

## 1. General

The Company is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are property development, property investment, hotel and restaurant operations, trading of building materials, share investment, provision of management and maintenance services, property management and insurance agency and fitness centre operation.

## 2. Potential Impact Arising from the Recently Issued Accounting Standards

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment and hotel properties and investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

### **Basis of consolidation**

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

The results of subsidiaries acquired or disposed of during the year 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 between group enterprises are eliminated on consolidation.

### 3. Significant Accounting Policies (continued)

#### **Goodwill and negative goodwill**

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary or an associate. Negative goodwill, represents the excess of the Group's interest in the fair value of the identified assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition. Goodwill is capitalised and amortised over its estimated useful life. Negative goodwill will be released to the income statement based on an analysis of the circumstances from which the balance resulted.

Goodwill arising on the acquisitions of subsidiaries is presented separately in the balance sheet. Negative goodwill arising on acquisitions of subsidiaries is presented as a deduction from non-current assets. Any goodwill or negative goodwill arising on the acquisition of interests in associates, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associates at the date of acquisition, is dealt with and included in interest in associates.

On the disposal of an investment in a subsidiary or an associate, the attributable amount of unamortised goodwill or unreleased negative goodwill is included in the determination of the profit or loss on disposal.

#### **Turnover**

Turnover represents the aggregate of gross rental income, income from hotel and restaurant operations, proceeds from sales of building materials, property management and maintenance income, agency commission and income from fitness centre operation.

#### **Revenue recognition**

Rental income, including rentals invoiced in advance under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Hotel operation income is recognised upon the provision of services and the utilisation by guests of the hotel facilities.

Interest income is recognised on a time proportion basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

Service income is recognised when services are provided.

Sales of goods are recognised when goods are delivered and title is passed.

Agency commission income is recognised when services are rendered.

### 3. Significant Accounting Policies (continued)

#### Revenue recognition (continued)

Joining fee is recognised as revenue when a new member signs up. Membership due is recognised as revenue on a straight-line basis over the membership period. Other service income is recognised when the services are rendered. Membership due and other service fee received in advance are recorded as deferred income.

#### 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 values based on professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the 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 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.

On the disposal of an investment property, the balance on the property revaluation reserve attributable to the property disposed of is included in the determination of the gain or loss on disposal.

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

#### Hotel properties

Hotel properties comprise interests in land and buildings and their integral fixed plant which are collectively used in the operation of a hotel and are stated at their open market values based on professional valuations at the balance sheet date.

It is the Group's policy to maintain the hotel properties in such condition that their residual value is not currently diminished by the passage of time and that any element of depreciation is insignificant. Therefore, no depreciation charge is recognised in respect of its hotel properties. The related maintenance and repairs expenditure is charged to the income statement in the year in which it is incurred.

### 3. Significant Accounting Policies (continued)

#### Properties under development

Land and buildings in the course of development for sale, rental or administrative purposes or for purposes not yet determined are carried at cost less any impairment loss considered necessary by the Directors. Cost includes land costs, development costs, borrowing costs capitalised and other direct costs attributable to such properties.

Properties under development which are intended to be held for the long term for their investment potential are shown as non-current assets. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties under development which are intended to be held for sale will be treated as properties under development for sale and are shown as current assets.

#### 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.

All other borrowing costs are expensed in the period in which they are incurred.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

No depreciation is provided to write off the cost of properties under development. Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	Over the shorter of the term of the lease, or 50 years
Furniture and fixtures, motor vehicles and plant and machinery	20%

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

#### Investments in subsidiaries

A subsidiary is an enterprise controlled by the Company.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### 3. Significant Accounting Policies (continued)

#### Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in its financial and operating policy decisions.

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.

#### Other investments

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

Where securities are held for trading purposes, unrealised gains or losses are included in net profit or loss for the period. Investments in securities acquired other than for trading purposes are stated at fair value at the subsequent reporting dates. Unrealised gains and losses arising on investments acquired other than for trading purposes are dealt with in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

Unlisted investments are accounted for as fixed return investments where the income to be derived from such interests is predetermined in accordance with the provisions of the relevant agreements. Such investments are initially recorded at cost. Payments receivable each year under the relevant agreements are apportioned between income and the reduction of the carrying value of the investments so as to give a constant periodic rate of return on the net investment.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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 losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that other accounting standard.

### 3. Significant Accounting Policies (continued)

#### Impairment (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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 accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

#### Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions or at contracted settlement rates. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement. Gains and losses arising on the translation of foreign currency borrowings used to finance net investments in overseas operations are taken directly to the exchange translation reserve.

On consolidation, the financial statements of overseas operations which are denominated in currencies other than the Hong Kong dollar 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 on consolidation, if any, are classified as equity and transferred to the Group's exchange translation reserve. Such translation difference are recognised as income or as expenses in the period in which the operation is disposed of.

#### Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the 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 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 of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

### 3. Significant Accounting Policies (continued)

#### Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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.

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 profit 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 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.

#### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant leases.

#### Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

### 4. Business and Geographical Segments

#### Business segments

For management purposes, the Group is currently organised into the following operations:

- |                     |   |  |
|---------------------|---|--|
| Property investment | – | income from leasing of properties and properties held for investment potential.  |
| Hotel operation     | – | hotels and furnished apartments operations.  |
| Other operations    | – | property development, sales of building materials, restaurant operation, provision of property management, maintenance and agency services, provision of insurance agency services and fitness centre operation. |

These operations are the basis on which the Group reports its primary segment information.

