

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation of the accounts

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

The HKICPA 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 1st January 2005.

The Group has not early adopted these new HKFRSs in its consolidated accounts for the year ended 31st 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.

(b) Basis of consolidation

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

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

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Goodwill

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

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

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

(d) Fixed assets

(i) Investment properties

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

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

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

(ii) Properties under development

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Fixed assets (Continued)

(iii) Other properties

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

(iv) Other fixed assets

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

(v) Depreciation

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

No depreciation is provided on properties under development.

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

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

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

(vi) Impairment and gain or loss on sale

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

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

1 **PRINCIPAL ACCOUNTING POLICIES (Continued)**

(e) Investment securities

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

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

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

(f) Land and buildings for resale

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

(g) Inventories

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

(h) Trade debtors

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

(i) Cash and cash equivalents

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

(j) Provisions

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Revenue recognition

The Group recognises income on the following bases:

(i) Rental income

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

(ii) Agency commission and management fees

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

(iii) Dividend income

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

(iv) Income on sale of goods

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

(v) Income on sale of investments

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

(vi) Income on sale of properties

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

(vii) Interest income

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

(l) Retirement benefit obligations

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

1 **PRINCIPAL ACCOUNTING POLICIES (Continued)**

(m) Borrowing costs

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

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

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

(n) Operating leases

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

(i) Assets held for use in operating leases

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

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

(ii) Operating lease charges

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

(o) Translation of foreign currencies

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Deferred taxation

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

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

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

(q) Contingent liabilities and contingent assets

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

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

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

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

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

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

	2004	2003
	HK\$	HK\$
Turnover		
Continuing operations		
Property rental	155,357,421	167,119,035
Property sales	12,800,000	10,450,000
Property related services	8,687,645	9,940,013
Dividend Income	21,243,130	1,061,303
Sales of listed investments	—	11,320,109
	<u>198,088,196</u>	<u>199,890,460</u>
Discontinued operation		
Sales of golf related products	5,419,752	12,964,126
	<u>203,507,948</u>	<u>212,854,586</u>

- (b) Operating lease arrangement

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

As at 31st December 2004, the future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Not later than one year	124,703,000	135,366,000	9,429,000	8,118,000
Later than one year but not later than five years	120,685,000	130,130,000	10,433,000	2,122,000
Later than five years	13,565,000	19,865,000	—	—
	<u>258,953,000</u>	<u>285,361,000</u>	<u>19,862,000</u>	<u>10,240,000</u>

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

There are no sales between the geographical segments.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments

	2004					
	Continuing operations				Discontinued operation	
	Property rental	Property sales	Property related services	Other investments	Sales of golf related products	Group
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover						
Total revenue	155,357,421	12,800,000	13,016,462	21,243,130	5,419,752	207,836,765
Inter-segment revenue	—	—	(4,328,817)	—	—	(4,328,817)
External revenue	<u>155,357,421</u>	<u>12,800,000</u>	<u>8,687,645</u>	<u>21,243,130</u>	<u>5,419,752</u>	<u>203,507,948</u>
Segment results	<u>87,062,753</u>	<u>8,550,492</u>	<u>4,506,396</u>	<u>21,243,130</u>	<u>(11,463,119)</u>	<u>109,899,652</u>
Unallocated income						1,819,046
Unallocated costs						(36,253,988)
Operating profit						75,464,710
Finance costs						(15,415,596)
Profit before taxation						60,049,114
Taxation						(5,401,910)
Profit after taxation						54,647,204
Minority interests						(1,798,136)
Profit attributable to shareholders						<u>52,849,068</u>
Segment assets	2,187,724,691	115,927,509	8,593,671	42,945,032	1,391,925	2,356,582,828
Unallocated assets						193,871,302
Total assets						<u>2,550,454,130</u>
Segment liabilities	413,582,202	1,310,478	10,555,356	36,400	2,865,306	428,349,742
Unallocated liabilities						122,968,797
Minority interests						73,754,807
						<u>625,073,346</u>
Capital expenditure						
— segment	9,696,548	—	—	—	19,305	9,715,853
— unallocated						4,134,990
Depreciation and amortisation						
— segment	860,170	—	—	—	145,954	1,006,124
— unallocated						5,209,513
Impairment losses	—	—	—	—	905,564	905,564
Provisions	26,139	—	—	—	6,871,972	6,898,111
Net revaluation surplus credited to investment properties (taken to reserves)	212,943,662	—	—	—	—	212,943,662

