

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST JANUARY, 2004**

**1. GENERAL**

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The directors consider the Company's ultimate holding company to be Smart Extra Holdings Limited, a private limited company incorporated in the British Virgin Islands.

The principal activities of the Group are property investment and development, investment holding and provision of property agency services.

**2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE**

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice ("SSAP") No. 12 "Income Taxes" ("SSAP 12 (Revised)") issued by the Hong Kong Society of Accountants ("HKSA"). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly.

The financial effects of the adoption of SSAP 12 (Revised) are summarised below:

	At 1st February, 2003			At 1st February, 2002		
	As originally stated HK\$	Prior period adjustments HK\$	As restated HK\$	As originally stated HK\$	Prior period adjustments HK\$	As restated HK\$
Retained profits	317,056,032	(2,668,212)	314,387,820	294,885,346	(1,318,581)	293,566,765
Other reserves	9,653,746	(651,586)	9,002,160	9,653,746	(651,586)	9,002,160
	326,709,778	(3,319,798)	323,389,980	304,539,092	(1,970,167)	302,568,925
Minority interests	83,976,598	(311,965)	83,664,633	91,060,367	(275,352)	90,785,015
Deferred tax liabilities	1,873,079	4,050,234	5,923,313	1,767,499	3,416,866	5,184,365
Deferred tax assets	–	418,471	418,471	–	1,171,347	1,171,347

The adoption of SSAP 12 (Revised) has resulted in a decrease in the profit of the Group for the year ended 31st January, 2004 by HK\$1,526,657 and a decrease in the profit for the corresponding prior period by HK\$1,349,631.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST JANUARY, 2004**

**3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st January each year.

The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated income statement 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 have been eliminated on consolidation.

**Goodwill/negative goodwill**

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st February, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st February, 2001 will continue to be held in reserve and will be credited to the income statement at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions on or after 1st February, 2001 is capitalised and amortised over its estimated useful life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arising on acquisitions on or after 1st February, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the year in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST JANUARY, 2004**

**3. SIGNIFICANT ACCOUNTING POLICIES** – continued

**Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

**Interests in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss.

**Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments not held for trading purposes are measured at subsequent reporting dates at fair value, with unrealised gains and losses dealt with in reserves until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses are included in the net profit or loss for the period.

**Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at each balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to the property disposed of is transferred to the income statement.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST JANUARY, 2004**

**3. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Other properties**

Freehold land in Guam, U.S.A., which is held for its long term purpose, is stated at cost or valuation, less any identified impairment loss. Cost includes the cost of purchase and other attributable expenses.

Leasehold land in Guam, U.S.A., is carried at cost, representing pre-paid lease payments, less amortisation. The cost of leasehold land is amortised over the term of the land lease on a straight-line basis.

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 “Property, plant and equipment” issued by the HKSA from the requirement to make regular revaluations of the Group’s land and buildings in Guam which had been carried at revalued amounts prior to 30th September, 1995.

Properties held for development are stated at cost less any identified impairment loss. Cost comprises the cost of land and, where appropriate, borrowing costs and other attributable expenses.

**Other fixed assets**

Other fixed assets are stated at cost less accumulated depreciation and any identified impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost of other fixed assets over their anticipated useful lives on the reducing balance basis at the following annual rates:

Furniture and fixtures	10% – 20%
Office equipment and motor vehicles	25%

**Properties for sale**

Properties for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure incurred and, where appropriate, financial expenses capitalised. Net realisable value is determined by management based on prevailing market conditions.

**Retirement benefit scheme**

Contributions payable in respect of the Group’s retirement benefit schemes are charged to the income statement.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST JANUARY, 2004**

**3. SIGNIFICANT ACCOUNTING POLICIES** – continued

**Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates of exchange prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

On consolidation, the assets and liabilities of overseas subsidiaries and associates are translated at the rates of exchange prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange translation reserve. Such translation differences are recognised as income or as expense in the period in which the subsidiary or associate is disposed of.

**Capitalisation of borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST JANUARY, 2004**

**3. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Taxation – continued**

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

**Leases**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rental income earned from assets under leases is recognised on a straight-line basis over the relevant lease term.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. SIGNIFICANT ACCOUNTING POLICIES** – continued

**Revenue recognition**

*Lease of properties*

Rental income from properties leased out under operating leases is accounted for on a straight-line basis over the terms of the relevant lease.

*Sale of properties*

Sale of properties in Hong Kong is recognised when the sale and purchase agreement becomes unconditional and it is probable that the economic benefits associated with the sale will flow to the Group.

Sale of properties in Guam, U.S.A., under instalment sale contracts is accounted for on the deposit method whereby the revenue from such sale is deferred and not recognised until the settlement of the sales proceeds by the purchaser in full or upon transfer of the title of the property to the purchaser on receipt of a substantial amount of deposit by the Group.