## 4. Business and Geographical Segments (continued)

### Business segments (continued)

Segment information about these businesses is presented below:

#### 2004

	Property investment HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
External sales	631,117	1,905,281	198,280	–	2,734,678
Inter-segment sales	28,928	–	26,056	(54,984)	–
<b>Total revenue</b>	<b>660,045</b>	<b>1,905,281</b>	<b>224,336</b>	<b>(54,984)</b>	<b>2,734,678</b>
Inter-segment sales are charged at a mutually agreed price.					
<b>RESULTS</b>					
Segment results	574,409	339,034	28,193		941,636
Unallocated corporate expenses					(74,960)
Profit from operations					866,676
Finance costs					(404,277)
Share of results of associates	79	–	7,355		7,434
Profit before taxation					469,833
Taxation					(140,349)
Profit after taxation					329,484



#### 4. Business and Geographical Segments (continued)

##### 2004 (continued)

##### Other Information

	Property investment HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
Capital expenditure	1,579,908	519,793	12,274	2,111,975
Depreciation	29	11,409	6,954	18,392
Non-cash expenses other than depreciation	14,834	31,826	1,272	47,932

##### Balance Sheet

	Property investment HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>				
Segment assets	25,546,845	12,224,743	147,428	37,919,016
Interests in associates	872	–	21,015	21,887
Unallocated corporate assets				91,378
Consolidated total assets				38,032,281
<b>LIABILITIES</b>				
Segment liabilities	769,793	561,943	95,943	1,427,679
Unallocated corporate liabilities				17,937,957
Consolidated total liabilities				19,365,636

#### 4. Business and Geographical Segments (continued)

2003

	Property investment HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	725,346	1,518,603	186,227	–	2,430,176
Inter-segment sales	25,932	–	24,255	(50,187)	–
Total revenue	751,278	1,518,603	210,482	(50,187)	2,430,176

Inter-segment sales are charged  
at a mutually agreed price.

#### RESULTS

Segment results	601,509	327,951	26,595		956,055
Unallocated corporate expenses					(79,816)
Profit from operations					876,239
Finance costs					(329,782)
Share of results of associates	308	–	(1,060)		(752)
Profit before taxation					545,705
Taxation					(194,548)
Profit after taxation					351,157

**4. Business and Geographical Segments (continued)**

2003 (continued)

**Other Information**

	Property investment HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
Capital expenditure	22,750	57,386	1,799,929	1,880,065
Depreciation	23	150	4,995	5,168
Non-cash expenses other than depreciation	11,259	4,741	2,013	18,013

**Balance Sheet**

	Property investment HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>				
Segment assets	12,327,053	8,967,633	9,783,311	31,077,997
Interests in associates	1,002	–	7,787	8,789
Unallocated corporate assets				64,648
Consolidated total assets				31,151,434
<b>LIABILITIES</b>				
Segment liabilities	130,795	260,806	257,116	648,717
Unallocated corporate liabilities				16,233,067
Consolidated total liabilities				16,881,784

#### 4. Business and Geographical Segments (continued)

##### Geographical segments

A geographical analysis of the Group's turnover and contribution to profit from operations, by geographical market, is as follows:

	2004		2003	
	Turnover HK\$'000	Contribution to profit from operations HK\$'000	Turnover HK\$'000	Contribution to profit from operations HK\$'000
Hong Kong	1,204,802	496,519	1,068,811	505,896
North America	849,590	259,267	742,142	188,948
Europe	331,994	46,990	305,857	100,860
Asia Pacific, other than Hong Kong	348,292	63,900	313,366	80,535
	2,734,678	866,676	2,430,176	876,239

An analysis of the carrying amount of segment assets and additions to fixed assets by the geographical area in which the assets are located is as follows:

	Carrying amount of segment assets		Additions to fixed assets	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	30,160,489	23,957,525	1,879,124	1,847,153
North America	4,073,977	3,790,493	28,981	27,116
Europe	2,470,024	2,153,762	189,313	5,796
Asia Pacific, other than Hong Kong	1,214,526	1,176,217	14,557	–
	37,919,016	31,077,997	2,111,975	1,880,065

**5. Other Operating Income**

	2004 HK\$'000	2003 HK\$'000
Included in other operating income are:		
Dividends received from unlisted investments	292	585
Dividends received from listed investments	589	572
Gain on disposal of listed investments	2,549	–
Gain on disposal of fixed assets	48	–
Interest income	12,666	12,855
Service income	–	6,682
Net exchange gain	–	637

**6. Profit from Operations**

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Allowance for doubtful debts	2,537	2,013
Auditors' remuneration	4,464	3,925
Depreciation on fixed assets	18,392	5,168
Fitting-out works of investment and hotel properties written off	45,395	16,000
Net exchange loss	752	–
Operating lease payments on rented premises	2,341	2,293
Staff costs, including directors' emoluments	760,649	623,074
and after crediting:		
Rental income from investment properties less related outgoings of HK\$152,022,000 (2003: HK\$118,827,000)	479,095	606,519

## 7. Finance Costs

	2004 HK\$'000	2003 HK\$'000
Interest on bank borrowings not wholly repayable within five years	3,495	22,377
Interest on bank borrowings wholly repayable within five years	426,810	370,843
Interest on other loan not wholly repayable within five years	22,164	–
Interest on other loans wholly repayable within five years	71,774	101,493
Other borrowing costs	11,898	44,400
Total borrowing costs	536,141	539,113
Less: Amount capitalised to property under development	(131,864)	(209,331)
	404,277	329,782