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments

	2003					
	Continuing operations				Discontinued operation	
	Property rental	Property sales	Property related services	Other investments	Sales of golf related products	Group
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover						
Total revenue	167,119,035	10,450,000	13,083,236	12,381,412	12,964,126	215,997,809
Inter-segment revenue	—	—	(3,143,223)	—	—	(3,143,223)
External revenue	<u>167,119,035</u>	<u>10,450,000</u>	<u>9,940,013</u>	<u>12,381,412</u>	<u>12,964,126</u>	<u>212,854,586</u>
Segment results	<u>106,218,968</u>	<u>5,732,110</u>	<u>5,828,252</u>	<u>4,280,691</u>	<u>(14,390,859)</u>	<u>107,669,162</u>
Unallocated income						13,447,086
Unallocated costs						(40,326,328)
Operating profit						80,789,920
Finance costs						(19,396,660)
Profit before taxation						61,393,260
Taxation						(12,823,529)
Profit after taxation						48,569,731
Minority interests						(6,089,412)
Profit attributable to shareholders						<u>42,480,319</u>
Segment assets	1,975,285,509	115,510,663	9,009,815	36,888,983	9,958,722	2,146,653,692
Unallocated assets						197,740,075
Total assets						<u>2,344,393,767</u>
Segment liabilities	360,070,828	2,263,725	9,053,784	36,404	1,096,742	372,521,483
Unallocated liabilities						201,822,580
Minority interests						70,879,270
Deferred gain						1,819,046
						<u>647,042,379</u>
Capital expenditure						
— segment	14,171,863	—	—	—	603,119	14,774,982
— unallocated						2,489,801
Depreciation and amortisation						
— segment	941,037	—	—	—	2,050,960	2,991,997
— unallocated						4,666,111
Impairment losses	—	—	—	3,153,963	3,228,819	6,382,782
Provisions	45,673	—	—	—	2,602,942	2,648,615
Net revaluation deficit charged to investment properties (taken to reserves)	(128,732,431)	—	—	—	—	(128,732,431)

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format - geographical segments

	2004			
	Turnover	Segment results	Total assets	Capital expenditure
	HK\$	HK\$	HK\$	HK\$
Hong Kong				
Continuing operations	148,852,507	96,515,640	2,098,567,505	11,712,840
North America				
Continuing operations	49,235,689	24,847,131	450,494,700	2,118,698
Discontinued operation	5,419,752	(11,463,119)	1,391,925	19,305
	<u>203,507,948</u>	<u>109,899,652</u>	<u>2,550,454,130</u>	<u>13,850,843</u>
	2003			
	Turnover	Segment results	Total assets	Capital expenditure
	HK\$	HK\$	HK\$	HK\$
Hong Kong				
Continuing operations	149,089,311	95,816,037	2,003,759,537	16,275,464
North America				
Continuing operations	50,801,149	26,243,984	330,675,508	386,200
Discontinued operation	12,964,126	(14,390,859)	9,958,722	603,119
	<u>212,854,586</u>	<u>107,669,162</u>	<u>2,344,393,767</u>	<u>17,264,783</u>

3 DISCONTINUED OPERATION

On 21st June 2004, the Board of Directors of the Company passed a resolution approving the discontinuance of the business of Montgomery Golf Corporation ("MGC"), a wholly owned subsidiary company, which was incorporated in the United States. MGC's principal activity was the distribution and trading of golf related products.

The turnover, results, cash flows and net assets of MGC as reflected in the consolidated accounts are as follows:

	2004	2003
	HK\$	HK\$
Turnover	5,419,752	12,964,126
Cost of sales and other operating expenses	(9,105,335)	(21,523,224)
Impairment losses and provision	(7,777,536)	(5,831,761)
Loss for the year	<u>(11,463,119)</u>	<u>(14,390,859)</u>
Net operating cash (outflow)/inflow	(65,013)	167,957
Net investing cash outflow	<u>(19,305)</u>	<u>(608,907)</u>
Total net cash outflow	<u>(84,318)</u>	<u>(440,950)</u>
	As at	As at
	31st December	31st December
	2004	2003
	HK\$	HK\$
Fixed assets	—	1,032,221
Current assets	<u>1,391,925</u>	<u>8,926,501</u>
Total assets	1,391,925	9,958,722
Total liabilities	<u>(2,865,306)</u>	<u>(1,096,742)</u>
Net (liabilities)/assets	<u>(1,473,381)</u>	<u>8,861,980</u>