*Investments*

Dividends from listed investments are recognised when the Group's rights to receive payment have been established.

*Interest income*

Interest income from bank deposits and loans receivable is accrued on a time basis, by reference to the principals outstanding and at the interest rates applicable.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**4. TURNOVER AND SEGMENT INFORMATION**

The Group's turnover comprises rental and other income from lease of properties and proceeds from sale of properties, and is analysed as follows:

	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Lease of properties	<b>59,270,715</b>	67,714,791
Sale of properties	<b>68,156</b>	–
	<b>59,338,871</b>	67,714,791
	<b>59,338,871</b>	67,714,791

**Business segments**

The businesses based upon which the Group reports its primary segment information are as follows:

- Property letting       – lease of properties in Hong Kong and Guam, U.S.A.
- Land investment       – investment in land for long term purposes

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2004

**4. TURNOVER AND SEGMENT INFORMATION** – continued

**Revenue and Results**

*For the year ended 31st January, 2004*

	Property letting <i>HK\$</i>	Land investment <i>HK\$</i>	Other operations <i>HK\$</i>	Consolidated <i>HK\$</i>
Segment revenue				
External	57,893,242	–	1,445,629	59,338,871
Segment results	41,572,952	2,525,580	1,128,144	45,226,676
Interest and other income				589,948
Unallocated corporate expenses				(8,285,062)
Profit from operations				37,531,562
Finance costs				(3,402,442)
Share of results of associates	–	(189,060)	(21,849)	(210,909)
Profit before taxation				33,918,211
Income tax expense				(6,088,623)
Profit before minority interests				27,829,588
Minority interests				(2,172,983)
Net profit for the year				25,656,605

**Assets and Liabilities**

*At 31st January, 2004*

	Property letting <i>HK\$</i>	Land investment <i>HK\$</i>	Other operations <i>HK\$</i>	Consolidated <i>HK\$</i>
<b>ASSETS</b>				
Segment assets	852,316,591	100,040,123	15,067,852	967,424,566
Interests in associates	–	2,675,970	9,406,289	12,082,259
Unallocated corporate assets				42,520,294
				1,022,027,119
<b>LIABILITIES</b>				
Segment liabilities	16,753,386	245,023	–	16,998,409
Unallocated corporate liabilities				125,578,030
Other deferred items	–	–	757,333	757,333
				143,333,772

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2004

**4. TURNOVER AND SEGMENT INFORMATION – continued**

**Revenue and Results**

*For the year ended 31st January, 2003*

	<b>Property letting HK\$</b>	<b>Land investment HK\$</b>	<b>Other operations HK\$</b>	<b>Consolidated HK\$</b>
Segment revenue				
External	65,452,696	–	2,262,095	67,714,791
	<u>65,452,696</u>	<u>–</u>	<u>2,262,095</u>	<u>67,714,791</u>
Segment results	51,108,030	(2,896,000)	1,915,350	50,127,380
	<u>51,108,030</u>	<u>(2,896,000)</u>	<u>1,915,350</u>	<u>50,127,380</u>
Interest and other income				1,020,181
Unallocated corporate expenses				(10,787,230)
				<u>1,020,181</u>
Profit from operations				40,360,331
Finance costs				(4,997,649)
Share of results of associates	–	(267,240)	354,742	87,502
				<u>87,502</u>
Profit before taxation				35,450,184
Income tax expense				(6,483,964)
				<u>35,450,184</u>
Profit before minority interests				28,966,220
Minority interests				(2,906,487)
				<u>28,966,220</u>
Net profit for the year				<u>26,059,733</u>

**Assets and Liabilities**

*At 31st January, 2003*

	<b>Property letting HK\$</b>	<b>Land investment HK\$</b>	<b>Other operations HK\$</b>	<b>Consolidated HK\$</b>
<b>ASSETS</b>				
Segment assets	857,859,288	97,543,793	12,180,262	967,583,343
Interests in associates	–	2,521,754	8,019,119	10,540,873
Unallocated corporate assets				75,771,182
				<u>967,583,343</u>
				<u>1,053,895,398</u>
<b>LIABILITIES</b>				
Segment liabilities	18,612,962	177,828	–	18,790,790
Unallocated corporate liabilities				181,364,084
Other deferred items	–	–	796,604	796,604
				<u>181,364,084</u>
				<u>200,951,478</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2004

**4. TURNOVER AND SEGMENT INFORMATION** – continued

**Other Information**

	<b>Property letting</b>		<b>Land investment</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Capital additions	<b>1,013,500</b>	–	–	–
Depreciation and amortisation	–	–	<b>29,250</b>	29,250
Allowances for doubtful debts	<b>579,461</b>	1,242,530	–	–
Impairment losses on properties reversed (recognised)	–	–	<b>2,525,580</b>	(2,896,000)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**Geographical segments**

