 31st December 2002 of the above assets is as follows:			
At cost	—	8,346,384	8,346,384
At professional valuation 2002	126,000,000	—	126,000,000
	<u>126,000,000</u>	<u>8,346,384</u>	<u>134,346,384</u>

## 12 FIXED ASSETS (Continued)

- (a) Certain of the Group's investment properties and properties under development with an aggregate net book value of HK\$1,452,092,000 (2002: HK\$1,536,526,000) have been pledged to financial institutions to secure credit facilities for the Group totalling HK\$672,751,000 (2002: HK\$675,528,000) of which HK\$478,741,000 (2002: HK\$496,800,000) were utilised as at 31st December 2003.
- (b) The investment properties in Hong Kong of the Group and the Company were valued on an open market basis at 31st December 2003 by A A Property Services Limited, an independent professional property valuer.
- (c) The Group's overseas investment properties were valued on an open market basis at 31st December 2003 by Mr David K Bohegian, Member of The Appraisal Institute, of Martorana Bohegian & Company.
- (d) The interests in investment properties, properties under development and other properties at their net book values are analysed as follows:

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
In Hong Kong, held on:				
Leases of over 50 years	303,925,000	312,500,000	10,500,000	11,000,000
Leases of between 10 and 50 years	1,507,844,552	1,587,529,189	115,000,000	115,000,000
Outside Hong Kong, held on:				
Freehold	312,000,000	343,200,000	—	—
	<u>2,123,769,552</u>	<u>2,243,229,189</u>	<u>125,500,000</u>	<u>126,000,000</u>

## 13 SUBSIDIARY COMPANIES

	2003	2002
	HK\$	HK\$
Unlisted shares, at cost less provision of HK\$69,952,257 (2002: HK\$71,359,056)	58,948,309	57,642,717
Amounts due by subsidiary companies less provision of HK\$187,416,618 (2002: HK\$187,986,868)	648,230,804	685,597,609
Amounts due to subsidiary companies	707,179,113 (3,766,378)	743,240,326 (18,992,970)
	<u>703,412,735</u>	<u>724,247,356</u>

Details of principal subsidiary companies as at 31st December 2003, which, in the directors' opinion, materially affect the results and/or assets of the Group, are set out in note 29.

## 14 INVESTMENT SECURITIES

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Equity securities, at cost				
Listed in Hong Kong	16,038,285	18,541,399	12,649	12,649
Listed overseas	—	2,443,631	—	71,632
	16,038,285	20,985,030	12,649	84,281
Less: Provision	(3,215,533)	(61,570)	—	(9,312)
	12,822,752	20,923,460	12,649	74,969
Unlisted (note)	12,000,012	12,000,000	—	—
Loan to an investee company (note)	5,999,988	—	—	—
	30,822,752	32,923,460	12,649	74,969
Market value of listed investments	19,311,169	25,099,886	91,393	185,804

### Note:

Unlisted investments represent 12% equity interests each in The Yangtze Ventures Limited and The Yangtze Ventures II Limited ("Yangtze Group"). Yangtze Group is principally engaged in the holding of various investments, including technology, biochemical, environmental protection and container terminal. The loan to the investee company is unsecured, interest free and repayable in 2010.

## 15 INVENTORIES

At 31st December 2003, the carrying amount of inventories that are carried at net realisable value amounted to HK\$1,222,000 (2002: nil).

## 16 DEBTORS AND PREPAYMENTS

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Trade debtors (note)	1,927,618	13,403,811	—	—
Prepayments and deposits	14,309,773	14,268,386	744,199	1,002,416
	16,237,391	27,672,197	744,199	1,002,416

## 16 DEBTORS AND PREPAYMENTS (Continued)

**Note:**

Trade debtors represent rental and management fee receivables and receivables on sales of properties and golf related products. Sales are made on open account terms and the Group normally does not grant credit periods to trade debtors.

At 31st December 2003, the ageing analysis of the Group's trade debtors was as follows:

	<b>Group</b>	
	2003	2002
	HK\$	HK\$
Current	925,154	11,750,274
31-60 days	670,504	700,950
61-90 days	54,296	669,244
Over 90 days	277,664	283,343
	1,927,618	13,403,811
	1,927,618	13,403,811

## 17 BANK BALANCES AND CASH

Bank balances and cash of HK\$8,287,534 (2002: HK\$7,408,413) of the Group which are held in trust in respect of buildings managed by the Group on behalf of third parties.