4 OPERATING PROFIT

	2004	2003
	HK\$	HK\$
Operating profit is stated after crediting and charging the following:		
Crediting		
Gross rental income from		
— investment properties	138,686,920	153,322,110
— land and buildings for resale	16,670,501	13,796,925
Dividend income from		
— listed investments	843,130	1,061,304
— unlisted investment	20,400,000	—
Interest income	112,710	336,614
Gain on disposal of investment property, including realisation on investment properties revaluation reserve	8,550,492	3,274,605
Gain on disposal of listed investments	—	6,373,350
Realisation of deferred gain (note 22)	1,819,046	13,447,086
Charging		
Amortisation and impairment of goodwill		
— discontinued operation	—	4,843,229
Auditors' remuneration	1,724,313	2,041,384
Cost of goods sold		
— discontinued operation	2,746,232	7,368,876
Cost of land and building for resale sold	—	4,292,495
Depreciation		
— continuing operation	6,069,683	5,607,148
— discontinued operation	145,954	436,550
Impairment of investment securities	—	3,153,963
Impairment of other fixed assets		
— discontinued operation	905,564	—
Loss on disposal of other fixed assets	99,376	238,074
Loss on disposal of a subsidiary company	185	—
Outgoings in respect of		
— investment properties	36,024,283	31,986,288
— land and buildings for resale	3,912,509	4,259,142
Operating lease rental for land and buildings		
— continuing operation	1,304,465	1,359,485
— discontinued operation	1,477,022	1,297,694
Provision for doubtful debts		
— continuing operation	26,139	45,673
— discontinued operation	596,248	28,942
Provision for inventories		
— discontinued operation	6,275,724	2,574,000
Staff costs (note 5)		
— continuing operation	21,929,380	22,336,284
— discontinued operation	1,123,411	7,683,905

5 STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2004	2003
	HK\$	HK\$
Salaries	22,471,809	29,370,540
Retirement benefit costs (note)	580,982	649,649
	<u>23,052,791</u>	<u>30,020,189</u>

Note:

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

6 FINANCE COSTS

	2004	2003
	HK\$	HK\$
Interest expenses		
— bank loans and overdrafts wholly repayable within five years	15,044,575	19,607,981
— bank loans not wholly repayable within five years	127,280	—
Other incidental borrowing costs	971,424	665,402
	<u>16,143,279</u>	<u>20,273,383</u>
Amount capitalised in properties under development	(727,683)	(876,723)
	<u>15,415,596</u>	<u>19,396,660</u>

7 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

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

	2004	2003
	HK\$	HK\$
Fees	533,400	321,400
Salaries, housing and other allowances, benefits in kind	15,344,275	15,714,390
Bonuses	2,079,372	2,079,372
Contributions to the MPF Scheme	60,000	60,000
	<u>18,017,047</u>	<u>18,175,162</u>

7 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

Directors' emoluments (Continued)

Emoluments band	Number of directors	
	2004	2003
HK\$Nil - HK\$1,000,000	8	6
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	1	1
HK\$2,000,001 - HK\$2,500,000	1	—
HK\$2,500,001 - HK\$3,000,000	—	1
HK\$10,000,001 - HK\$10,500,000	—	1
HK\$10,500,001 - HK\$11,000,000	1	—
	12	10

The fees paid by the Group to the non-executive directors for the year amounted to HK\$424,000 (2003: HK\$212,000).

The above analysis includes four (2003: four) individuals whose emoluments were among the five highest paid individuals in the Group.

Senior management's emoluments

Details of the aggregate emoluments payable to the other one (2003: one) individual whose emoluments were among the five highest in the Group and have not been included in directors' emoluments above are as follows:

	2004	2003
	HK\$	HK\$
Salaries, housing and other allowances, benefits in kind	3,314,253	3,273,120
Bonuses	447,484	473,520
Contributions to the MPF Scheme	12,000	12,000
	3,773,737	3,758,640

Emoluments band	Number of individual	
	2004	2003
HK\$3,500,001 - HK\$4,000,000	1	1

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

8 TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the year. No overseas taxation has been provided as there is no estimated taxable profit for the overseas subsidiary companies for the year (2003: HK\$Nil).

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

	2004	2003
	HK\$	HK\$
Current		
Current year provision	5,924,432	6,967,744
(Over)/under provision in prior years	(1,473,126)	94,826
Deferred (note 21)	950,604	5,760,959
	<u>5,401,910</u>	<u>12,823,529</u>

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

	2004	2003
	HK\$	HK\$
Profit before taxation	<u>60,049,114</u>	<u>61,393,260</u>
Calculated at a taxation rate of 17.5% (2003: 17.5%)	10,508,595	10,743,821
Income not subject to taxation	(5,359,951)	(4,208,925)
Expenses not deductible for taxation purposes	805,805	1,089,909
Deferred tax on tax losses and other temporary differences not recognised	1,394,493	5,209,040
Effect of different taxation rates in other countries	(473,906)	(3,258,922)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	—	3,153,780
(Over)/under provision in prior years	<u>(1,473,126)</u>	<u>94,826</u>
Taxation charge	<u>5,401,910</u>	<u>12,823,529</u>

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$21,574,901 (2003: HK\$8,690,644).

10 DIVIDENDS

	<u>2004</u>	<u>2003</u>
	HK\$	HK\$
Interim, paid, of HK5 cents (2003: HK4.5 cents) per ordinary share	14,383,484	12,945,143
Final, proposed, of HK6 cents (2003: HK5 cents) per ordinary share	<u>17,260,181</u>	<u>14,383,484</u>
	<u>31,643,665</u>	<u>27,328,627</u>

Note:

At a meeting held on 4th April 2005, the directors declared a final dividend of HK 6 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in the accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2005.