Turnover of the Group by geographical market:

	<b>Turnover</b>	
	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	<b>55,191,978</b>	63,206,728
Guam, U.S.A.	<b>4,146,893</b>	4,508,063
	<u>                    </u>	<u>                    </u>
	<b>59,338,871</b>	67,714,791
	<u>                    </u>	<u>                    </u>

The Group's assets by geographical segments:

	<b>Carrying amounts of assets</b>	
	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	<b>932,412,795</b>	970,190,518
Guam, U.S.A.	<b>77,532,065</b>	72,745,536
	<u>                    </u>	<u>                    </u>
Interest in associates	<b>1,009,944,860</b>	1,042,936,054
Deferred tax assets	<b>12,082,259</b>	10,540,873
	<u>                    </u>	<u>                    </u>
	<b>1,022,027,119</b>	1,053,895,398
	<u>                    </u>	<u>                    </u>

The additions to assets of the Group that are expected to be used for more than one year in respect of both periods presented are located in Hong Kong.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**5. OTHER OPERATING INCOME**

	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Included in other operating income are:		
Interest on bank deposits	<b>426,610</b>	813,480
Dividends from investments in securities	<b>328,642</b>	280,814
	<b>755,252</b>	1,094,294

**6. OTHER OPERATING EXPENSES**

	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Legal, professional and other fees in relation to:		
Proposed open offer of new shares in the Company	–	1,586,269
Other corporate and legal consultancy services rendered	–	2,642,037
	–	4,228,306

**7. PROFIT FROM OPERATIONS**

	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	<b>866,997</b>	706,407
Depreciation and amortisation in respect of		
Other properties	<b>29,250</b>	29,250
Other fixed assets		
Owned assets	<b>382,354</b>	273,844
Assets held under finance leases	<b>51,827</b>	82,897
Staff costs including directors' remuneration ( <i>Note a</i> )	<b>7,809,899</b>	6,603,783
Gross rentals from properties, less outgoings of HK\$16,746,716 (2003: HK\$17,705,150)	<b>(42,523,999)</b>	(50,009,641)
Depreciation on investment properties written back included in cost of rental operations ( <i>Note b</i> )	–	(2,732,925)
	–	(2,732,925)

*Note:*

- (a) Included in staff costs are contributions to retirement benefit schemes of HK\$191,236 (2003: HK\$163,701). No forfeited contribution was utilised to reduce both year's contributions.
- (b) In the year ended 31st January, 2003, the Group changed its accounting policy in respect of certain investment properties in Guam, U.S.A. which were previously carried at cost less accumulated depreciation. Commencing from that year, such properties are carried at valuation. As a result, depreciation charges previously provided on such properties amounted to HK\$2,732,925 were written back in that year.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES**

**(a) Directors' emoluments**

	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Fees		
– Executive directors	<b>30,000</b>	30,000
– Independent non-executive directors	<b>20,000</b>	30,000
– non-executive directors	–	20,000
	<b>50,000</b>	80,000
Other emoluments		
Executive directors		
– Salaries and other benefits	<b>1,688,284</b>	1,485,355
– Contributions to retirement benefit schemes	<b>35,352</b>	50,265
	<b>1,723,636</b>	1,535,620
Compensation to non-executive directors who are members of the Special Committee to deal with issues raised in an Inspector's report and matters arising therefrom	<b>1,920,000</b>	800,000
Other compensation to independent non-executive directors	<b>30,000</b>	–
	<b>3,673,636</b>	2,335,620
	<b>3,723,636</b>	2,415,620

*Note:*

The aggregate emoluments of the directors are individually below HK\$1,000,000 for both years presented.

**(b) Employees' emoluments**

The five highest paid individuals of the Group included four (2003: four) directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining one (2003: one) individual, which is below HK\$1,000,000, are as follows:

	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Salaries and other benefits	<b>960,000</b>	400,000
Contributions to retirement benefit scheme	<b>12,000</b>	5,000
	<b>972,000</b>	405,000
	<b>972,000</b>	405,000

**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. FINANCE COSTS**

	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Interest on:		
Bank loans and overdrafts		
Wholly repayable within five years	<b>3,204,237</b>	4,411,770
Not wholly repayable within five years	<b>171,045</b>	558,719
Finance leases	<b>27,160</b>	27,160
	<b>3,402,442</b>	4,997,649
	<b>3,402,442</b>	4,997,649

**10. INCOME TAX EXPENSE**

	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Current tax:		
Hong Kong Profits Tax	<b>4,473,128</b>	4,774,162
Overseas tax	<b>83,000</b>	132,000
	<b>4,556,128</b>	4,906,162
Deferred taxation ( <i>Note 25</i> ):		
Current year	<b>1,112,099</b>	1,491,826
Attributable to a change in tax rate	<b>420,396</b>	–
	<b>1,532,495</b>	1,491,826
Taxation attributable to the Company and its subsidiaries	<b>6,088,623</b>	6,397,988
Share of taxation of associates	–	85,976
	<b>6,088,623</b>	6,483,964
	<b>6,088,623</b>	6,483,964