## 18 CREDITORS AND ACCRUALS

	<b>Group</b>		<b>Company</b>	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Trade creditors (note)	3,603,091	2,842,938	463,330	435,792
Other creditors	17,205,499	20,537,760	2,437,277	2,452,485
Accruals	6,187,574	8,707,753	2,863,938	6,548,471
	26,996,164	32,088,451	5,764,545	9,436,748
	26,996,164	32,088,451	5,764,545	9,436,748

**Note:**

At 31st December 2003, the ageing analysis of the trade creditors was as follows:

	<b>Group</b>		<b>Company</b>	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Current	2,553,193	1,500,921	463,330	416,962
31-60 days	42,530	105,042	—	18,010
61-90 days	26,972	—	—	—
Over 90 days	980,396	1,236,975	—	820
	3,603,091	2,842,938	463,330	435,792
	3,603,091	2,842,938	463,330	435,792

## 19 SHORT TERM BANK LOANS AND BANK OVERDRAFTS

The short term bank loans and bank overdrafts of the Group and the Company of approximately HK\$59,922,000 (2002: HK\$62,443,000) and HK\$4,890,000 (2002: HK\$5,115,000) respectively are secured by certain properties (note 12) and the rental income thereon.

## 20 LONG TERM BANK LOANS

	Group	
	2003	2002
	HK\$	HK\$
Bank loans - secured		
— wholly repayable within five years	414,819,156	339,857,479
— not wholly repayable within five years	—	94,500,000
	<u>414,819,156</u>	<u>434,357,479</u>
Amounts due within one year included under current liabilities	(223,319,156)	(29,276,800)
	<u>191,500,000</u>	<u>405,080,679</u>
The maturity of the Group's long term bank loans is as follows:		
— within one year	223,319,156	29,276,800
— in the second year	32,500,000	213,580,679
— in the third to fifth years inclusive	159,000,000	161,500,000
— after the fifth year	—	30,000,000
	<u>414,819,156</u>	<u>434,357,479</u>

The Group's long term bank loans are secured by certain properties (note 12) and the rental income thereon.

## 21 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

The movement on the net deferred tax liabilities is as follows:

	2003	2002
	HK\$	HK\$
At 1st January	31,528,360	28,761,104
Deferred taxation charged to consolidated profit and loss account (note 7)	5,760,959	2,767,256
At 31st December	<u>37,289,319</u>	<u>31,528,360</u>

## 21 DEFERRED TAXATION (Continued)

Deferred tax assets are recognised for tax losses to the extent that realisation of the related tax benefit through the future taxable profit is probable. As at 31st December 2003, the Group's overseas subsidiary companies had unrecognised tax losses carried forward for Federal and State income tax purposes of the United States (the "US") of HK\$262,765,000 (2002: HK\$242,000,000) and HK\$73,075,000 (2002: HK\$53,000,000) respectively. These tax losses have already excluded an amount of approximately US\$12 million (approximately HK\$98 million) which relates to the transactions as disclosed in note 22. The remaining tax losses are available to reduce future taxable income. HK\$30,240,000 (2002: HK\$15,220,000) out of these tax losses for both Federal and State income taxes will expire in various dates through 2024 (2002: 2022). The Company and its subsidiary companies in Hong Kong had unrecognised tax losses of HK\$64,779,000 (2002: HK\$61,803,000) to carry forward against future taxable income. Such tax losses have no expiry date.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets	Tax losses		Accelerated accounting depreciation		Total	
	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	3,003,451	4,013,796	312,908	269,299	3,316,359	4,283,095
(Charged)/credited to consolidated profit and loss account	(644,765)	(1,010,345)	10,078	43,609	(634,687)	(966,736)
At 31st December	<u>2,358,686</u>	<u>3,003,451</u>	<u>322,986</u>	<u>312,908</u>	<u>2,681,672</u>	<u>3,316,359</u>
Deferred tax liabilities	Accelerated tax depreciation		Total			
	2003	2002	2003	2002		
	HK\$	HK\$	HK\$	HK\$		
At 1st January	(34,844,719)	(33,044,199)	(34,844,719)	(33,044,199)		
Charged to consolidated profit and loss account	(5,126,272)	(1,800,520)	(5,126,272)	(1,800,520)		
At 31st December	<u>(39,970,991)</u>	<u>(34,844,719)</u>	<u>(39,970,991)</u>	<u>(34,844,719)</u>		

## 21 DEFERRED TAXATION (Continued)

Deferred tax balances predominantly comprise non-current items. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2003	2002
	HK\$	HK\$
Deferred tax assets	322,986	468,611
Deferred tax liabilities	(37,612,305)	(31,996,971)
	<u>(37,289,319)</u>	<u>(31,528,360)</u>

## 22 DEFERRED GAIN

In 1997, the Group entered into certain transactions with related companies which were then owned by Mr. William Ma Ching Wai and Ms. Ruth Ma Ching Keung, directors of the Company, for the purpose of utilisation of the tax losses brought forward from prior years of the subsidiary companies of the Company in the US. Under such transactions, tax losses of approximately US\$12 million (equivalent of approximately HK\$98 million) of the subsidiary companies were utilised and the relevant tax returns were submitted to the tax authorities in the US in 1999 and 2000.