11 EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$52,849,068 (2003: HK\$42,480,319) and 287,669,676 (2003: 287,669,676) ordinary shares in issue during the year.

No diluted earnings per share was presented for the year as there were no dilutive potential ordinary shares as at year end (2003: Nil).

12 FIXED ASSETS

Group

	Leasehold land and buildings in Hong Kong			Overseas freehold land and buildings		Total
	Investment properties	Properties under development	Other properties	Investment properties	Other fixed assets	
	HK\$	HK\$	HK\$	HK\$	HK\$	
Cost or valuation						
At 1st January 2004	1,476,735,000	258,232,082	96,632,459	312,000,000	59,282,866	2,202,882,407
Additions	555,260	6,791,424	—	2,118,698	4,385,461	13,850,843
Disposals	(7,792,620)	—	—	—	(4,811,692)	(12,604,312)
Disposal of a subsidiary company	(1,015,000)	—	—	—	—	(1,015,000)
Revaluation surplus	98,842,360	—	—	114,101,302	—	212,943,662
At 31st December 2004	1,567,325,000	265,023,506	96,632,459	428,220,000	58,856,635	2,416,057,600
Accumulated depreciation and impairment losses						
At 1st January 2004	—	—	19,829,989	—	40,768,576	60,598,565
Charge for the year	—	—	2,302,589	—	3,913,048	6,215,637
Disposals	—	—	—	—	(3,644,326)	(3,644,326)
Impairment charge	—	—	—	—	905,564	905,564
At 31st December 2004	—	—	22,132,578	—	41,942,862	64,075,440
Net book value						
At 31st December 2004	1,567,325,000	265,023,506	74,499,881	428,220,000	16,913,773	2,351,982,160
At 31st December 2003	1,476,735,000	258,232,082	76,802,470	312,000,000	18,514,290	2,142,283,842
The analysis of the cost or valuation as at 31st December 2004 of the above assets is as follows:						
At cost	—	175,023,506	96,632,459	—	58,856,635	330,512,600
At professional valuation 1998 (note)	—	90,000,000	—	—	—	90,000,000
At professional valuation 2004	1,567,325,000	—	—	428,220,000	—	1,995,545,000
	1,567,325,000	265,023,506	96,632,459	428,220,000	58,856,635	2,416,057,600
The analysis of the cost or valuation as at 31st December 2003 of the above assets is as follows:						
At cost	—	168,232,082	96,632,459	—	59,282,866	324,147,407
At professional valuation 1998 (note)	—	90,000,000	—	—	—	90,000,000
At professional valuation 2003	1,476,735,000	—	—	312,000,000	—	1,788,735,000
	1,476,735,000	258,232,082	96,632,459	312,000,000	59,282,866	2,202,882,407

Note:

Properties under development of carrying amount of HK\$90,000,000 as at 31st December 2004 (2003: HK\$90,000,000) were transferred from investment properties in 1999. The carrying amount represented the valuation of the properties as at 31st December 1998.

12 FIXED ASSETS (Continued)

Company

	Leasehold land and buildings in Hong Kong		
	Investment properties	Other fixed assets	Total
	HK\$	HK\$	HK\$
Cost or valuation			
At 1st January 2004	125,500,000	7,262,019	132,762,019
Additions	—	137,903	137,903
Disposals	—	(19,034)	(19,034)
Revaluation surplus	30,500,000	—	30,500,000
At 31st December 2004	<u>156,000,000</u>	<u>7,380,888</u>	<u>163,380,888</u>
Accumulated depreciation			
At 1st January 2004	—	4,785,501	4,785,501
Charge for the year	—	344,808	344,808
Disposals	—	(3,905)	(3,905)
At 31st December 2004	<u>—</u>	<u>5,126,404</u>	<u>5,126,404</u>
Net book value			
At 31st December 2004	<u>156,000,000</u>	<u>2,254,484</u>	<u>158,254,484</u>
At 31st December 2003	<u>125,500,000</u>	<u>2,476,518</u>	<u>127,976,518</u>
The analysis of the cost or valuation as at 31st December 2004 of the above assets is as follows:			
At cost	—	7,380,888	7,380,888
At professional valuation 2004	<u>156,000,000</u>	<u>—</u>	<u>156,000,000</u>
	<u>156,000,000</u>	<u>7,380,888</u>	<u>163,380,888</u>
The analysis of the cost or valuation as at 31st December 2003 of the above assets is as follows:			
At cost	—	7,262,019	7,262,019
At professional valuation 2003	<u>125,500,000</u>	<u>—</u>	<u>125,500,000</u>
	<u>125,500,000</u>	<u>7,262,019</u>	<u>132,762,019</u>

