

notes to the financial statements

31 december 2004

These notes form an integral part of the financial statements.

1. PRINCIPAL ACTIVITIES

The principal activities of the Company comprise those of investment holding and the provision of consultancy services.

The principal activities of its subsidiaries comprise those of investment holding, e-business enablement, provision of hospitality solutions, hotel management services, reservation services, insurance sales and risk management services, accounting and payroll services and procurement services.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 6 on the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of Compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) *Basis of Preparation of the Financial Statements*

The measurement basis used in the preparation of the financial statements is historical cost modified by the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) *Subsidiaries*

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the profit and loss account.

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(i)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) **Fixed Assets and Depreciation**

- (i) Fixed assets are carried in the balance sheets at cost less accumulated depreciation and impairment losses (see note 2(i)).
- (ii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iii) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.
- (iv) Depreciation is provided on a straight-line basis so as to write off fixed assets over their estimated useful lives as follows:

Plant, machinery and equipment (comprising principally furniture and fixtures and office equipment)	– 6% to 33.33%
Motor vehicles	– 20%

(e) **Goodwill**

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

- For acquisitions before 1 January 2001, positive goodwill is written off directly to reserves and is reduced by impairment losses (see note 2(i)); and
- For acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 2(i)).

Negative goodwill arising on consolidation represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

- For acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and
- For acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account. Any negative goodwill not yet recognised in the consolidated profit and loss account is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill.

On disposal of a subsidiary, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Other Investments in Securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries are as follows:

- (i) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.
- (ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iii) All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin.
- (iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

(g) Intangible Assets (other than Goodwill)

- (i) Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 2(i)).
- (ii) Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.
- (iii) Amortisation of intangible assets, comprising trademarks, is charged to the profit and loss account on a straight-line basis over the assets' estimated useful lives of ten years.

(h) Leased Assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Where the Group has the use of assets under operating leases, payment installments made under the leases are charged to the profit and loss account in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) *Impairment of Assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets;
- investments in subsidiaries (except for those accounted for at fair value under note 2(c));
- other investments in securities (except for those accounted for at fair value under note 2(f)); and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(j) *Income Tax*

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Income Tax (cont'd)

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
 - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(k) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

- (i) Revenue arising from hotel management services, reservation distribution and payroll services is recognised when the relevant services are delivered.
- (ii) Revenue arising from insurance and risk management services, where the Group acts as an agent and does not assume underwriting risk, is recognised based on the net amount retained or the amount billed to the customer less the amount paid to suppliers.
- (iii) Revenue arising from insurance and risk management services, where the Group assumes underwriting risks, is recognised on a straight-line basis over the term of the insurance policy.
- (iv) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.
- (v) Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(l) Foreign Currency Translation

- (i) Monetary assets and liabilities in foreign currencies are translated into the reporting currency of the Company and its subsidiaries at rates of exchange ruling at the balance sheet date and transactions in foreign currencies during the year are translated at rates ruling on the transaction dates. Exchange gains and losses are dealt with in the profit and loss account.
- (ii) Assets and liabilities of foreign operations that are not integral to the operations of the Company are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date while the results are translated into Hong Kong dollars at the average exchange rates for the year. Exchange differences arising thereon are taken directly to reserves.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Employee Benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to defined contribution schemes are charged to the profit and loss account as incurred.
- (iii) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.
- (iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(o) Cash Equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include trade receivables and fixed assets. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, corporate and financing expenses and minority interests.

(q) Liability for Unpaid Insurance Claims

Liability for unpaid insurance claims are based on claims filed and estimates for claims incurred but not reported.

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3. RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

4. TURNOVER

Turnover of the Group comprises revenue from hospitality-related operations, dividend income and interest income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2004 HK\$'000	2003 HK\$'000
Hospitality-related services	62,210	60,858
Investment holding activities	9,937	24,005
	<u>72,147</u>	<u>84,863</u>

Included in turnover above is dividend income from listed and unlisted securities amounting to HK\$589,000 (2003: HK\$16,362,000) and HK\$3,330,000 (2003: nil) respectively.