The estimated net cash benefit to the Group of the aforesaid transactions of approximately HK\$22.7 million has been included as a deferred gain in the consolidated balance sheet in prior years. During the year, approximately HK\$13.4 million (2002: HK\$7.4 million) of the deferred gain was recognised as income of the Group based on the extent of realisation of the net cash benefit accrued to the Group for the year ended 31st December 2003.

## 23 SHARE CAPITAL

	2003	2002
	HK\$	HK\$
Authorised:		
400,000,000 ordinary shares of HK\$1 each	<u>400,000,000</u>	<u>400,000,000</u>
Issued and fully paid:		
287,669,676 ordinary shares of HK\$1 each	<u>287,669,676</u>	<u>287,669,676</u>

## 24 RESERVES

### Group

	Investment properties revaluation reserve	Share premium	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2003, as previously reported	897,392,872	129,651,602	6,939,169	520,184,092	1,554,167,735
Effect of adopting SSAP 12 (note 1(p))	—	—	—	(31,528,360)	(31,528,360)
At 1st January 2003, as restated	897,392,872	129,651,602	6,939,169	488,655,732	1,522,639,375
Exchange translation differences arising on translation of the accounts of the subsidiary companies	—	—	296,394	—	296,394
Net deficit on revaluation of investment properties less minority interests' share	(126,387,347)	—	—	—	(126,387,347)
Realisation of revaluation reserve on sale of investment property	(2,018,402)	—	—	—	(2,018,402)
Profit for the year	—	—	—	42,480,319	42,480,319
Dividends	—	—	—	(27,328,627)	(27,328,627)
At 31st December 2003	<u>768,987,123</u>	<u>129,651,602</u>	<u>7,235,563</u>	<u>503,807,424</u>	<u>1,409,681,712</u>
Representing:					
Reserves	768,987,123	129,651,602	7,235,563	489,423,940	1,395,298,228
2003 final dividend proposed (note 9)	—	—	—	14,383,484	14,383,484
	<u>768,987,123</u>	<u>129,651,602</u>	<u>7,235,563</u>	<u>503,807,424</u>	<u>1,409,681,712</u>



## 24 RESERVES (Continued)

### Group

	Investment properties revaluation reserve	Share premium	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2002, as previously reported	1,030,826,088	129,651,602	6,939,169	506,084,029	1,673,500,888
Effect of adopting SSAP 12 (note 1(p))	—	—	—	(28,761,104)	(28,761,104)
At 1st January 2002, as restated	1,030,826,088	129,651,602	6,939,169	477,322,925	1,644,739,784
Net deficit on revaluation of investment properties less minority interests' share	(133,433,216)	—	—	—	(133,433,216)
Profit for the year	—	—	—	48,729,865	48,729,865
Dividends	—	—	—	(37,397,058)	(37,397,058)
At 31st December 2002	<u>897,392,872</u>	<u>129,651,602</u>	<u>6,939,169</u>	<u>488,655,732</u>	<u>1,522,639,375</u>
Representing:					
Reserves	897,392,872	129,651,602	6,939,169	474,272,248	1,508,255,891
2002 final dividend proposed (note 9)	—	—	—	14,383,484	14,383,484
	<u>897,392,872</u>	<u>129,651,602</u>	<u>6,939,169</u>	<u>488,655,732</u>	<u>1,522,639,375</u>