12 FIXED ASSETS (Continued)

- (a) Certain of the Group's investment properties and properties under development with an aggregate net book value of HK\$1,495,574,000 (2003: HK\$1,452,092,000) have been pledged to financial institutions to secure credit facilities for the Group totalling HK\$621,419,000 (2003: HK\$672,751,000) of which HK\$434,123,000 (2003: HK\$478,741,000) were utilised as at 31st December 2004.
- (b) The investment properties in Hong Kong of the Group and the Company were valued on an open market basis at 31st December 2004 by AA Property Services Limited, an independent professional property valuer.
- (c) The Group's overseas investment properties were valued on an open market basis at 31st December 2004 by Mr David K Bohegian, Member of The Appraisal Institute, of Martorana Bohegian & Company, an independent professional property valuer.
- (d) The interests in investment properties, properties under development and other properties at their net book values are analysed as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
In Hong Kong, held on:				
Leases of over 50 years	318,445,000	303,925,000	12,000,000	10,500,000
Leases of between 10 and 50 years	1,588,403,387	1,507,844,552	144,000,000	115,000,000
Outside Hong Kong, held on:				
Freehold	428,220,000	312,000,000	—	—
	<u>2,335,068,387</u>	<u>2,123,769,552</u>	<u>156,000,000</u>	<u>125,500,000</u>

- (e) At 31st December 2004, the total amount of borrowing costs capitalised in properties under development during the course of construction amounted to HK\$3,451,000 (2003: HK\$2,724,000).

13 SUBSIDIARY COMPANIES

	2004	2003
	HK\$	HK\$
Unlisted shares, at cost less provision of HK\$71,260,684 (2003: HK\$69,952,257)	57,639,884	58,948,309
Amounts due by subsidiary companies less provision of HK\$186,973,407 (2003: HK\$187,416,618)	636,851,055	648,230,804
Amounts due to subsidiary companies	694,490,939 (2,651,681)	707,179,113 (3,766,378)
	<u>691,839,258</u>	<u>703,412,735</u>

Details of principal subsidiary companies as at 31st December 2004, which, in the directors' opinion, materially affect the results and/or assets of the Group, are set out in note 29.

14 INVESTMENT SECURITIES

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Equity securities, at cost				
Listed in Hong Kong	18,811,062	16,038,285	12,649	12,649
Less: Provision	(3,215,533)	(3,215,533)	—	—
	15,595,529	12,822,752	12,649	12,649
Unlisted (note)	12,000,012	12,000,012	—	—
Loan to an investee company (note)	11,999,988	5,999,988	—	—
	39,595,529	30,822,752	12,649	12,649
Market value of listed investments	26,740,737	19,311,169	124,020	91,393

Note:

Unlisted investments represent 12% equity interests each in The Yangtze Ventures Limited and The Yangtze Ventures II Limited ("Yangtze Group"). Yangtze Group is principally engaged in the investments of container ports, biochemical, radio communications monitoring systems and other high technology industries. The loan to the investee company is unsecured, interest free and repayable in 2010.

15 INVENTORIES

At 31st December 2004, the carrying amount of inventories that are carried at net realisable value is as follows:

	Group	
	2004	2003
	HK\$	HK\$
Finished goods, parts and components	6,275,724	3,796,000
Provision	(6,275,724)	(2,574,000)
	—	1,222,000

16 DEBTORS AND PREPAYMENTS

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Trade debtors (note)	1,279,781	1,927,618	—	—
Prepayments and deposits	17,382,610	14,309,773	546,159	744,199
	<u>18,662,391</u>	<u>16,237,391</u>	<u>546,159</u>	<u>744,199</u>

Note:

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

At 31st December 2004, the ageing analysis of the Group's trade debtors was as follows:

	Group	
	2004	2003
	HK\$	HK\$
Current	369,239	925,154
31-60 days	160,602	670,504
61-90 days	90,090	54,296
Over 90 days	659,850	277,664
	<u>1,279,781</u>	<u>1,927,618</u>

17 BANK BALANCES AND CASH

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Bank balances and cash (note a)	28,298,812	37,447,813	1,311,978	5,087,440
Restricted bank deposit (note b)	990,223	—	990,223	—
	<u>29,289,035</u>	<u>37,447,813</u>	<u>2,302,201</u>	<u>5,087,440</u>

Notes:

- It included bank balances and cash of HK\$8,880,360 (2003: HK\$8,287,534) which are held in trust in respect of buildings managed by the Group on behalf of third parties.
- Certain bank deposits of the Company which are pledged to secure an overdraft credit facility provided to the Company by a financial institution.

18 CREDITORS AND ACCRUALS

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Trade creditors (note)	4,475,091	3,603,091	449,490	463,330
Other creditors	20,862,866	17,205,499	1,818,456	2,437,277
Accruals	7,082,106	6,187,574	445,000	2,863,938
	<u>32,420,063</u>	<u>26,996,164</u>	<u>2,712,946</u>	<u>5,764,545</u>

Note:

At 31st December 2004, the ageing analysis of the trade creditors was as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Current	3,172,691	2,553,193	440,336	463,330
31-60 days	20,471	42,530	8,108	—
61-90 days	153,501	26,972	—	—
Over 90 days	1,128,428	980,396	1,046	—
	<u>4,475,091</u>	<u>3,603,091</u>	<u>449,490</u>	<u>463,330</u>

19 SHORT TERM BANK LOANS AND BANK OVERDRAFTS

The short term bank loans and bank overdrafts of the Group and the Company of approximately HK\$13,708,000 (2003: HK\$59,922,000) and HK\$Nil (2003: HK\$4,890,000) respectively are secured by certain investment properties (note 12) and the rental income thereon.