## 8. Directors' and Employees' Emoluments

### Directors' Emoluments

	2004 HK\$'000	2003 HK\$'000
Fees:		
Directors	180	180
Independent Non-Executive Directors	40	47
	220	227
Other emoluments:		
Directors		
Salaries and other benefits	12,258	11,792
Retirement schemes contributions	340	348
	12,598	12,140
	12,818	12,367

## 8. Directors' and Employees' Emoluments (continued)

### Directors' Emoluments (continued)

Mr. CHENG Hoi Chuen, Vincent, an Independent Non-executive Director, has waived his director's fee with effect from the financial year 1998. Save as afore-mentioned, none of the Directors have waived their rights to receive their emoluments.

	2004 Number of Directors	2003 Number of Directors
Bands:		
Nil – HK\$1,000,000	7	8
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$3,000,001 – HK\$3,500,000	2	–
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$4,500,001 – HK\$5,000,000	–	1
	12	13

### Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2003: two) were Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2003: three) individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	5,075	6,894
Retirement schemes contributions	201	288
	5,276	7,182

  

	2004 Number of employees	2003 Number of employees
Bands:		
HK\$2,000,001 – HK\$2,500,000	1	2
HK\$2,500,001 – HK\$3,000,000	1	1
	2	3

## 9. Taxation

	2004 HK\$'000	2003 HK\$'000
Current taxation:		
Current year:		
Hong Kong Profits Tax	51,276	66,313
Other jurisdictions	43,988	6,763
	95,264	73,076
Under(over) provision in prior years:		
Hong Kong Profits Tax	277	416
Other jurisdictions	(196)	(5,913)
	81	(5,497)
Deferred taxation (note 21):		
Current year	45,857	105,395
Attributable to changes in tax rates	(891)	36,639
	44,966	142,034
Taxation attributable to the Company and its subsidiaries	140,311	209,613
Share of taxation attributable to associates		
Current year	38	35
Overprovision in prior years	–	(15,100)
	38	(15,065)
	140,349	194,548



**9. Taxation (continued)**

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of estimated assessable profit for the year.

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

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

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	469,833	545,705
Tax at the domestic income tax rate of 17.5% (2003: 17.5%)	82,221	95,498
Tax effect of expenses that are not deductible in determining taxable profit	14,709	14,499
Tax effect of income that is not taxable in determining taxable profit	(13,690)	(1,971)
Under(over) provision in prior years	81	(5,497)
(Decrease) increase in opening deferred tax liabilities resulting from changes in applicable tax rates	(891)	36,639
Tax effect of share of result of associates	38	(15,065)
Tax effect of tax losses not recognised	35,673	29,855
Utilisation of tax losses previously not recognised	(14,493)	(8,448)
Effect of different tax rates of subsidiaries operating in other jurisdictions	28,688	40,283
Others	8,013	8,755
Tax charge for the year	140,349	194,548

## 10. Dividends

	2004 HK\$'000	2003 HK\$'000
Interim dividend at HK3.5 cents per share on 589,649,397 shares (2003: HK3 cents per share on 584,305,540)	20,638	17,529
Proposed final dividend at HK13 cents per share on 590,896,397 shares (2003: HK10 cents per share on 584,409,540)	76,816	58,441
	97,454	75,970

A final dividend in respect of 2004 at HK13 cents per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 11. Earnings Per Share

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

	2004 HK\$'000	2003 HK\$'000
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share	312,186	332,877
	2004	2003
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share	587,368,774	583,697,084
Effect of dilutive potential shares:		
Share options	1,413,347	225,470
Weighted average number of shares for the purpose of diluted earnings per share	588,782,121	583,922,554

The computation of diluted earnings per share for 2003 does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options are higher than the average market prices of the Company's shares for that year.

## 12. Fixed Assets

	Investment properties HK\$'000	Hotel properties HK\$'000	Property under development HK\$'000	Land and buildings situated in Hong Kong HK\$'000	Furniture and fixture HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
<b>THE GROUP</b>								
COST/VALUATION								
At 1st January 2004	12,018,517	8,497,826	9,603,944	44	76,114	4,867	3,793	30,205,105
Exchange adjustments	2,777	317,914	-	-	1	-	-	320,692
Additions	200,574	66,548	1,776,236	-	68,030	570	17	2,111,975
Transfer in (out)	8,837,055	2,543,125	(11,380,180)	-	-	-	-	-
Disposals/written off	(183,107)	(29,927)	-	-	(1,139)	(567)	-	(214,740)
Disposal of subsidiaries	(124,200)	-	-	-	-	-	-	(124,200)
Revaluation increase	3,732,307	260,250	-	-	-	-	-	3,992,557
At 31st December 2004	24,483,923	11,655,736	-	44	143,006	4,870	3,810	36,291,389
DEPRECIATION								
At 1st January 2004	-	-	-	10	63,795	4,055	3,058	70,918
Exchange adjustments	-	-	-	-	1	-	-	1
Charge for the year	-	-	-	-	17,694	492	206	18,392
Eliminated on disposal	-	-	-	-	(1)	(567)	-	(568)
At 31st December 2004	-	-	-	10	81,489	3,980	3,264	88,743
NET BOOK VALUES								
At 31st December 2004	24,483,923	11,655,736	-	34	61,517	890	546	36,202,646
At 31st December 2003	12,018,517	8,497,826	9,603,944	34	12,319	812	735	30,134,187
Represented by:								
At cost less depreciation	-	-	-	34	61,517	890	546	62,987
At valuation	24,483,923	11,655,736	-	-	-	-	-	36,139,659
	24,483,923	11,655,736	-	34	61,517	890	546	36,202,646

## 12. Fixed Assets (continued)

- (a) Investment and hotel properties were revalued at 31st December 2004 on an open market value basis by independent professional property valuers, as follows:

Investment and hotel properties in Hong Kong – Chesterton Petty Ltd.