5. OTHER NET INCOME

	The Group	
	2004 HK\$'000	2003 HK\$'000
Exchange gain (net)	4,804	3,283
(Loss)/profit on sale of fixed assets (net)	(9)	66
Net unrealised gain on stating securities at fair value	20,250	14,554
Others	874	75
	<u>25,919</u>	<u>17,978</u>

6. SEGMENT REPORTING

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

Business segments

The Group comprises the following main business segments:

Investment holding: The activities of investing.

Hospitality-related services: The provision of e-business enablement, hospitality solutions, hotel management services, hotel reservation services, insurance sales and risk management services, and payroll services and procurement services.

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6. SEGMENT REPORTING (cont'd)

	Investment Holding		Hospitality-related Services		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	9,937	24,005	62,210	60,858	72,147	84,863
Profit from ordinary activities before taxation	22,572	29,787	4,782	3,818	27,354	33,605
Taxation					15	-
Minority interests					(850)	(499)
Profit attributable to shareholders					26,519	33,106
Depreciation and amortisation for the year	1,133	1,082	567	1,642	1,700	2,724
Segment assets	608,223	575,777	39,302	53,696	647,525	629,473
Segment liabilities	7,930	5,698	16,293	16,662	24,223	22,360
Capital expenditure incurred during the year	18	1,778	67	109	85	1,887

Geographical segments

The Group's investing activities are mainly carried out in Hong Kong and Singapore. The hospitality-related services are carried out by the subsidiaries based in the United States.

In presenting information on the basis of geographical segments, segment revenue, in relation to investment holding is based on the geographical location of investments and segment revenue in relation to hospitality-related services is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		United States		Singapore		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	7,982	22,378	58,883	58,965	5,282	3,520	72,147	84,863
Segment assets	450,070	428,680	38,725	42,790	158,730	158,003	647,525	629,473
Capital expenditure incurred during the year	-	-	67	109	18	1,778	85	1,887

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7. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	The Group	
	2004	2003
	HK\$'000	HK\$'000
(a) Staff costs		
Contributions to defined contribution plan	772	820
Salaries, wages and other benefits	28,311	28,093
	29,083	28,913
(b) Other items		
Amortisation of intangible assets	70	62
Auditors' remuneration		
- current year	948	782
- overprovision in respect of prior year	(5)	-
Depreciation of fixed assets	1,630	2,662
Allowance for doubtful receivables (trade)	1,601	2,218
Interest income		
- bank	(6,018)	(7,503)
- affiliated companies	-	(140)
Operating lease charges: minimum lease payments		
- property rentals	936	872

8. TAXATION

	The Group	
	2004	2003
	HK\$'000	HK\$'000
(a) Taxation in the consolidated profit and loss account represents:		
Current tax		
Hong Kong		
- overprovision in respect of prior years	(15)	-

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2004		2003	
	%	HK\$'000	%	HK\$'000
Profit from ordinary activities before taxation		27,354		33,605
Income tax using Hong Kong tax rates	17.50	4,787	17.50	5,881
Tax effect of non-taxable income	(23.53)	(6,437)	(22.04)	(7,407)
Tax effect on non-deductible expenses	4.66	1,275	7.79	2,618
Effect of tax rates in foreign jurisdictions	4.11	1,125	1.72	578
Current year's deferred tax assets not recognised	3.81	1,041	0.71	240
Utilisation of deferred tax assets not recognised in prior years	(6.55)	(1,791)	(6.47)	(2,173)
Overprovision in respect of prior years	(0.05)	(15)	-	-
Others	-	-	0.79	263
Actual tax credit	(0.05)	(15)	-	-

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8. TAXATION (cont'd)

(c) Taxation in the balance sheet represents:

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Provision for Hong Kong				
Profits Tax for the year	-	-	-	-
Balance of Hong Kong				
Profits Tax provision relating to prior years	1,025	1,040	1,025	1,025
Balance of Profits Tax				
provision relating to overseas subsidiaries	-	8	-	-
	1,025	1,048	1,025	1,025

The provision for Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the year ended 31 December 2004. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

The Company is exempted from taxation in the Cayman Islands for a period of twenty years from 1989 under the provisions of Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands.