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the year. The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of the current and deferred tax balances at 31st January, 2004.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2004

**10. INCOME TAX EXPENSE** – continued

The tax charge for the year can be reconciled to the profit before taxation as follows:

	<b>2004</b> <i>HK\$</i>	2003 <i>HK\$</i>
Profit before taxation	<u><b>33,918,211</b></u>	<u>35,450,184</u>
Tax at Hong Kong Profits Tax rate of 17.5% (2003: 16%)	<b>5,935,687</b>	5,672,029
Tax effect of expenses not deductible for tax purpose	<b>333,987</b>	991,030
Tax effect of income not taxable for tax purpose	<b>(653,766)</b>	(494,500)
Tax effect of tax losses not recognised	<b>320,063</b>	392,888
Utilisation of tax losses previously not recognised	<b>(142,748)</b>	(249,839)
Increase in opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	<b>420,396</b>	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	<b>(62,182)</b>	(68,110)
Tax effect of share of results of associates	<b>36,909</b>	71,976
Others	<b>(99,723)</b>	168,490
Tax charge for the year	<u><b>6,088,623</b></u>	<u>6,483,964</u>

**11. DIVIDEND**

	<b>2004</b> <i>HK\$</i>	2003 <i>HK\$</i>
Interim dividend, paid		
Nil (2003: HK8 cents) per ordinary share	<u>–</u>	<u>5,420,800</u>

The directors do not recommend the payment of a final dividend in respect of the current financial year (2003: Nil).

**12. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the following data:

	<b>2004</b> <i>HK\$</i>	2003 <i>HK\$</i>
Earnings for the purpose of basic earnings per share		
– as originally stated	<b>25,656,605</b>	27,409,364
– adjustment on adoption of SSAP 12 (revised) ( <i>Note 2</i> )	<u>–</u>	<u>(1,349,631)</u>
– as restated	<u><b>25,656,605</b></u>	<u>26,059,733</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2004

**12. EARNINGS PER SHARE** – continued

	<b>2004</b>	2003
Ordinary shares in issue for the purposes of basic earnings per share	<u><b>67,760,000</b></u>	<u>67,760,000</u>

The adjustment to comparative basic earnings per share, arising from the change in accounting policy as described in note 2 above, is as follows:

	<i>HK Cents</i>
Earnings per share before adjustment as previously reported	40.5
Adjustment arising from adoption of SSAP 12 (Revised)	<u>(2.0)</u>
Restated	<u><u>38.5</u></u>

**13. INVESTMENT PROPERTIES**

	<b>Land and buildings in Hong Kong</b> <i>HK\$</i>	<b>Land and buildings in Guam, U.S.A.</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
<b>THE GROUP</b>			
<b>VALUATION</b>			
At 1st February, 2003	842,000,000	11,505,000	853,505,000
Additions	1,013,500	–	1,013,500
(Decrease) increase on revaluation	<u>(8,513,500)</u>	<u>2,022,000</u>	<u>(6,491,500)</u>
At 31st January, 2004	<u><b>834,500,000</b></u>	<u><b>13,527,000</b></u>	<u><b>848,027,000</b></u>

**Land and buildings in Guam, U.S.A.**  
*HK\$*

**THE COMPANY**

**VALUATION**

At 1st February, 2003	8,970,000
Increase on revaluation	<u>2,685,000</u>
At 31st January, 2004	<u><b>11,655,000</b></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2004

**13. INVESTMENT PROPERTIES** – continued

An analysis of the net book value of the Group's and the Company's investment properties is set out below:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Land and buildings at valuation				
In Hong Kong on				
Long leases	<b>520,400,000</b>	537,400,000	–	–
Medium-term leases	<b>314,100,000</b>	304,600,000	–	–
	<b>834,500,000</b>	842,000,000	–	–
In Guam, U.S.A. on				
Freehold land	<b>13,527,000</b>	10,920,000	<b>11,655,000</b>	8,970,000
Medium-term leases	–	585,000	–	–
	<b>848,027,000</b>	853,505,000	<b>11,655,000</b>	8,970,000

The investment properties of the Group in Hong Kong at 31st January, 2004 are carried at their open market value at that date as valued by DTZ Debenham Tie Leung Limited. The investment properties of the Group and the Company in Guam, U.S.A. at 31st January, 2004 are carried at their open market value at that date as valued by Micronesian Appraisal Associates, Inc.. The valuers are independent firms of property valuers.