Investment and hotel properties in the United Kingdom – Chesterton Plc.

Hotel properties in Canada – Colliers International Realty Advisors Inc.

Hotel properties in Australia – CB Richard Ellis (V) Pty Ltd.

Hotel properties in New Zealand – CB Richard Ellis Hotels & Leisure Ltd.

Investment properties in the United States of America ("USA") – Cushman & Wakefield of California, Inc.

Hotel properties in the USA – HVS International

The above-mentioned valuations have been adopted by the Directors in these financial statements and the revaluation increase arising on revaluation has been credited to the property revaluation reserve.

- (b) The carrying amount of investment properties includes land situated in Hong Kong and outside of Hong Kong as follows:

	2004 HK\$'000	2003 HK\$'000
Long leases in Hong Kong	1,640,260	1,446,420
Medium-term leases in Hong Kong	21,197,500	8,887,200
Freehold land outside Hong Kong	1,646,163	1,684,897
	24,483,923	12,018,517

- (c) The carrying amount of hotel properties includes land situated in Hong Kong and outside of Hong Kong as follows:

	2004 HK\$'000	2003 HK\$'000
Long leases in Hong Kong	373,000	337,000
Medium-term leases in Hong Kong	5,784,482	3,323,000
Freehold land outside Hong Kong	5,498,254	4,837,826
	11,655,736	8,497,826

**12. Fixed Assets (continued)**

- (d) Land and buildings are situated in Hong Kong and held under medium-term leases.
- (e) Property under development

The property under development as at 31st December 2003 represented property situated in Hong Kong held under a medium-term lease.

Included in property under development as at 31st December 2003 are borrowing costs capitalised of approximately HK\$2,225,260,000.

The effective interest rate capitalised for the project during the year ended 31st December 2004 was 2.6% (2003: 2.9%).

**13. Interests in Subsidiaries**

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	1,572,734	1,572,734
Amounts due from subsidiaries	3,994,070	4,024,452
	5,566,804	5,597,186

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment term. The Company has agreed not to demand repayment within twelve months from the balance sheet date and, accordingly, the amounts have been classified as non-current assets.

Particulars regarding the principal subsidiaries are set out in note 32.

## 14. Interests in Associates

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets:		
Unlisted associates	(1,669)	1,352
Listed associate	11,179	294
Amount due from an associate	12,377	7,143
	21,887	8,789
Market value of listed securities	28,352	3,974

The Group has agreed to make good the losses incurred by certain associates in full and, accordingly, the interest in associates includes the Group's share of the net liabilities of certain associates.

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms. The Group has agreed not to demand repayment within 12 months from the balance sheet date and, accordingly, the amount has been classified as a non-current asset.

Particulars regarding the principal associates are set out in note 33.

## 15. Other Investments

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Fixed return investment in other regions of the People's Republic of China, unlisted	–	3,882
Not-for-trading securities		
Unlisted in Hong Kong	246	246
Listed in Hong Kong	15,028	20,312
	15,274	20,558
	15,274	24,440
Market value of listed securities	15,028	20,312

**16. Pledged Bank Deposits**

The pledged deposits have been placed in designated banks as part of the securities provided for long-term facilities granted to the Group.

**17. Inventories**

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Completed properties held for sale	42	42
Raw materials	25,451	32,159
Provisions and beverages	19,314	14,999
Work-in-progress	38,564	18,873
	83,371	66,073

Included above are raw materials of HK\$1,477,000 (2003: HK\$1,477,000) carried at net realisable value.

**18. Trade Debtors**

The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30–60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The aged analysis of trade debtors is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 – 3 months	147,643	129,185
3 – 6 months	6,385	17,454
Over 6 months	7,013	13,141
	161,041	159,780

## 19. Trade Creditors

The aged analysis of trade creditors is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 – 3 months	157,165	157,985
3 – 6 months	4,024	1,344
Over 6 months	2,327	2,616
	163,516	161,945

## 20. Borrowings

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Bank overdrafts (unsecured)	28,524	1,093
Bank loans and revolving loans (secured)	14,847,061	13,082,943
Bills payable	1,043	4,173
Other non-current loans (secured)	1,594,772	1,740,104
	16,471,400	14,828,313
The maturity of the above loans and overdrafts is as follows:		
On demand or within one year	1,714,234	1,544,706
More than one year but not exceeding two years	1,357,695	1,452,131
More than two years but not exceeding five years	12,760,471	10,731,476
More than five years	639,000	1,100,000
	16,471,400	14,828,313
Less: Amounts due within one year shown under current liabilities	(1,714,234)	(1,544,706)
Amounts due after one year	14,757,166	13,283,607



## 20. Borrowings (continued)

Secured bank loans include a loan of HK\$3,100 million (2003: HK\$3,150 million) obtained from a syndicate of banks by an indirect subsidiary in which the Group has a 85.93% (2003: 85.93%) interest.