(d) Deferred tax assets not recognised:

The following temporary differences have not been recognised:

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Deductible temporary differences	15,148	24,224	848	645
Tax losses	72,232	62,271	18,947	13,965
	87,380	86,495	19,795	14,610

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits. Tax losses amounting to HK\$53,285,000 (2003: HK\$48,306,000) expire 20 years from the year the tax losses were incurred. The remaining tax losses of HK\$18,947,000 (2003: HK\$13,965,000) do not expire under the respective countries' tax legislations.

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit after taxation to the extent of HK\$21,599,000 (2003: HK\$40,860,000) has been dealt with in the Company's financial statements.

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10. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
(a) Dividends attributable to the year		
Final dividend proposed after the balance sheet date of HK3 cents per share (2003: HK3 cents per share)	<u>11,494</u>	<u>11,494</u>
The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.		
(b) Dividends attributable to the previous financial year, approved and paid during the year		
	2004 HK\$'000	2003 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3 cents per share (2003: HK2 cents per share) - by cash	<u>11,494</u>	<u>7,663</u>

11. EARNINGS PER SHARE

(a) Basic Earnings Per Share

In the current financial year, the calculation of basic earnings per share is based on profit after taxation attributable to shareholders of HK\$26,519,000 (2003: HK\$33,106,000) and 383,125,524 (2003: 383,125,524) ordinary shares in issue during the year.

(b) Diluted Earnings Per Share

Diluted earnings per share is not applicable as there are no dilutive potential ordinary shares during the financial year.

12. FIXED ASSETS

(a) The Group

	Plant, Machinery & Equipment HK\$'000	Motor Vehicles HK\$'000	Total HK\$'000
Cost			
At 1 January 2004	11,932	5,900	17,832
Exchange difference	12	-	12
Additions	85	-	85
Disposals	-	(755)	(755)
At 31 December 2004	<u>12,029</u>	<u>5,145</u>	<u>17,174</u>

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12. FIXED ASSETS (cont'd)

(a) The Group (cont'd)

	Plant, Machinery & Equipment HK\$'000	Motor Vehicles HK\$'000	Total HK\$'000
Depreciation and Impairment Losses			
At 1 January 2004	10,414	2,163	12,577
Exchange difference	9	–	9
Charge for the year	721	909	1,630
Disposals	–	(388)	(388)
At 31 December 2004	11,144	2,684	13,828
Net Book Value			
At 31 December 2004	885	2,461	3,346
At 31 December 2003	1,518	3,737	5,255

(b) The Company

	Plant, Machinery & Equipment HK\$'000	Motor Vehicles HK\$'000	Total HK\$'000
Cost			
At 1 January 2004	2,938	5,900	8,838
Additions	18	–	18
Disposals	–	(755)	(755)
At 31 December 2004	2,956	5,145	8,101
Accumulated Depreciation			
At 1 January 2004	2,506	2,163	4,669
Charge for the year	224	909	1,133
Disposals	–	(388)	(388)
At 31 December 2004	2,730	2,684	5,414
Net Book Value			
At 31 December 2004	226	2,461	2,687
At 31 December 2003	432	3,737	4,169

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13. INTANGIBLE ASSETS

	The Group Trademarks	
	2004 HK\$'000	2003 HK\$'000
Cost		
At 1 January	1,026	1,029
Exchange difference	4	(3)
At 31 December	<u>1,030</u>	<u>1,026</u>
Amortisation and Impairment Losses		
At 1 January	553	491
Charge for the year	70	62
At 31 December	<u>623</u>	<u>553</u>
Net Book Value		
At 31 December	<u>407</u>	<u>473</u>

The amortisation charge for the year is included in "administrative expenses" in the consolidated profit and loss account.

14. INTERESTS IN SUBSIDIARIES

	The Company	
	2004 HK\$'000	2003 HK\$'000
Long-term:		
Unlisted shares, at cost	220,860	220,860
Less:		
Impairment losses at 1 January and 31 December	80,119	80,119
	<u>140,741</u>	<u>140,741</u>
Non-current:		
Loan owing to a subsidiary	(63)	(1,402)
Current:		
Amounts owing by subsidiaries (Note 18)	<u>533</u>	-

The amounts owing by/(to) subsidiaries are interest-free, unsecured and have no fixed terms of repayment.