**14. OTHER PROPERTIES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Land in Guam, U.S.A.				
Freehold				
At cost less impairment	<b>45,715,796</b>	43,190,216	<b>21,361,175</b>	18,640,595
At 1983 professional valuation	<b>14,981,312</b>	14,981,312	–	–
Leasehold land				
At cost less amortisation	<b>1,316,250</b>	1,345,500	–	–
	<b>62,013,358</b>	59,517,028	<b>21,361,175</b>	18,640,595
Properties in Hong Kong on medium-term lease held for development, at cost	<b>38,026,765</b>	38,026,765	–	–
	<b>100,040,123</b>	97,543,793	<b>21,361,175</b>	18,640,595

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST JANUARY, 2004**

**14. OTHER PROPERTIES** – continued

In the current year, by reference to the valuations conducted by an independent property valuer on the balance sheet date, impairment losses on certain freehold land in Guam, U.S.A., amounting to HK\$2,525,580 previously provided were reversed and have been credited to the income statement. In the year ended 31st January, 2003, impairment losses of HK\$2,896,000 on such land, calculated by reference to the valuations conducted by the independent property valuer, were charged to the income statement. At 31st January, 2004, impairment losses provided on land in Guam, U.S.A., amounted to a total of HK\$71,930,254 (2003: HK\$74,455,834).

The Group's land in Guam, U.S.A., is held for long term purpose. If such land had not been revalued, it would have been included at the book value, calculated on a historical cost basis less amortisation and impairment losses, of approximately HK\$58,756,000 (2003: HK\$58,785,000).

**15. OTHER FIXED ASSETS**

	<b>Furniture, fixtures, office equipment and motor vehicles</b> <i>HK\$</i>
<b>THE GROUP</b>	
<b>COST</b>	
At 1st February, 2003	3,090,415
Additions	<u>527,402</u>
At 31st January, 2004	<u><b>3,617,817</b></u>
<b>DEPRECIATION</b>	
At 1st February, 2003	1,837,598
Provided for the year	<u>434,181</u>
At 31st January, 2004	<u><b>2,271,779</b></u>
<b>NET BOOK VALUES</b>	
At 31st January, 2004	<u><u><b>1,346,038</b></u></u>
At 31st January, 2003	<u><u>1,252,817</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2004

**15. OTHER FIXED ASSETS – continued**

	<b>Furniture, fixtures, office equipment and motor vehicles</b> <i>HK\$</i>
<b>THE COMPANY</b>	
<b>COST</b>	
At 1st February, 2003 and 31st January, 2004	<u><b>1,082,536</b></u>
<b>DEPRECIATION</b>	
At 1st February, 2003	831,306
Provided for the year	<u>58,540</u>
At 31st January, 2004	<u><b>889,846</b></u>
<b>NET BOOK VALUES</b>	
At 31st January, 2004	<u><u><b>192,690</b></u></u>
At 31st January, 2003	<u><u>251,230</u></u>

The net book value of the Group's fixed assets at 31st January, 2003 shown above includes an amount of HK\$248,692 in respect of assets held under finance leases.

**16. INTERESTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares		
– at cost	<b>10,510,000</b>	10,510,000
– at 1976 directors' valuation	<u><b>34,475,000</b></u>	<u>34,475,000</u>
	<b>44,985,000</b>	44,985,000
Amounts due from subsidiaries	<u><b>398,172,484</b></u>	<u>396,502,258</u>
	<u><u><b>443,157,484</b></u></u>	<u><u>441,487,258</u></u>

The amounts due from subsidiaries are unsecured and interest-free. In the opinion of the directors, the amounts will not be repayable within one year from the balance sheet date and accordingly are classified as non-current.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST JANUARY, 2004**

**16. INTERESTS IN SUBSIDIARIES** – continued

Particulars of the subsidiaries at 31st January, 2004 which are incorporated and operating in Hong Kong, except otherwise indicated, are as follows:

Name of company	Class of shares held	Particulars of issued capital		Proportion of nominal value of issued capital held by the Company		Principal activities
		Number of shares	Par value per share	Directly %	Indirectly %	
James S. Lee & Company Clothing Mill (Hong Kong) Limited	Ordinary	20,000	HK\$100	87.25	–	Property investment and investment holding
Dynasty Hotel Limited	Ordinary	15,000	HK\$100	100	–	Property investment and investment holding
Oxford Construction Company Limited	Ordinary	5,000	HK\$100	100	–	Inactive
Pacific Interests, Inc. (Note i)	Common stock	2,000,000	US\$1	100	–	Property investment
Oxford Finance Company Limited	Ordinary	10,000,000	HK\$1	100	–	Inactive
International Peaceful Interests Limited	Ordinary	10,000	HK\$1	100	–	Provision of property agency services and investment holding
House of Fashion Limited	Ordinary	1,000	HK\$100	–	88	Investment holding
James S. Lee & Company (Kowloon) Limited	Ordinary	1,000	HK\$1,000	–	95	Property investment and investment holding
Guam Yokoi Look Limited	Ordinary	2	HK\$200	–	100	Investment holding
First Island Industry, Inc. (Note i)	Common stock	4,500,000	US\$1	–	100	Property investment and development
Guam United Trading Services & Financing Company, Inc. (Note i)	Common stock	19,998	US\$1	–	100	Property investment