Other non-current loans bear interest at various rates and are repayable by instalments.

## 21. Deferred Taxation

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

### THE GROUP

	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1st January 2003	772,102	252,626	(202,680)	265,717	1,087,765
Exchange differences	51,113	15,958	(18,586)	65	48,550
Charge (credit) to income for the year	102,854	–	(17,884)	20,425	105,395
Credit to equity for the year	–	(12,048)	–	–	(12,048)
Effect of changes in tax rates					
– charge (credit) to income statement	22,463	–	(12,334)	26,510	36,639
– charge to equity	–	5,901	–	–	5,901
At 31st December 2003	948,532	262,437	(251,484)	312,717	1,272,202
Exchange differences	30,492	10,938	(9,076)	(22)	32,332
Charge (credit) to income for the year	240,827	–	(203,841)	8,871	45,857
Credit to equity for the year	–	(9,867)	–	–	(9,867)
Released upon disposal	(1,033)	–	207	–	(826)
Effect of changes in tax rates					
– credit to income statement	(891)	–	–	–	(891)
– credit to equity	–	(934)	–	–	(934)
At 31st December 2004	1,217,927	262,574	(464,194)	321,566	1,337,873

At the balance sheet date, the Group has unutilised tax losses of HK\$3,150,364,000 (2003: HK\$1,870,461,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$2,312,284,000 (2003: HK\$1,157,637,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$838,080,000 (2003: HK\$712,824,000) due to the unpredictability of future profit streams.

## 22. Share Capital

	2004		2003	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
(a) Authorised:				
<i>Shares of HK\$0.50 each</i>				
Balance brought forward and carried forward	800,000	400,000	800,000	400,000
(b) Issued and fully paid:				
<i>Shares of HK\$0.50 each</i>				
Balance brought forward	584,305	292,153	582,978	291,489
Issued upon exercise of share options under the Share Option Scheme	769	385	15	8
Issued as scrip dividends	4,691	2,345	1,312	656
Balance carried forward	589,765	294,883	584,305	292,153

During the year, 4,690,857 shares (2003: 1,312,389 shares) of HK\$0.50 each in the Company were issued at HK\$9.52 (2003: HK\$3.78) per share as scrip dividends.

## 23. Reserves

	Notes	THE GROUP		THE COMPANY	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Share premium	(a)	3,185,119	3,137,043	3,185,119	3,137,043
Property revaluation reserve	(b)	6,727,752	2,942,485	–	–
Investment revaluation reserve	(c)	5,264	7,113	–	–
Capital redemption reserve		1,650	1,650	1,650	1,650
Contributed surplus	(d)	402,540	402,540	426,203	426,203
Exchange translation reserve	(e)	214,977	105,174	–	–
Retained profits	(f)	7,132,989	6,899,932	1,658,629	1,739,841
		17,670,291	13,495,937	5,271,601	5,304,737

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to approximately HK\$2,084,832,000 (2003: HK\$2,166,044,000).

Notes:

**(a) Share premium**

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Balance brought forward	3,137,043	3,132,685	3,137,043	3,132,685
Premium on issue of shares	48,134	4,402	48,134	4,402
Expenses on share issue	(58)	(44)	(58)	(44)
Balance carried forward	3,185,119	3,137,043	3,185,119	3,137,043

## 23. Reserves (continued)

### (b) Property revaluation reserve

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Balance brought forward	2,942,485	3,336,011	–	–
Exchange adjustments	32,340	41,000	–	–
Revaluation increase (decrease) during the year	3,785,818	(424,715)	–	–
Released upon disposal of property investment subsidiaries	(17,394)	–	–	–
Released upon disposal of an investment property	(15,360)	–	–	–
Deferred tax effect arising on revaluation of properties	(137)	(9,811)	–	–
Balance carried forward	6,727,752	2,942,485	–	–

### (c) Investment revaluation reserve

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Balance brought forward	7,113	(1,424)	–	–
Revaluation increase during the year	557	8,537	–	–
Released upon disposal	(2,406)	–	–	–
Balance carried forward	5,264	7,113	–	–

### (d) Contributed surplus

Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. Under the Bermuda Companies Act, the contributed surplus of the Company is available for distribution to shareholders.

**23. Reserves (continued)****(e) Exchange translation reserve**

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Balance brought forward	105,174	(58,670)	–	–
Net exchange adjustment on translation of overseas investments	109,803	163,844	–	–
Balance carried forward	214,977	105,174	–	–

**(f) Retained profits**

	THE GROUP HK\$'000	THE COMPANY HK\$'000
Balance at 1st January 2003	6,642,882	1,818,081
Profit (loss) for the year	332,877	(2,413)
Dividends paid	(75,827)	(75,827)
Balance at 31st December 2003	6,899,932	1,739,841
Profit (loss) for the year	312,186	(2,083)
Dividends paid	(79,129)	(79,129)
Balance at 31st December 2004	7,132,989	1,658,629

The retained profits of the Group included HK\$19,905,000 (2003: HK\$14,691,000) retained by associates of the Group.