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14. INTERESTS IN SUBSIDIARIES (cont'd)

Details of the Group's significant interests in subsidiaries as at 31 December 2004 are as follows:

Company Name/ Principal Activities	Place of Incorporation and Operation	Particulars of Issued and Paid Up Capital	Group's Effective Holding %	Proportion of Equity Interest	
				Held by Company %	Held by Subsidiary %
Principal direct and indirect subsidiaries					
SWAN Holdings Limited (Investment holding)	Bermuda	33,345,333 shares of US\$1 each	85	85	–
Richfield Hospitality Inc. (Formerly known as SWAN Inc.) (Investment holding and provision of hospitality-related services)	United States of America	10,000,000 common stocks of US\$0.01 each	85	–	100
Sceptre Hospitality Resources Inc. (Provision of reservation system services)	United States of America	100 common stocks of US\$0.01 each	85	–	100
SWAN Risk Services Limited (Provision of risk management services)	Bermuda	120,000 ordinary shares of US\$1 each	85	–	100

15. AFFILIATED COMPANIES

The amounts owing by/(to) affiliated companies are unsecured, interest-free and have no fixed terms of repayment.

Affiliated companies comprise subsidiaries of the holding company.

16. OTHER FINANCIAL ASSETS (NON-CURRENT)

	The Group	
	2004 HK\$'000	2003 HK\$'000
Investment securities - unlisted	1,422	715
Less: Impairment losses at 1 January and 31 December	436	436
At 31 December	986	279

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17. OTHER FINANCIAL ASSETS (CURRENT)

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Other investments				
Equity securities - listed outside Hong Kong	59,781	58,240	59,781	58,240
Other securities - unlisted	57,965	-	57,965	-
	117,746	58,240	117,746	58,240

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Trade receivables less allowance (Note 19)	16,662	14,154	4,437	4,149
Other receivables, deposits and prepayments	2,603	5,965	1,635	2,195
Amounts owing by subsidiaries (Note 14)	-	-	533	-
Amounts owing by affiliated companies (Note 15)	3,297	3,181	709	9,286
Dividend receivable	3,330	14,760	3,330	14,760
	25,892	38,060	10,644	30,390

All of the trade and other receivables are expected to be recovered within one year.

19. TRADE RECEIVABLES

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Trade receivables	18,523	16,830	4,437	4,149
Less:				
Allowance for doubtful receivables				
At 1 January	(2,676)	(764)	-	-
Exchange difference	(17)	10	-	-
Allowance made during the year	(1,601)	(2,218)	-	-
Allowance utilised during the year	2,433	296	-	-
At 31 December	(1,861)	(2,676)	-	-
	16,662	14,154	4,437	4,149

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19. TRADE RECEIVABLES (cont'd)

The aging analysis of trade receivables (net of allowance for doubtful receivables) is as follows:

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Current	6,702	6,488	2,061	74
1 to 3 months overdue	4,010	6,016	54	2,727
More than 3 months overdue but less than 12 months overdue	5,950	1,650	2,322	1,348
	16,662	14,154	4,437	4,149

Debts are due within 1 month from the date of billing. However, debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

20. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Trade payables	3,075	1,890	1,504	1,285
Other payables and accrued charges	21,032	19,916	9,101	6,114
Amounts owing to affiliated companies (Note 15)	116	554	116	554
	24,223	22,360	10,721	7,953

All of the trade and other payables are expected to be settled within one year. All trade payables are due within 1 month or on demand.

21. SHARE CAPITAL

	The Company			
	2004 No. of shares	2004 HK\$'000	2003 No. of shares	2003 HK\$'000
Authorised:				
Ordinary shares of HK\$1 each	2,720,615,042	2,720,615	2,720,615,042	2,720,615
Issued and fully paid:				
Ordinary shares of HK\$1 each	383,125,524	383,126	383,125,524	383,126

An Executive Share Option Scheme (the "1997 Scheme") for executives and/or employees (including the executive directors) of the Company and its subsidiaries was adopted by the Company on 11 June 1997. Under the 1997 Scheme, the maximum number of shares that may be granted by the Directors shall not exceed 10% of the share capital of the Company in issue on the date of granting any option. The subscription price of shares under the Scheme will be equivalent to 80% of the average of the last dealt prices of shares on the Hong Kong Stock Exchange on the five trading days immediately preceding the date of grant of the option or the nominal value of the shares, whichever is greater.