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2004

**16. INTERESTS IN SUBSIDIARIES** – continued

Name of company	Class of shares held	Particulars of issued capital		Proportion of nominal value of issued capital held by the Company		Principal activities
		Number of shares	Par value per share	Directly %	Indirectly %	
James S. Lee & Co. (Guam) Limited ( <i>Note i</i> )	Common stock	1,000	US\$100	–	100	Property investment and investment holding
Trisight (BVI) Limited ( <i>Note ii</i> )	Ordinary	1	HK\$1	–	100	Investment holding
Trisight Limited	Ordinary	100,000	HK\$1	–	100	Property investment
Link Consultants Limited ( <i>Note iii</i> )	Common stock	5,000	US\$1	–	100	Investment holding
Bermuda Consultants Limited	Ordinary	1,000	HK\$1	–	100	Property investment

*Notes:*

- (i) Incorporated and operating in Guam, U.S.A.
- (ii) Incorporated in the British Virgin Islands
- (iii) Incorporated in the Bahamas

**17. INTERESTS IN ASSOCIATES**

	THE GROUP		THE COMPANY	
	2004 <i>HK\$</i>	2003 <i>HK\$</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Unlisted associates				
Shares, at cost	–	–	250,000	250,000
Share of net assets	2,243,077	1,044,966	–	–
	<b>2,243,077</b>	1,044,966	<b>250,000</b>	250,000
Amount due from an associate	9,839,182	9,495,907	–	–
	<b>12,082,259</b>	10,540,873	<b>250,000</b>	250,000

The amount due from an associate, Guam Tourist Development Company, is unsecured and interest-free. In the opinion of the directors, the amount will not be repayable within one year from the balance sheet date and accordingly the amount is classified as non-current.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2004

**17. INTERESTS IN ASSOCIATES** – continued

Particulars of the associates at 31st January, 2004 are as follows:

Name of company	Place of incorporation and operation	Class of shares held	Proportion of nominal value of issued capital held by the Group %	Principal activities
Modern Aspac Development Company Limited	Hong Kong	Ordinary	50	Investment holding
Guam Tourist Development Company	Guam, U.S.A.	Common stock	50	Property investment

**18. INVESTMENTS IN SECURITIES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>HK\$</b>	HK\$	<b>HK\$</b>	HK\$
Not held for trading equity securities				
Listed in Hong Kong	<b>8,639,702</b>	5,752,113	–	–
Unlisted	<b>188,500</b>	188,500	–	–
Less: impairment	<b>(188,499)</b>	(188,499)	–	–
	<b>8,639,703</b>	5,752,114	–	–
Unlisted club debentures	<b>80,000</b>	80,000	<b>80,000</b>	80,000
	<b>8,719,703</b>	5,832,114	<b>80,000</b>	80,000
Market value of listed securities	<b>8,639,702</b>	5,752,113	–	–

**19. TRADE AND OTHER RECEIVABLES**

The Group does not allow any credit period to its trade customers. The following is an aged analysis of trade and other receivables at the reporting date:

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	HK\$
0 – 60 days	<b>2,562,135</b>	2,905,501
61 – 90 days	<b>674,384</b>	289,384
Over 90 days	<b>1,053,072</b>	1,159,403
	<b>4,289,591</b>	4,354,288

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2004

**20. TRADE AND OTHER PAYABLES**

The following is an analysis of trade and other payables at the reporting date:

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Trade payables due between 0 – 60 days	<b>3,357,454</b>	2,560,447
Unclaimed dividends payable	<b>42,915,966</b>	43,030,696
	<u><b>46,273,420</b></u>	<u>45,591,143</u>

**21. OBLIGATIONS UNDER FINANCE LEASES**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Obligations under finance leases maturing within one year shown under current liabilities	–	158,433
	<u>–</u>	<u>158,433</u>

**22. BANK LOANS**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Secured bank loans repayable				
Within one year	<b>3,500,000</b>	37,791,855	–	791,855
More than one year, but not exceeding two years	<b>5,500,000</b>	54,338,936	–	838,936
More than two years, but not exceeding five years	<b>42,000,000</b>	22,734,854	–	2,843,152
More than five years	<b>10,500,000</b>	4,525,769	–	4,525,769
	<u><b>61,500,000</b></u>	<u>119,391,414</u>	<u>–</u>	<u>8,999,712</u>
Less: Amount due within one year shown under current liabilities	<u><b>(3,500,000)</b></u>	<u>(37,791,855)</u>	<u>–</u>	<u>(791,855)</u>
Amount due after one year	<u><b>58,000,000</b></u>	<u>81,599,559</u>	<u>–</u>	<u>8,207,857</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST JANUARY, 2004**

**23. SHARE CAPITAL**

**THE GROUP  
AND  
THE COMPANY  
2004 & 2003  
HK\$**

Ordinary shares of HK\$1 each

Authorised:

100,000,000 shares

100,000,000

Issued and fully paid:

67,760,000 shares

67,760,000

At 31st January, 2004, a total of 409,400 (2003: 421,400) issued shares of the Company were held by an associate.