## 24 RESERVES (Continued)

### Company

	<b>Investment properties revaluation reserve</b>	<b>Share premium</b>	<b>Retained profits</b>	<b>Total</b>
	HK\$	HK\$	HK\$	HK\$
At 1st January 2003	117,200,942	129,651,602	304,950,645	551,803,189
Deficit on revaluation of investment properties	(500,000)	—	—	(500,000)
Profit for the year	—	—	8,690,644	8,690,644
Dividends	—	—	(27,328,627)	(27,328,627)
	<u>116,700,942</u>	<u>129,651,602</u>	<u>286,312,662</u>	<u>532,665,206</u>
At 31st December 2003	<u>116,700,942</u>	<u>129,651,602</u>	<u>286,312,662</u>	<u>532,665,206</u>
Representing:				
Reserves	116,700,942	129,651,602	271,929,178	518,281,722
2003 final dividend proposed (note 9)	—	—	14,383,484	14,383,484
	<u>116,700,942</u>	<u>129,651,602</u>	<u>286,312,662</u>	<u>532,665,206</u>
At 1st January 2002	117,200,942	129,651,602	279,177,736	526,030,280
Profit for the year	—	—	63,169,967	63,169,967
Dividends	—	—	(37,397,058)	(37,397,058)
	<u>117,200,942</u>	<u>129,651,602</u>	<u>304,950,645</u>	<u>551,803,189</u>
At 31st December 2002	<u>117,200,942</u>	<u>129,651,602</u>	<u>304,950,645</u>	<u>551,803,189</u>
Representing:				
Reserves	117,200,942	129,651,602	290,567,161	537,419,705
2002 final dividend proposed (note 9)	—	—	14,383,484	14,383,484
	<u>117,200,942</u>	<u>129,651,602</u>	<u>304,950,645</u>	<u>551,803,189</u>

## 25 CONTINGENT LIABILITIES

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Guarantees to bankers for credit facilities granted to subsidiary companies	—	—	332,991,000	345,272,000
Other guarantees	957,000	1,181,000	957,000	1,181,000
	<u>957,000</u>	<u>1,181,000</u>	<u>333,948,000</u>	<u>346,453,000</u>

## 26 COMMITMENTS

### (a) Capital commitments

As at 31st December 2003, the Group had capital commitments for properties under development and other fixed assets as follows:

	Group	
	2003	2002
	HK\$	HK\$
Contracted but not provided for		
— properties under development	4,437,000	16,046,000
— other fixed assets	222,000	—
	<u>4,659,000</u>	<u>16,046,000</u>

### (b) Commitments under operating leases

As at 31st December 2003, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Land and buildings				
Not later than one year	1,897,000	1,975,000	783,000	889,000
Later than one year but not later than five years	2,416,000	4,313,000	199,000	982,000
	<u>4,313,000</u>	<u>6,288,000</u>	<u>982,000</u>	<u>1,871,000</u>

## 27 CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of operating profit to net cash inflow generated from operations

	2003	2002
	HK\$	HK\$
Operating profit	80,789,920	82,501,959
Realisation of deferred gain	(13,447,086)	(7,416,401)
Amortisation and impairment of goodwill	4,843,229	1,614,410
Depreciation	6,043,698	6,727,405
Gain on disposal of investment property	(3,274,605)	—
Loss on disposal of other fixed assets	238,074	508,495
Interest and dividend income	(1,397,918)	(1,853,374)
Gain on disposal of listed investments	(6,373,350)	—
Write-down of inventories	2,574,000	—
Impairment of investment securities	3,153,963	—
	<hr/>	<hr/>
Operating profit before working capital changes	73,149,925	82,082,494
Decrease in land and buildings for resale	3,640,678	3,064,459
Decrease/(increase) in inventories	499,124	(7,491,718)
Decrease/(increase) in debtors and prepayments	11,434,806	(5,099,790)
Decrease in rental and other deposits	(1,465,674)	(113,359)
Decrease in creditors and accruals	(8,079,326)	(1,406,191)
	<hr/>	<hr/>
Net cash inflow generated from operations	79,179,533	71,035,895
	<hr/> <hr/>	<hr/> <hr/>

### (b) Analysis of changes in financing during the year

	Short term and long term bank loans	Minority interests
	HK\$	HK\$
At 1st January 2002	490,796,137	84,976,257
Net cash outflow from financing	(438,658)	(6,717,000)
Minority interests' share of profit for the year	—	2,631,457
Minority interests' share of deficit on revaluation of investment properties	—	(1,815,255)
	<hr/>	<hr/>
At 31st December 2002	490,357,479	79,075,459
	<hr/> <hr/>	<hr/> <hr/>
At 1st January 2003	490,357,479	79,075,459
Net cash outflow from financing	(16,538,323)	(11,940,516)
Minority interests' share of profit for the year	—	6,089,412
Minority interests' share of deficit on revaluation of investment properties	—	(2,345,084)
	<hr/>	<hr/>
At 31st December 2003	473,819,156	70,879,271
	<hr/> <hr/>	<hr/> <hr/>

## 28 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 31st March 2004.

## 29 PRINCIPAL SUBSIDIARY COMPANIES

At 31st December 2003, the Company had the following principal subsidiary companies. Montgomery Lands, Incorporated, Central Financial Management Company Inc, MLI Business Management, Inc. and Montgomery Golf Corporation are incorporated and operated in the United States of America. All other subsidiary companies are incorporated and operated in Hong Kong.