20 LONG TERM BANK LOANS

	Group	
	2004	2003
	HK\$	HK\$
Bank loans - secured		
— wholly repayable within five years	291,203,341	414,819,156
— not wholly repayable within five years	142,919,400	—
	434,122,741	414,819,156
Amounts due within one year included under current liabilities	(77,054,249)	(223,319,156)
	<u>357,068,492</u>	<u>191,500,000</u>
The maturity of the Group's long term bank loans is as follows:		
— within one year	77,054,249	223,319,156
— in the second year	27,739,239	32,500,000
— in the third to fifth years inclusive	203,150,846	159,000,000
— after the fifth year	126,178,407	—
	<u>434,122,741</u>	<u>414,819,156</u>

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

21 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

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

	2004	2003
	HK\$	HK\$
At 1st January	37,289,319	31,528,360
Deferred taxation charged to consolidated profit and loss account (note 8)	950,604	5,760,959
At 31st December	<u>38,239,923</u>	<u>37,289,319</u>

As at 31st December 2004, the Group's overseas subsidiary companies had tax losses carried forward for Federal and State income tax purposes of the United States (the "US") of HK\$282,686,000 (2003: HK\$262,765,000) and HK\$75,583,000 (2003: HK\$73,075,000) respectively which are available to reduce future taxable income. HK\$38,281,000 (2003: HK\$30,240,000) out of these tax losses for both Federal and State income taxes will expire in various dates through 2025 (2003: 2024). The Company and its subsidiary companies in Hong Kong had unrecognised tax losses of HK\$63,709,000 (2003: HK\$64,779,000) to carry forward against future taxable income. Such tax losses have no expiry date.

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

Deferred tax assets	Tax losses		Accelerated accounting depreciation		Total	
	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	2,358,686	3,003,451	322,986	312,908	2,681,672	3,316,359
(Charged)/credited to consolidated profit and loss account	(40,665)	(644,765)	(61,368)	10,078	(102,033)	(634,687)
At 31st December	<u>2,318,021</u>	<u>2,358,686</u>	<u>261,618</u>	<u>322,986</u>	<u>2,579,639</u>	<u>2,681,672</u>
Deferred tax liabilities			Accelerated tax depreciation			
	2004	2003			2004	2003
	HK\$	HK\$			HK\$	HK\$
At 1st January					(39,970,991)	(34,844,719)
Charged to consolidated profit and loss account					(848,571)	(5,126,272)
At 31st December					<u>(40,819,562)</u>	<u>(39,970,991)</u>

21 DEFERRED TAXATION (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2004	2003
	HK\$	HK\$
Deferred tax assets	261,618	322,986
Deferred tax liabilities	(38,501,541)	(37,612,305)
	<u>(38,239,923)</u>	<u>(37,289,319)</u>

22 DEFERRED GAIN

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

The net cash benefit to the Group of the aforesaid transactions of approximately HK\$22.7 million was included as a deferred gain in the consolidated balance sheet in prior years. During the year, HK\$1.8 million (2003: HK\$13.4 million) of the deferred gain was recognised as income of the Group upon realisation of the remaining net cash benefit accrued to the Group for the year ended 31st December 2004.

23 SHARE CAPITAL

	2004	2003
	HK\$	HK\$
Authorised:		
400,000,000 ordinary shares of HK\$1 each	<u>400,000,000</u>	<u>400,000,000</u>
Issued and fully paid:		
287,669,676 ordinary shares of HK\$1 each	<u>287,669,676</u>	<u>287,669,676</u>