## 24. Disposal of Property Investment Subsidiaries

During the year ended 31st December 2004, the Group had disposed of its subsidiaries, Bright View Holdings Limited and Capital Win Development Limited. The net assets of these subsidiaries at the date of disposal were as follows:

	2004 HK\$'000	2003 HK\$'000
NET ASSETS DISPOSED OF:		
Fixed assets	124,200	—
Debtors, deposits and prepayments	1,027	—
Creditors, deposits and accruals	(1,444)	—
Provision for taxation	(24)	—
Deferred taxation	(826)	—
Property revaluation reserve released upon disposal	(17,394)	—
	105,539	—
Gain on disposal of property investment subsidiaries	69,256	—
Total consideration	174,795	—
Satisfied by:		
Cash	174,795	—
Cash inflow arising on disposal:		
Cash consideration	174,795	—

The subsidiaries disposed of during the year contributed approximately HK\$3,671,000 to the Group's turnover and approximately HK\$3,143,000 to the Group's profit from operations. The subsidiaries disposed of during the year had no significant impact on cash flows of the Group.

## 25. Major Non-cash Transaction

During the year, 4,690,857 (2003: 1,312,389) shares of HK\$0.50 each in the Company were issued at HK\$9.52 (2003: HK\$3.78) per share as scrip dividends.

## 26. Share Option Scheme

In accordance with the Company's Great Eagle Holdings Limited Share Option Scheme (formerly Executive Share Option Scheme) (the "Scheme"), which was adopted pursuant to an ordinary resolution passed on 10th June 1999 and amended by an ordinary resolution passed on 20th December 2001, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

### Summary of the Scheme

- a. The purpose of the Scheme is to motivate officers, employees, associates, agents and contractors of the Company or any subsidiary (the "Participants") and to allow them to participate in the growth of the Company.
- b. Participants of the Scheme include any person the Board may select to be offered an option, subject to compliance with applicable laws, including, without limitation, any full-time or part-time employee of the Company or any subsidiary, any executive or non-executive director of the Company or any subsidiary and any associate, agent or contractor of the Company or any subsidiary.
- c. The maximum number of shares of HK\$0.50 each of the Company (the "Shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme, when aggregated with any number of Shares subject to any other schemes, will be such number of Shares as shall represent 10% of the issued share capital of the Company on the date of adoption of the Scheme. The total number of Shares available for issue under the Scheme is 54,636,853 Shares, representing 9.25% of the Company's issued share capital as at 7th March 2005, the latest practicable date before the approval of these financial statements.
- d. No option may be granted to any one Participant under the Scheme which, if exercised in full, would result in the total number of Shares already issued and issuable to him under all the options previously granted and to be granted to him in any 12-month period up to the proposed date of the latest grant exceeding 1% of the Company's Shares in issue.
- e. The period within which the Shares must be taken up under an option is 36 months commencing on the expiry of 24 months after the date upon which the option is deemed to be granted and accepted and expiring on the last day of the 36 months' period.
- f. The minimum period within which an option must be held before it can be exercised is the 24 months referred to in paragraph (e) above.
- g. Any Participant who accepts an offer of the grant of an option in accordance with the terms of the Scheme shall pay to the Company HK\$1.00 by way of consideration for the grant thereof within a period of 28 days from the date on which an option is offered to the Participant.

## 26. Share Option Scheme (continued)

- h. The subscription price, the price per Share at which a grantee may subscribe for Shares on the exercise of an option, shall be the higher of (i) the last dealt price of the Shares quoted in the Stock Exchange daily quotations sheets on the date of offer of an option, which must be a business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange), and (ii) the average of the last dealt prices of the Shares quoted in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the said offer date, provided that the subscription price shall in no event be less than the nominal value of a Share.
- i. The Scheme has a life of 10 years and will expire on 10th June 2009.

The following table discloses details of the Company's share options held by employees and movements in such holdings during the year:

In 2004 Year of grant of options	Number of shares					Outstanding options at 31st December 2004
	Outstanding options at 1st January 2004	Options granted	Options exercised	Options cancelled	Options lapsed at 12th March 2004	
1999	494,000	–	(484,000)	–	(10,000)	–
2000	711,000	–	(105,000)	(6,000)	–	600,000
2001	1,065,000	–	(46,000)	(6,000)	–	1,013,000
2002	964,000	–	(134,000)	(6,000)	–	824,000
2003	986,000	–	–	(13,000)	–	973,000
2004	–	1,210,000	–	(9,000)	–	1,201,000
	4,220,000	1,210,000	(769,000)	(40,000)	(10,000)	4,611,000



**26. Share Option Scheme (continued)**

In 2003 Year of grant of options	Number of shares					Outstanding options at 31st December 2003
	Outstanding options at 1st January 2003	Options granted	Options exercised	Options cancelled	Options lapsed at 22nd January 2003	
1998	1,611,000	–	–	–	(1,611,000)	–
1999	509,000	–	(15,000)	–	–	494,000
2000	711,000	–	–	–	–	711,000
2001	1,067,000	–	–	(2,000)	–	1,065,000
2002	970,000	–	–	(6,000)	–	964,000
2003	–	996,000	–	(10,000)	–	986,000
	4,868,000	996,000	(15,000)	(18,000)	(1,611,000)	4,220,000

Details of the share options held by the directors included in the above table are as follows:

**In 2004**

Year of grant of options	Number of shares				
	Outstanding options at 1st January 2004	Options granted	Options exercised	Options lapsed at 12th March 2004	Outstanding options at 31st December 2004
1999 – 2004	2,605,000	700,000	(385,000)	–	2,920,000

**In 2003**

Year of grant of options	Number of shares				
	Outstanding options at 1st January 2003	Options granted	Options exercised	Options lapsed at 22nd January 2003	Outstanding options at 31st December 2003
1998 – 2003	3,405,000	550,000	–	(1,350,000)	2,605,000

## 26. Share Option Scheme (continued)

The options were exercised during the year and the weighted average market price of the shares on the exercise date was HK\$14.