Throughout the financial year, no share option was granted and outstanding.

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22. RESERVES

The Group	Exchange Reserve HK\$'000	Revenue Reserves HK\$'000	Total HK\$'000
At 1 January 2003	163	172,808	172,971
Dividends approved in respect of the previous financial year (Note 10(b))	–	(7,663)	(7,663)
Profit for the year	–	33,106	33,106
Exchange differences on translation of financial statements of foreign subsidiaries	(687)	–	(687)
At 31 December 2003	(524)	198,251	197,727
Dividends approved in respect of the previous financial year (Note 10(b))	–	(11,494)	(11,494)
Profit for the year	–	26,519	26,519
Exchange differences on translation of financial statements of foreign subsidiaries	286	–	286
At 31 December 2004	(238)	213,276	213,038

The Company	Revenue Reserves HK\$'000
At 1 January 2003	162,909
Dividends approved in respect of the previous financial year (Note 10(b))	(7,663)
Profit for the year	40,860
At 31 December 2003	196,106
Dividends approved in respect of the previous financial year (Note 10(b))	(11,494)
Profit for the year	21,599
At 31 December 2004	206,211

Under Cayman Islands law, the Company has reserves available for distribution to shareholders of HK\$206,211,000 (2003: HK\$196,106,000).

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23. MATERIAL RELATED PARTY TRANSACTIONS

During the year, there were the following material related party transactions:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Affiliated companies		
(a) Pricing determined in the normal course of business:		
Dividend income	590	1,602
(b) Pricing determined on agreed terms:		
Reimbursement of payroll costs	695	401
Payment of payroll costs	-	54
Rental income	17	137
Interest income	-	140
Income from provision of hospitality and other related services	21,586	23,879
Sale of motor vehicle	357	-

24. COMMITMENTS

At 31 December 2004, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Within 1 year	479	954
After 1 year but within 5 years	-	760
	479	1,714

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25. DIRECTORS' REMUNERATION

- (i) The aggregate amount of the Directors' and five highest paid individuals' emoluments for the year are as follows:

	Directors		Employees	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Fees	2,381	2,332	-	-
Other emoluments:				
- Basic salaries, allowances and other benefits in kind	1,621	2,051	1,219	725
- Pension contributions	30	55	63	14
- Discretionary bonus	265	231	141	60
	4,297	4,669	1,423	799

Of the five individuals with the highest emoluments, three (2003: four) are directors and two are employees (2003: one).

Included in the fees of HK\$2,381,000 (2003: HK\$2,332,000) above, are fees of HK\$437,000 (2003: HK\$582,000) paid to independent non-executive Directors during the year.

- (ii) The number of Directors and the employees included in the five highest paid individuals whose emoluments fall within the following bands are as follows:

	No. of Directors		Employees	
	2004	2003	2004	2003
HK\$Nil - HK\$1,000,000	10	9	2	1
HK\$1,000,001 - HK\$1,500,000	-	-	-	-
HK\$1,500,001 - HK\$2,000,000	1	1	-	-
HK\$2,000,001 - HK\$2,500,000	-	-	-	-
HK\$2,500,001 - HK\$3,000,000	-	-	-	-
HK\$3,000,001 - HK\$3,500,000	-	-	-	-
	11	10	2	1

No Directors have waived emoluments in respect of the years ended 31 December 2004 and 31 December 2003.

26. PENSION SCHEMES

In United States, the Group operates a defined contribution scheme in which the Group matches a portion of each participating employee's contribution, subject to certain limits.

The total pension cost charged to the profit and loss account of the Group was HK\$802,000 (2003: HK\$875,000).

27. ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at 31 December 2004 to be Hong Leong Investment Holdings Pte. Ltd., incorporated in the Republic of Singapore.