Name	Percentage of issued capital held				Ordinary share capital		Principal activities
	By Company		By subsidiary companies		Number	Par value per share	
	2003	2002	2003	2002			
Ballington Limited	100	100	—	—	10,000	HK\$1	e
Cambella Limited	100	100	—	—	1,000	HK\$1	a
Central Financial Management Company Inc	—	—	100	100	10,000	US\$1	d
Chi Ho Investment Company Limited	100	100	—	—	100	HK\$100	a b g
Chi Ning Investment Company Limited	100	100	—	—	421,290	HK\$1	e
Etrema Company Limited	100	100	—	—	1,000	HK\$1	b
Fung Chau Investment Company Limited	100	100	—	—	1,070,030	HK\$1	a g
Golden Ocean Corporation Limited	100	100	—	—	531,510	HK\$1	a
GYB Properties, Inc. ("GYB") (note b)	—	—	—	80	750,000	US\$0.01	e
Kam Cheung Investment Company Limited	75	75	—	—	1,200,000	HK\$1	a e
Kam Chung Industrial Company Limited	100	100	—	—	1,149,430	HK\$1	a g
Kam Hang Company Limited	95	95	—	—	5,000	HK\$100	a
Kam Yiu Company Limited	100	100	—	—	73,000	HK\$1	a
Lee Sang On Investment Company, Limited	100	100	—	—	915,960	HK\$1	a
MLI Business Management, Inc	—	—	100	100	1,000	US\$1	h
Montgomery Enterprises Limited	100	100	—	—	1,190,840	HK\$1	a e g
Montgomery Golf Corporation	—	—	100	100	500,000	No par value	i
Montgomery Lands, Incorporated	—	—	100	100	20,000	US\$1	a
On Ah Enterprises Limited	65	65	—	—	100,000	HK\$1	a
Pentacontinental Land Investment Company Limited	53.6	53.6	—	—	2,000,000	HK\$1	a e
Satvision Limited	100	100	—	—	1,000	HK\$1	a
Tai Fung Investment Company Limited	65	65	—	—	1,400,000	HK\$1	a e
Tai Land Finance Company Limited	100	100	—	—	100,000	HK\$1	c
Tai Sang Cold Storage and Godown Company Limited	58	58	—	—	5,600,000	HK\$1	e

## 29 PRINCIPAL SUBSIDIARY COMPANIES (Continued)

Name	Percentage of issued capital held				Ordinary share capital Number	Par value per share	Principal activities
	By Company		By subsidiary companies				
	2003	2002	2003	2002			
Tai Sang Estate Agency Limited	100	100	—	—	100,000	HK\$1	d e
TSE (Floral Villas) Limited	—	—	100	100	100	HK\$1	d
TSE (Kam Yuen Mansion) Limited	—	—	100	100	1,000	HK\$1	d
TSL Construction and Engineering Limited	100	100	—	—	2	HK\$1	a
Welldicker Industrial Limited	100	100	—	—	2	HK\$1	e
Xin Kuok Investments Limited	100	100	—	—	2	HK\$1	f

### Principal activities:

a = property rental	e = investment holding
b = property development	f = motor vehicle rental
c = finance	g = property sale
d = estate management and agency	h = management service
	i = sales of golf digital video equipment and training software

### Notes:

- (a) The above list gives particulars of the principal subsidiary companies, which in the opinion of the directors, materially affect the results and/or assets of the Group.
- (b) On 8th April 1999, the board of directors and shareholders of GYB approved the Plan of Completion Liquidation (the "Plan") of GYB. The Plan provided for the complete liquidation and dissolution of GYB along with its wholly owned subsidiary companies, Yerba Buena Properties, Inc. and Goldman Investments Incorporated.

An aggregate amount of US\$9,000,000 (equivalent of HK\$70,200,000) was paid to the minority shareholders of GYB ("Minority Shareholders"), companies owned by Mr. William Ma Ching Wai, director of the Company, as interim liquidation distribution in prior years. During the year, another payment of US\$953,000 (equivalent to HK\$7,433,000) was paid to the Minority Shareholders upon liquidation of GYB.

The liquidation was completed during the year.