Details of Options granted in each year are as follows:

Year	Date of grant	Vesting period	Exercise period	Subscription price per share (HK\$)
1998	22/1/1998	22/1/1998 – 22/1/2003	23/1/2000 – 22/1/2003	6.912
1999	12/3/1999	12/3/1999 – 12/3/2004	13/3/2001 – 12/3/2004	7.020
2000	14/2/2000	14/2/2000 – 14/2/2005	15/2/2002 – 14/2/2005	10.116
2001	16/1/2001	16/1/2001 – 16/1/2006	17/1/2003 – 16/1/2006	13.392
2002	28/1/2002	28/1/2002 – 28/1/2007	29/1/2004 – 28/1/2007	8.440
2003	10/2/2003	10/2/2003 – 10/2/2008	11/2/2005 – 10/2/2008	4.625
2004	16/3/2004	16/3/2004 – 16/3/2009	17/3/2006 – 16/3/2009	13.550

Notes:

- (i) Options granted in 1998 and 1999 were granted under the previous scheme which expired on 16th March 1999. Options granted in 2000 to 2004 were granted under the Scheme of the Company adopted on 10th June 1999.
- (ii) Consideration paid for each grant of an option was HK\$1.00.
- (iii) No charge is recognised in the income statement in respect of the value of options granted during the year.

## 27. Retirement Benefit Schemes

The Group has established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group operates several defined contribution schemes for qualifying employees. The schemes are registered under the Occupational Retirement Schemes Ordinance. The assets of the schemes are administered by independent third parties and are held separately from the Group's assets. The schemes are funded by contributions from both employees and employers at rates ranging from 5% to 10% of the employee's basic monthly salary. Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and custom.

The Occupational Retirement Scheme in Hong Kong had been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by The Government of the Hong Kong Special Administrative Region in 2000.

## 27. Retirement Benefit Schemes (continued)

From 1st December 2000 onwards, new staff in Hong Kong joining the Group are required to join the new Mandatory Provident Fund Scheme. The Group is required to contribute 5% to 10%, while the employees are required to contribute 5% of their salaries to the Scheme.

Forfeited contributions to retirement schemes for the year ended 31st December 2004 amounting to approximately HK\$826,000 (2003: HK\$988,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31st December 2004 charged to the income statement amounted to approximately HK\$29,401,000 (2003: HK\$24,989,000). As at 31st December 2004, contributions of approximately HK\$1,256,000 (2003: HK\$1,923,000) due in respect of the year had not been paid over to the schemes.

## 28. Pledge of Assets

At 31st December 2004, the Group's properties with a total carrying value of approximately HK\$35,941,000,000 (2003: HK\$30,092,000,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and deposits of approximately HK\$3,604,000 (2003: HK\$3,600,000) were mortgaged or pledged to secure credit facilities granted to the Group.

## 29. Commitments and Contingent Liabilities

### The Group

At 31st December 2004, the Group had authorised capital expenditure not provided for in these financial statements amounting to approximately HK\$33,625,000 (2003: HK\$31,305,000) of which approximately HK\$18,821,000 (2003: HK\$8,773,000) was contracted for.

At 31st December 2003, the Group had estimated expenditure in respect of property under development not provided for in these financial statements amounting to approximately HK\$1,407,340,000 of which approximately HK\$1,094,375,000 was contracted for.

### The Company

At 31st December 2004, the Company had issued corporate guarantees to certain banks and financial institutions in respect of credit facilities drawn by its subsidiaries amounting to approximately HK\$13,445,590,000 (2003: HK\$11,624,621,000).

Other than set out above, the Group and the Company did not have any significant commitments and contingent liabilities at 31st December 2004.

### 30. Operating Lease Arrangements

#### The Group as lessor

Property rental income earned during the year was HK\$631,117,000 (2003: HK\$725,346,000). The properties held had committed leases typically running for one to ten years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties which fall due as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	773,061	484,020
In the second to fifth years inclusive	1,544,359	604,553
After five years	265,897	37,926
	2,583,317	1,126,499

Certain future minimum lease payments are calculated based on the estimated market rent to be received from the contracted tenants during specified time intervals of the contracted period as stipulated in the lease agreement.

#### The Group as lessee

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	1,446	1,645
In the second to fifth years inclusive	466	393
	1,912	2,038

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for term of one to three years and rental are fixed over the respective leases.

### 31. Related Party Transactions

The Group had the following significant related party transactions during the year and balances at the balance sheet date with certain companies in which some shareholders and directors of the Company have beneficial interests. The transactions were carried out in the normal course of the Group's business on terms mutually agreed between the parties.