24 RESERVES

Group

	Investment properties revaluation reserve	Share premium	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2004	768,987,123	129,651,602	7,235,563	503,807,424	1,409,681,712
Exchange translation differences arising on translation of the accounts of the subsidiary companies	—	—	(220,977)	—	(220,977)
Net surplus on revaluation of investment properties less minority interests' share	208,726,362	—	—	—	208,726,362
Realisation of revaluation reserve on sale of an investment property	(3,543,112)	—	—	—	(3,543,112)
Realisation of revaluation reserve on disposal of a subsidiary company	(1,014,977)	—	—	—	(1,014,977)
Profit for the year	—	—	—	52,849,068	52,849,068
Dividends	—	—	—	(28,766,968)	(28,766,968)
At 31st December 2004	<u>973,155,396</u>	<u>129,651,602</u>	<u>7,014,586</u>	<u>527,889,524</u>	<u>1,637,711,108</u>
Representing:					
Reserves	973,155,396	129,651,602	7,014,586	510,629,343	1,620,450,927
2004 final dividend proposed (note 10)	—	—	—	17,260,181	17,260,181
	<u>973,155,396</u>	<u>129,651,602</u>	<u>7,014,586</u>	<u>527,889,524</u>	<u>1,637,711,108</u>
At 1st January 2003	897,392,872	129,651,602	6,939,169	488,655,732	1,522,639,375
Exchange translation differences arising on translation of the accounts of the subsidiary companies	—	—	296,394	—	296,394
Net deficit on revaluation of investment properties less minority interests' share	(126,387,347)	—	—	—	(126,387,347)
Realisation of revaluation reserve on sale of investment property	(2,018,402)	—	—	—	(2,018,402)
Profit for the year	—	—	—	42,480,319	42,480,319
Dividends	—	—	—	(27,328,627)	(27,328,627)
At 31st December 2003	<u>768,987,123</u>	<u>129,651,602</u>	<u>7,235,563</u>	<u>503,807,424</u>	<u>1,409,681,712</u>
Representing:					
Reserves	768,987,123	129,651,602	7,235,563	489,423,940	1,395,298,228
2003 final dividend proposed	—	—	—	14,383,484	14,383,484
	<u>768,987,123</u>	<u>129,651,602</u>	<u>7,235,563</u>	<u>503,807,424</u>	<u>1,409,681,712</u>

24 RESERVES (Continued)

Company

	Investment properties revaluation reserve	Share premium	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$
At 1st January 2004	116,700,942	129,651,602	286,312,662	532,665,206
Surplus on revaluation of investment properties	30,500,000	—	—	30,500,000
Profit for the year	—	—	21,574,901	21,574,901
Dividends	—	—	(28,766,968)	(28,766,968)
	<u>147,200,942</u>	<u>129,651,602</u>	<u>279,120,595</u>	<u>555,973,139</u>
At 31st December 2004	<u>147,200,942</u>	<u>129,651,602</u>	<u>279,120,595</u>	<u>555,973,139</u>
Representing:				
Reserves	147,200,942	129,651,602	261,860,414	538,712,958
2004 final dividend proposed (note 10)	—	—	17,260,181	17,260,181
	<u>147,200,942</u>	<u>129,651,602</u>	<u>279,120,595</u>	<u>555,973,139</u>
At 1st January 2003	117,200,942	129,651,602	304,950,645	551,803,189
Deficit on revaluation of investment properties	(500,000)	—	—	(500,000)
Profit for the year	—	—	8,690,644	8,690,644
Dividends	—	—	(27,328,627)	(27,328,627)
	<u>116,700,942</u>	<u>129,651,602</u>	<u>286,312,662</u>	<u>532,665,206</u>
At 31st December 2003	<u>116,700,942</u>	<u>129,651,602</u>	<u>286,312,662</u>	<u>532,665,206</u>
Representing:				
Reserves	116,700,942	129,651,602	271,929,178	518,281,722
2003 final dividend proposed	—	—	14,383,484	14,383,484
	<u>116,700,942</u>	<u>129,651,602</u>	<u>286,312,662</u>	<u>532,665,206</u>

25 CONTINGENT LIABILITIES

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Guarantees to bankers for credit facilities granted to subsidiary companies	—	—	304,911,000	332,991,000
Other guarantees	957,000	957,000	957,000	957,000
	<u>957,000</u>	<u>957,000</u>	<u>305,868,000</u>	<u>333,948,000</u>

26 COMMITMENTS

(a) Capital commitments

As at 31st December 2004, the Group had capital commitments for properties under development and other fixed assets as follows:

	Group	
	2004	2003
	HK\$	HK\$
Contracted but not provided for		
— properties under development	26,996,000	4,437,000
— other fixed assets	—	222,000
	26,996,000	4,659,000
	26,996,000	4,659,000

(b) Commitments under operating leases

As at 31st December 2004, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Land and buildings				
Not later than one year	511,000	1,897,000	511,000	783,000
Later than one year but not later than five years	—	2,416,000	—	199,000
	511,000	4,313,000	511,000	982,000
	511,000	4,313,000	511,000	982,000

27 CONSOLIDATED CASH FLOW STATEMENT

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

	2004	2003
	HK\$	HK\$
Operating profit	75,464,710	80,789,920
Realisation of deferred gain	(1,819,046)	(13,447,086)
Amortisation and impairment charge on goodwill	—	4,843,229
Depreciation and impairment charge on fixed assets	7,121,201	6,043,698
Gain on disposal of investment property	(8,550,492)	(3,274,605)
Loss on disposal of other fixed assets	99,376	238,074
Loss on disposal of a subsidiary company	185	—
Interest and dividend income	(21,355,840)	(1,397,918)
Gain on disposal of listed investments	—	(6,373,350)
Provision for inventories	6,275,724	2,574,000
Impairment on investment securities	—	3,153,963
Operating profit before working capital changes	57,235,818	73,149,925
(Increase)/decrease in land and buildings for resale	(439,253)	3,640,678
Decrease in inventories	814,126	499,124
(Increase)/decrease in debtors and prepayments	(2,425,000)	11,434,806
Decrease in rental and other deposits	(191,025)	(1,465,674)
Increase/(decrease) in creditors and accruals	1,749,838	(8,079,326)
Net cash inflow generated from operations	<u>56,744,504</u>	<u>79,179,533</u>

