



Notes to the Accounts

31st December, 2004

1. PRINCIPAL ACCOUNTING POLICIES

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

a. Basis of preparation

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.

b. Recently issued accounting standards

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 did not early adopt these new HKFRSs in the accounts for the year ended 31st December, 2004. The Group however, 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.

c. Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the company and its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries 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.



Notes to the Accounts *(Cont'd)*

31st December, 2004

1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

c. Group accounting *(Cont'd)*

(i) Consolidation (Cont'd)

The gain or loss on the disposal of a subsidiary 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 and any related accumulated foreign currency translation reserve.

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

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

(ii) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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



Notes to the Accounts (Cont'd)

31st December, 2004

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

c. Group accounting (Cont'd)

(iii) 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 profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

d. Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1st January, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisitions prior to 1st January, 2001, negative goodwill was taken directly to reserves on acquisition.

e. Fixed Assets

(i) Investment properties

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



Notes to the Accounts (Cont'd)

31st December, 2004

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

e. Fixed Assets (Cont'd)

(i) Investment properties (Cont'd)

Investment properties are valued annually by independent 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 in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

(ii) Other fixed assets

Fixed assets other than investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation

Other fixed asset are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	Over the unexpired period of the leases ranging from 50-905 years
Buildings	2.5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	25%

(iv) 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 in 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 except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.



Notes to the Accounts *(Cont'd)*

31st December, 2004

1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

e. Fixed Assets *(Cont'd)*

(iv) Impairment and gain or loss on sale (Cont'd)

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to 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. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

f. 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. Payments made under 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.

g. Investments

(i) Long term investments

Unlisted investments held for long term basis 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 the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments 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 profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Short term investments

The investments are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account. Provision is made when there is a diminution in value other than temporary.



Notes to the Accounts *(Cont'd)*

31st December, 2004

1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

g. Investments *(Cont'd)*

(ii) Short term investments (Cont'd)

The carrying amounts of individual investment or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognized in the profit and loss account as an expense immediately.

h. Properties held for resale

Properties held for resale are stated at the lower of cost and net realisable value. Cost comprises of land and development costs. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

i. Inventories

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

j. Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

k. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

l. 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, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.



Notes to the Accounts *(Cont'd)*

31st December, 2004

1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

m. Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Retirement benefit costs

The Group operates a defined contribution retirement scheme which is available to all employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' relevant income. The retirement benefit scheme cost charged to the profit and loss account represents contributions paid/payable by the Group to the fund. The Group's contributions to the scheme are expensed as incurred.

n. Deferred taxation

Deferred taxation is provided for 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 subsidiaries and associated 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.

o. Contingent liabilities

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, it will then be recognised as a provision.



Notes to the Accounts *(Cont'd)*

31st December, 2004

1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

p. Revenue recognition

- (i) sale of goods – when risks and rewards of ownership have been transferred to buyers, which generally coincides with the time of the delivery of goods;
- (ii) sale of properties – when the sale agreement is completed;
- (iii) rental income from letting of investment properties – on a straight line basis over respective periods of the leases;
- (iv) interest income – on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable;
- (v) agency fee income – when services are rendered.

q. Borrowing costs

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

r. Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.



Notes to the Accounts (Cont'd)

31st December, 2004

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in general trading, property investment and real estate agency services.

Revenues recognised during the year are as follows:

	GROUP	
	2004	2003
	HK\$	HK\$
Turnover		
Sales of goods	1,254,694,113	734,099,042
Sales of properties	69,347,673	22,465,025
Gross rental income from investment properties	20,725,916	20,102,818
Agency fee income	407,163	960,309
	<hr/>	<hr/>
	1,345,174,865	777,627,194
Other revenue		
Interest income	935,013	789,860
	<hr/>	<hr/>
Total revenues	<u>1,346,109,878</u>	<u>778,417,054</u>

Primary reporting format – business segments

The Group is organised on a worldwide basis into the business segments set out below. Following the disposal of two subsidiaries in September 2004, the segment of Real Estate Agency Services became relatively insignificant. Therefore, it is grouped under Property Investment in the following analysis:

- General trading – trading of animal feed (mainly fishmeal and tapioca chips)
- Property investment – rental income from investment properties, sale proceeds of properties held for resale and provision of real estate agency services

There are no sales or other transactions between the business segments.

Secondary reporting format – geographical segments

The Group operates in three main geographical areas:

- Hong Kong – rental income from investment properties
- Mainland China – trading of animal feed, rental income from investment properties, sale of properties held for resale and provision of real estate agency services
- Other countries – trading of animal feed, rental income from investment properties and sale of properties held for resale

There are no sales or other transactions between the geographical segments.