There was no movement in the share capital of the Company for the two years ended 31st January, 2004.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST JANUARY, 2004**

**24. RESERVES**

	Investment property revaluation reserve HK\$	Investment securities revaluation reserve HK\$	Negative goodwill HK\$	Exchange translation reserve HK\$	Other reserves HK\$	Dividend reserve HK\$	Retained profits HK\$	Total HK\$
<b>THE GROUP</b>								
At 1st February, 2002								
– as originally stated	532,207,457	9,813,472	6,114,458	16,900,742	9,653,746	13,552,000	294,885,346	883,127,221
– adjustments on adoption of SSAP 12 (Revised) (Note 2)	-	-	-	-	(651,586)	-	(1,318,581)	(1,970,167)
– as restated	532,207,457	9,813,472	6,114,458	16,900,742	9,002,160	13,552,000	293,566,765	881,157,054
2002 final dividend paid	-	-	-	-	-	(13,552,000)	-	(13,552,000)
Net decrease on revaluation of investment properties adjusted for minority interests	(183,312,359)	-	-	-	-	-	-	(183,312,359)
Decrease on revaluation of investments in securities held by								
– subsidiaries, adjusted for minority interests	-	(890,275)	-	-	-	-	-	(890,275)
– associates	-	(2,704,188)	-	-	-	-	-	(2,704,188)
Net profit for the year	-	-	-	-	-	-	26,059,733	26,059,733
Unclaimed dividends written back	-	-	-	-	-	-	182,122	182,122
Amounts set aside for dividend payments (Note 11)	-	-	-	-	-	5,420,800	(5,420,800)	-
Interim dividend paid	-	-	-	-	-	(5,420,800)	-	(5,420,800)
At 31st January, 2003	348,895,098	6,219,009	6,114,458	16,900,742	9,002,160	-	314,387,820	701,519,287
Net decrease on revaluation of investment properties adjusted for minority interests	(8,818,041)	-	-	-	-	-	-	(8,818,041)
Increase on revaluation of investments in securities held by								
– subsidiaries, adjusted for minority interests	-	2,887,497	-	-	-	-	-	2,887,497
– associates	-	1,409,020	-	-	-	-	-	1,409,020
Net profit for the year	-	-	-	-	-	-	25,656,605	25,656,605
Unclaimed dividends written back	-	-	-	-	-	-	114,730	114,730
At 31st January, 2004	<b>340,077,057</b>	<b>10,515,526</b>	<b>6,114,458</b>	<b>16,900,742</b>	<b>9,002,160</b>	<b>-</b>	<b>340,159,155</b>	<b>722,769,098</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST JANUARY, 2004**

**24. RESERVES** – continued

The negative goodwill was arrived at after deducting goodwill on consolidation of HK\$3,066,187 (2003: HK\$3,066,187).

The Group's retained profits attributable to associates at 31st January, 2004 amounted to HK\$432,151 (2003: HK\$610,708).

	<b>Dividend reserve HK\$</b>	<b>Other reserves HK\$</b>	<b>Retained profits HK\$</b>	<b>Total HK\$</b>
<b>THE COMPANY</b>				
At 1st February, 2002	13,552,000	185,904	28,292,363	42,030,267
2002 final dividend paid	(13,552,000)	–	–	(13,552,000)
Net profit for the year	–	–	983,587	983,587
Unclaimed dividends written back	–	–	182,122	182,122
Amounts set aside for dividend payments ( <i>Note 11</i> )	5,420,800	–	(5,420,800)	–
Interim dividend paid	(5,420,800)	–	–	(5,420,800)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st January, 2003	–	185,904	24,037,272	24,223,176
Net profit for the year	–	–	1,943,366	1,943,366
Unclaimed dividends written back	–	–	114,730	114,730
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st January, 2004	<hr/> <b>–</b> <hr/>	<hr/> <b>185,904</b> <hr/>	<hr/> <b>26,095,368</b> <hr/>	<hr/> <b>26,281,272</b> <hr/>

The Company's reserves available for distribution to shareholders at 31st January, 2004 represent retained profits of HK\$26,095,368 (2003: HK\$24,037,272).