(b) Disposal of a subsidiary company

	2004
	HK\$
Net assets realised:	
Investment properties	1,015,000
Land and buildings for resale	59,662
	<u>1,074,662</u>
Realisation of revaluation reserve	(1,014,977)
Loss on disposal of a subsidiary company	(185)
	<u>59,500</u>
Satisfied by:	
Cash	<u>59,500</u>

27 CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Analysis of changes in financing during the year

	Short term and long term bank loans	Minority interests
	HK\$	HK\$
At 1st January 2003	490,357,479	79,075,459
Net cash outflow from financing	(16,538,323)	(11,940,516)
Minority interests' share of profit	—	6,089,412
Minority interests' share of deficit on revaluation of investment properties	—	(2,345,084)
At 31st December 2003	<u>473,819,156</u>	<u>70,879,271</u>
At 1st January 2004	473,819,156	70,879,271
Net cash outflow from financing	(25,696,415)	(3,139,900)
Minority interests' share of profit	—	1,798,136
Minority interests' share of surplus on revaluation of investment properties	—	4,217,300
At 31st December 2004	<u>448,122,741</u>	<u>73,754,807</u>

28 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 4th April 2005.

29 PRINCIPAL SUBSIDIARY COMPANIES

At 31st December 2004, the Company had the following principal subsidiary companies which in the opinion of the directors, materially affect the results and/or assets of the Group. Montgomery Lands, Incorporated, Central Financial Management Company Inc, and MLI Business Management, Inc are incorporated and operate in the United States. All other subsidiary companies are incorporated and operate in Hong Kong.

Name	Percentage of issued capital held				Ordinary share capital		Principal activities
	By Company		By subsidiary company		Number	Par value per share	
	2004	2003	2004	2003			
Ballington Limited	100	100	—	—	10,000	HK\$1	e
Cambella Limited	100	100	—	—	1,000	HK\$1	a
Central Financial Management Company Inc	—	—	100	100	10,000	US\$1	d
Chi Ho Investment Company Limited	100	100	—	—	100	HK\$100	a b g
Chi Ning Investment Company Limited	100	100	—	—	421,290	HK\$1	e
Etrema Company Limited	100	100	—	—	1,000	HK\$1	b
Fung Chau Investment Company Limited	100	100	—	—	1,070,030	HK\$1	a g
Golden Ocean Corporation Limited	100	100	—	—	531,510	HK\$1	a
Kam Cheung Investment Company Limited	75	75	—	—	1,200,000	HK\$1	a e
Kam Chung Industrial Company Limited	100	100	—	—	1,149,430	HK\$1	a g
Kam Hang Company Limited	95	95	—	—	5,000	HK\$100	a
Kam Yiu Company Limited	100	100	—	—	73,000	HK\$1	a
Lee Sang On Investment Company, Limited	100	100	—	—	915,960	HK\$1	a
MLI Business Management, Inc	—	—	100	100	1,000	US\$1	h
Montgomery Enterprises Limited	100	100	—	—	1,190,840	HK\$1	a e g
Montgomery Lands, Incorporated	—	—	100	100	20,000	US\$1	a
On Ah Enterprises Limited	65	65	—	—	100,000	HK\$1	a
Pentacontinental Land Investment Company Limited	53.6	53.6	—	—	2,000,000	HK\$1	a e
Satvision Limited	100	100	—	—	1,000	HK\$1	a
Tai Fung Investment Company Limited	65	65	—	—	1,400,000	HK\$1	a e
Tai Land Finance Company Limited	100	100	—	—	100,000	HK\$1	c
Tai Sang Cold Storage and Godown Company Limited	58	58	—	—	5,600,000	HK\$1	e
Tai Sang Estate Agency Limited	100	100	—	—	100,000	HK\$1	d e
TSE (Floral Villas) Limited	—	—	100	100	100	HK\$1	d
TSE (Kam Yuen Mansion) Limited	—	—	100	100	1,000	HK\$1	d
TSL Construction and Engineering Limited	100	100	—	—	2	HK\$1	a
Welldicker Industrial Limited	100	100	—	—	2	HK\$1	e
Xin Kuok Investments Limited	100	100	—	—	2	HK\$1	f

Principal activities:

a = property rental

b = property development

c = finance

d = estate management and agency

e = investment holding

f = motor vehicle rental

g = property trading

h = management service