Notes to the Accounts (Cont'd)

31st December, 2004

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

Primary reporting format – business segments

	General trading 2004 HK\$	Property investment 2004 HK\$	Group 2004 HK\$
Turnover	<u>1,254,694,113</u>	<u>90,480,752</u>	<u>1,345,174,865</u>
Segment results	<u>23,436,527</u>	<u>19,668,144</u>	43,104,671
Interest income			935,013
Write-back of provision upon disposal of long term investment			11,756,250
Gain on disposal of subsidiaries			1,167,846
Unallocated corporate expenses			<u>(11,176,627)</u>
Operating profit			45,787,153
Finance costs			(8,254,804)
Share of profits of associated companies		1,456,039	<u>1,456,039</u>
Profit before taxation			38,988,388
Taxation			<u>(5,028,221)</u>
Profit after taxation			33,960,167
Minority interests			<u>41,745</u>
Profit attributable to shareholders			<u>34,001,912</u>
Segment assets	93,649,642	623,778,114	717,427,756
Investment in associated companies		90,009,603	90,009,603
Unallocated assets			<u>50,499,298</u>
Total assets			<u>857,936,657</u>
Segment liabilities	125,640,662	131,499,999	257,140,661
Unallocated liabilities			<u>110,536,534</u>
Total liabilities			<u>367,677,195</u>
Capital expenditure	12,315	15,775,390	15,787,705
Depreciation	196,388	1,427,083	1,623,471
Impairment charge		895,648	895,648



Notes to the Accounts (Cont'd)

31st December, 2004

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

Primary reporting format – business segments

	General trading	Property investment	Group
	2003	2003	2003
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	<u>734,099,042</u>	<u>43,528,152</u>	<u>777,627,194</u>
Segment results	<u>(9,654,995)</u>	<u>10,758,407</u>	1,103,412
Interest income			789,860
Unallocated corporate expenses			<u>(9,172,413)</u>
Operating loss			(7,279,141)
Finance costs			(12,243,272)
Share of profits of associated companies		579,538	<u>579,538</u>
Loss before taxation			(18,942,875)
Taxation			<u>(2,188,011)</u>
Loss after taxation			(21,130,886)
Minority interests			<u>988,356</u>
Loss attributable to shareholders			<u>(20,142,530)</u>
Segment assets	108,356,026	602,452,550	710,808,576
Investment in associated companies		90,942,019	90,942,019
Unallocated assets			<u>62,144,865</u>
Total assets			<u>863,895,460</u>
Segment liabilities	188,518,250	135,834,019	324,352,269
Unallocated liabilities			<u>117,627,392</u>
Total liabilities			<u>441,979,661</u>
Capital expenditure	11,331	553,752	565,083
Depreciation	225,251	1,754,415	1,979,666



Notes to the Accounts (Cont'd)

31st December, 2004

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

Secondary reporting format – geographical segments

	Turnover 2004 HK\$	Segment results 2004 HK\$	Total assets 2004 HK\$	Capital expenditure 2004 HK\$
Hong Kong	12,484,491	10,019,102	405,999,759	1,194,964
Mainland China	1,290,562,573	33,755,168	353,462,790	14,592,741
Other countries	42,127,801	(669,599)	8,464,505	–
	<u>1,345,174,865</u>	<u>43,104,671</u>	<u>767,927,054</u>	<u>15,787,705</u>
Interest income		935,013		
Write-back of provision upon disposal of long term investment		11,756,250		
Gain on disposal of subsidiaries		1,167,846		
Unallocated corporate expenses		<u>(11,176,627)</u>		
Operating profit		<u>45,787,153</u>		
Investment in associated companies			<u>90,009,603</u>	
Total assets			<u>857,936,657</u>	
	Turnover 2003 HK\$	Segment results 2003 HK\$	Total assets 2003 HK\$	Capital expenditure 2003 HK\$
Hong Kong	12,496,531	8,880,482	387,035,145	250,206
Mainland China	697,453,227	(6,909,529)	368,833,456	314,877
Other countries	67,677,436	(867,541)	17,084,840	–
	<u>777,627,194</u>	<u>1,103,412</u>	<u>772,953,441</u>	<u>565,083</u>
Interest income		789,860		
Unallocated corporate expenses		<u>(9,172,413)</u>		
Operating loss		<u>(7,279,141)</u>		
Investment in associated companies			<u>90,942,019</u>	
Total assets			<u>863,895,460</u>	



Notes to the Accounts (Cont'd)