	2004 HK\$'000	2003 HK\$'000
Transactions for the year ended 31st December		
Trading income	2,355	1,804
Rental income	1,670	1,670
Management fee received	240	240
Rental charges paid for Director's accommodation	2,400	2,400
Cost and expenses incurred for super-structural works	768,016	1,401,937
Balances as at 31st December		
Amount due from an associate (see note 14)	12,377	7,143
Debtors, deposits and prepayments		
– Related parties	3,543	3,437
Creditors, deposits and accruals		
– Related parties	76,202	123,673
– Associates	–	275

### 32. Particulars of the Principal Subsidiaries

Details of the Company's principal subsidiaries at 31st December 2004 are set out below:

Direct subsidiary	Issued and paid up equity share capital	Principal activity	Percentage of issued equity share capital held by the Company
– incorporated and operating in the British Virgin Islands:			
Jolly Trend Limited	2 shares of US\$1 each	Investment holding	100%

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong:			
Bon Project Limited	2 shares of HK\$1 each	Property investment	100%
Chance Mark Limited	2 shares of HK\$1 each	Property investment	100%
Clever Gain Investment Limited	2 shares of HK\$1 each	Restaurant operation	100%
CP (Portion A) Limited	2 shares of HK\$1 each	Property investment	100%
CP (Portion B) Limited	2 shares of HK\$1 each	Property investment	100%
Ease Billion Development Limited	2 shares of HK\$1 each	Property investment	100%
Easy Wealth Limited	2 shares of HK\$1 each	Property investment	100%
Eaton House International Limited	2 shares of HK\$10 each	Management of furnished apartments	100%

**32. Particulars of the Principal Subsidiaries (continued)**

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
Fortuna Wealth Company Limited	2 shares of HK\$1 each	Property investment	100%
G E Advertising Agency Limited	2 shares of HK\$1 each	Advertising agency	100%
Gold Epoch Investment Limited	2 shares of HK\$1 each	Property investment	100%
Grow On Development Limited	5,000 shares of HK\$1 each	Hotel ownership and operation	100%
Harvest Star International Limited	2 shares of HK\$1 each	Hotel ownership and operation	100%
Keysen Engineering Company, Limited	2 shares of HK\$1 each	Maintenance services	100%
Langham Hotels International Limited	2 shares of HK\$1 each	Hotel management	100%
Longworth Management Limited	10,000 shares of HK\$1 each	Property management	100%
Million Prime Company Limited	2 shares of HK\$1 each	Property investment	100%
Moon Yik Company, Limited	10,000,000 shares of HK\$1 each	Property investment	100%
Panhy Limited	2 shares of HK\$1 each	Property investment	100%
Renaissance City Development Company Limited	2 shares of HK\$10 each	Property investment and hotel ownership and operation	100%
Selex Properties Management Company, Limited	2 shares of HK\$1 each	Property management	100%
Strong Dynamic Limited	2 shares of HK\$1 each	Fitness centre operation	100%
The Great Eagle Company, Limited	2,000,000 shares of HK\$0.5 each	Investment holding	100%

### 32. Particulars of the Principal Subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
The Great Eagle Development and Project Management Limited	2 shares of HK\$10 each	Project management	100%
The Great Eagle Engineering Company Limited	2 shares of HK\$1 each	Maintenance services	100%
The Great Eagle Estate Agents Limited	2 shares of HK\$10 each	Real estate agency	100%
The Great Eagle Finance Company, Limited	100,000 shares of HK\$100 each	Financing	100%
The Great Eagle Insurance Company, Limited	1,000 shares of HK\$1 each	Insurance agency	100%
The Great Eagle Properties Management Company, Limited	100,000 shares of HK\$1 each	Property management	100%
Toptech Co. Limited	600,000 shares of HK\$1 each	Trading of building materials	100%
Venus Glory Company Limited	2 shares of HK\$1 each	Property investment	100%
Well Charm Development Limited	2 shares of HK\$1 each	Property investment	100%
Worth Bright Company Limited	2 shares of HK\$1 each	Property investment	100%
Zamanta Investments Limited	100 shares of HK\$10 each	Property investment	100%
Maple Court Limited	2 shares of HK\$1 each	Property investment	85.93%
Missleton Finance Limited	1,000,000 shares of HK\$1 each	Financing	85.93%
Shine Hill Development Limited	1,000,000 shares of HK\$1 each	Property investment	85.93%



**32. Particulars of the Principal Subsidiaries (continued)**

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated in the British Virgin Islands and operating in United Kingdom:			
Great Eagle Hotels (UK) Limited	1 share of US\$1	Hotel ownership and operation and property investment	100%
– incorporated and operating in Canada:			
Great Eagle Hotels (Canada) Limited	10 common shares of C\$1 each	Hotel ownership and operation	100%
– incorporated in the British Virgin Islands and operating in Australia:			
Katesbridge Group Limited	1 share of US\$1	Investment holding	100%
– incorporated and operating in Australia:			
Southgate Hotel Management Pty. Ltd.	17,408 shares of A\$2 each	Hotel operation	100%
– incorporated in the British Virgin Islands and operating in New Zealand:			
Great Eagle Hotels (New Zealand) Limited	1 share of US\$1	Property investment	100%
– incorporated and operating in New Zealand:			
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	100%

### 32. Particulars of the Principal Subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in USA:			
EIH Properties Company – XX, LLC	US\$1,000	Property investment	100%
Pacific Dolphin Corporation	100 shares of no par value	Property investment	100%
Pacific Spear Corporation	100 shares of US\$0.001 each	Property investment	100%
Pacific Ygnacio Corporation	100 shares of no par value	Property investment	100%
Shorthills NJ, Inc.	100 shares of US\$1 each	Property investment	100%

Note: All these subsidiaries have no debt securities subsisting at the end of the year or at any time during the year.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

### 33. Particulars of the Principal Associates

Details of the Group's principal associates at 31st December 2004 are set out below:

Indirect associates	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Group
City Apex Limited	1,000 of US\$1 each	Investment holding	23%
Recruit Holdings Limited	272,500,000 of HK\$0.2 each	Investment holding and publishing	23.12%