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2004

**25. DEFERRED TAXATION**

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

	<b>Accelerated tax depreciation HK\$</b>	<b>Revaluation of properties HK\$</b>	<b>Tax losses HK\$</b>	<b>Total HK\$</b>
<b>THE GROUP</b>				
At 1st February, 2002				
– as originally stated	(1,767,499)	–	–	(1,767,499)
– adjustments on adoption of SSAP 12 (Revised)	(1,645,730)	(848,640)	248,853	(2,245,517)
– as restated	(3,413,229)	(848,640)	248,853	(4,013,016)
Charge to income for the year	(1,242,973)	–	(248,853)	(1,491,826)
At 31st January, 2003	(4,656,202)	(848,640)	–	(5,504,842)
Charge to income for the year	(1,112,099)	–	–	(1,112,099)
Effect of a change in tax rate				
Charge to income for the year	(420,396)	–	–	(420,396)
At 31st January, 2004	<u><b>(6,188,697)</b></u>	<u><b>(848,640)</b></u>	<u><b>–</b></u>	<u><b>(7,037,337)</b></u>

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	<b>THE GROUP</b>	
	<b>2004 HK\$</b>	<b>2003 HK\$</b>
Deferred tax liabilities	<b>(7,037,337)</b>	(5,923,313)
Deferred tax assets	<u>–</u>	<u>418,471</u>
	<u><b>(7,037,337)</b></u>	<u><b>(5,504,842)</b></u>

At the balance sheet date, the Group has unused tax losses of HK\$59,323,000 (2003: HK\$60,995,000). No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2004

**26. OTHER DEFERRED ITEMS**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Income on sale of properties		
Deposits and interest received	<b>1,323,102</b>	1,399,165
Less: Cost of properties sold under instalment contracts	<b>(249,142)</b>	(285,934)
Attributable income tax	<b>(316,627)</b>	(316,627)
	<b>757,333</b>	796,604
	<b>757,333</b>	796,604

Certain of the Group's properties in Guam, U.S.A., have been sold for an aggregate consideration of approximately HK\$1.1 million (2003: HK\$1.1 million) under instalment sales contracts which require a minimum of 10% down payment with interest chargeable on the outstanding balance at 10% per annum. Under the terms of the contracts, title to the properties sold does not pass to the buyer until the purchase price has been fully settled or when the buyer requests transfer of title upon payment of 50% or more of the purchase price.

**27. AMOUNTS DUE TO SUBSIDIARIES**

The amounts due to subsidiaries are unsecured and interest free. Repayment of the amounts will not be demanded within twelve months from the balance sheet date, accordingly the amounts are classified as non-current.

**28. RETIREMENT BENEFIT PLANS**

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group. The Group's contribution to this scheme is calculated at 5% of the employee's basic salary. The contributory employees' contributions are calculated at 5% of their basic salaries and the non-contributory employees are not required to make contributions to the scheme.

For members of the MPF Scheme, the Group contributes 5% of the employee's salary or HK\$1,000 per month, whichever is the lesser, to the scheme, which contribution is matched by the employees.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**28. RETIREMENT BENEFIT PLANS** – continued

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. Forfeited contributions in respect of unvested benefits of employees leaving the Group's employment cannot be used to reduce ongoing contributions. At the balance sheet date, there were no forfeited contributions available to offset future employer's contributions to this scheme (2003: Nil).

**29. OPERATING LEASE COMMITMENTS**

At the balance sheet date, the Group's investment properties, other properties and properties for sale with carrying amounts of HK\$598 million (2003: HK\$620 million), HK\$38 million (2003: HK\$38 million) and HK\$5.3 million (2003: HK\$5.3 million) respectively were let under operating leases. Property rental and related income earned during the year is HK\$59.3 million (2003: HK\$67.7 million) of which HK\$57.9 million (2003: HK\$65.5 million) was derived from the letting of investment properties. A substantial portion of the Group's properties leased out comprises investment properties with committed tenants for one to three years without termination options granted and the rentals are fixed throughout the lease periods.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	<b>2004</b>	2003
	<i>HK\$</i>	<i>HK\$</i>
Within one year	<b>26,038,000</b>	31,649,000
In the second to fifth year inclusive	<b>11,976,000</b>	23,657,000
	<b>38,014,000</b>	55,306,000

**30. PLEDGE OF ASSETS**

At the balance sheet date, investment properties of the Group with an aggregate book value of approximately HK\$634 million (2003: HK\$659 million) were mortgaged or charged to banks for credit facilities granted to the Group.

**31. CONTINGENT LIABILITIES**

At the balance sheet date, the Company had issued guarantees to the extent of approximately HK\$281,200,000 (2003: HK\$281,200,000) for banking facilities granted to subsidiaries, of which approximately HK\$61,500,000 (2003: HK\$119,399,000) was utilised as at that date.

**32. POST BALANCE SHEET EVENT**

The resolutions relating to the proposed privatisation of the Company were duly passed at the extraordinary general meeting held in April, 2004. If the proposed privatisation is sanctioned by the Court, an application will be made by the Company to withdraw its listing on the Stock Exchange.