31st December, 2004

3. OPERATING PROFIT/(LOSS)

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Other operating income includes:		
Write-back of provision upon disposal of long term investment	11,756,250	–
Gain on disposal of subsidiaries	1,167,846	–
Impairment charge of fixed assets and long term investments	(895,648)	–
Others	220,968	31,020
	<u>12,249,416</u>	<u>31,020</u>

Operating profit/(loss) is stated after crediting and charging the following:

Crediting

Gain on disposal of other fixed assets	<u>39,113</u>	<u>107,024</u>
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Charging

Depreciation of fixed assets	1,623,471	1,979,666
Staff costs (excluding directors' emoluments)		
Wages and salaries	10,857,908	10,013,560
Retirement benefit costs – defined contribution plan	281,230	211,908
Operating lease rentals in respect of land and buildings	301,746	1,125,378
Outgoings in respect of investment properties	3,914,155	4,354,919
Loss on disposal of investment properties	2,351,848	–
Write-down of properties held for resale to net realisable value	602,625	–
Auditors' remuneration	559,130	405,330
Provision for doubtful debts	<u>406,546</u>	<u>–</u>

4. FINANCE COSTS

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank loans		
– wholly repayable within 5 years	6,250,019	9,812,713
– not wholly repayable within 5 years	2,004,785	2,430,559
	<u>8,254,804</u>	<u>12,243,272</u>



Notes to the Accounts (Cont'd)

31st December, 2004

5. TAXATION

No provision for Hong Kong profits tax has been made in the accounts as companies within the Group have no assessable profit for both years. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2004 HK\$	2003 HK\$
Current overseas taxation	4,914,778	1,640,617
Deferred taxation relating to the origination and reversal of temporary differences (note 23)	113,443	340,747
Deferred taxation resulting from an increase in tax rate	–	11,858
	<u>5,028,221</u>	<u>1,993,222</u>
Share of taxation attributable to associated companies	–	194,789
Taxation charge	<u>5,028,221</u>	<u>2,188,011</u>

(b) The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2004 HK\$	2003 HK\$
Profit/(loss) before taxation	<u>38,988,388</u>	<u>(18,942,875)</u>
Calculated at a taxation rate of 17.5% (2003: 17.5%)	6,822,968	(3,315,003)
Effect of different taxation rates in other countries	2,308,456	(335,850)
Income not subject to taxation	(5,479,623)	(2,698,324)
Expenses not deductible for taxation purposes	4,306,483	4,526,709
Unrecognised deferred tax assets	1,217,792	3,998,621
Utilisation of previously unrecognised tax losses	(4,147,855)	–
Increase in opening net deferred tax resulting from an increase in tax rate	–	11,858
Taxation charge	<u>5,028,221</u>	<u>2,188,011</u>



Notes to the Accounts (Cont'd)

31st December, 2004

6. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$14,019,418 (2003: loss of HK\$1,467,609).

7. DIVIDEND

	2004 HK\$	2003 HK\$
Interim, paid, of HK\$0.01 (2003: Nil) per ordinary share	2,616,849	–
Final proposed, of HK\$0.01 (2003: Nil) per ordinary share	2,616,849	–
	<u>5,233,698</u>	<u>–</u>

At a meeting held on 8th April, 2005, the directors proposed a final dividend of HK\$0.01 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December, 2005.

8. BASIC EARNINGS/(LOSS) PER SHARE

Calculations of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$34,001,912 (2003 loss of HK\$20,142,530) and 261,684,910 ordinary shares (2003: 261,684,910) in issue during the year.

There is no diluted earnings/(loss) per share since the Company has no dilutive potential ordinary share.

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2004 HK\$	2003 HK\$
Independent Non-Executive Directors' Fees	256,833	240,000
Emoluments of Executive Directors		
Salaries and other benefits	5,199,983	3,272,332
Retirement benefit contribution	12,000	12,000
	<u>5,468,816</u>	<u>3,524,332</u>



Notes to the Accounts (Cont'd)

31st December, 2004

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2004	2003
HK\$ Nil to HK\$1,000,000	5	4
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$4,000,001 to HK\$4,500,000	<u>1</u>	<u>–</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2003: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2003: four) individuals during the year are as follows:

	2004	2003
	HK\$	HK\$
Salaries and other benefits	1,497,500	2,262,000
Discretionary bonuses	537,000	88,800
Retirement benefit contribution	<u>37,984</u>	<u>61,320</u>
	<u>2,072,484</u>	<u>2,412,120</u>

The emoluments fell within the following band:

HK\$ Nil to HK\$1,000,000	Number of individuals	
	2004	2003
	<u>3</u>	<u>4</u>



Notes to the Accounts (Cont'd)

31st December, 2004

10. FIXED ASSETS

(a) GROUP

	Land and Buildings			Furniture, Fixtures &	Motor Vehicles	Total
	Investment	Other	Leasehold	Office		
	Properties	Properties	Improvements	Equipment		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cost or valuation:						
At 1st January, 2004						
Cost	–	65,499,167	8,080,535	6,117,380	2,827,890	82,524,972
Valuation	518,647,793	–	–	–	–	518,647,793
	518,647,793	65,499,167	8,080,535	6,117,380	2,827,890	601,172,765
Exchange adjustment	955,698	4,389	1,725	25,758	3,506	991,076
Additions	14,341,955	55,884	149,374	441,397	799,095	15,787,705
Revaluation	44,802,432	–	–	–	–	44,802,432
Transfer from/(to) properties held for resale	(29,052,299)	2,931,597	–	–	–	(26,120,702)
Disposals of subsidiaries	–	–	–	(154,155)	–	(154,155)
Other disposals	(18,429,179)	–	(34,214)	(731,731)	(1,390,000)	(20,585,124)
At 31st December, 2004						
Cost	–	68,491,037	8,197,420	5,698,649	2,240,491	84,627,597
Valuation	531,266,400	–	–	–	–	531,266,400
	531,266,400	68,491,037	8,197,420	5,698,649	2,240,491	615,893,997
Aggregate depreciation and impairment:						
At 1st January, 2004	–	46,320,585	7,138,527	5,268,484	2,139,996	60,867,592
Exchange adjustment	–	734	1,571	18,619	1,464	22,388
Charge for the year	–	524,396	499,720	359,980	239,375	1,623,471
Impairment charge	–	544,648	–	–	–	544,648
Disposals of subsidiaries	–	–	–	(101,039)	–	(101,039)
Other disposals	–	–	(19,538)	(614,318)	(1,390,000)	(2,023,856)
At 31st December, 2004	–	47,390,363	7,620,280	4,931,726	990,835	60,933,204
Net book value at 31st December, 2004	<u>531,266,400</u>	<u>21,100,674</u>	<u>577,140</u>	<u>766,923</u>	<u>1,249,656</u>	<u>554,960,793</u>
Net book value at 31st December, 2003	<u>518,647,793</u>	<u>19,178,582</u>	<u>942,008</u>	<u>848,896</u>	<u>687,894</u>	<u>540,305,173</u>



Notes to the Accounts (Cont'd)

31st December, 2004

10. FIXED ASSETS (Cont'd)

(a) GROUP (Cont'd)

The Group's interests in land and buildings at their net book values are analysed as follows:

	2004			2003		
	Hong Kong HK\$	Outside Hong Kong HK\$	Total HK\$	Hong Kong HK\$	Outside Hong Kong HK\$	Total HK\$
Investment properties:						
Freehold	-	-	-	-	16,321,737	16,321,737
Leases of between 10 to 50 years	59,200,000	-	59,200,000	52,700,000	68,925,720	121,625,720
Leases of over 50 years	294,000,000	178,066,400	472,066,400	249,100,000	131,600,336	380,700,336
	<u>353,200,000</u>	<u>178,066,400</u>	<u>531,266,400</u>	<u>301,800,000</u>	<u>216,847,793</u>	<u>518,647,793</u>
Other properties:						
Leases of over 50 years	15,552,076	5,548,598	21,100,674	15,822,912	3,355,670	19,178,582
	<u>368,752,076</u>	<u>183,614,998</u>	<u>552,367,074</u>	<u>317,622,912</u>	<u>220,203,463</u>	<u>537,826,375</u>

Investment properties were revalued at 31st December, 2004 on the basis of open market value carried out by A.G. Wilkinson & Associates, an independent firm of chartered surveyors. The revaluation surplus net of applicable deferred income taxes was credited to investment properties revaluation reserve in shareholders' equity (note 22).

At 31st December, 2004, certain land and buildings with an aggregate net book value of HK\$543,173,874 (2003: HK\$535,601,978) were pledged to banks to secure the Group's banking facilities to the extent of approximately HK\$526,144,439 (2003: HK\$438,282,000).



Notes to the Accounts (Cont'd)

31st December, 2004

10. FIXED ASSETS (Cont'd)

(b) COMPANY

	Furniture, Fixtures and Office Equipment
	<i>HK\$</i>
Cost	
At 1st January, 2004	1,187,152
Exchange adjustment	528
	<hr/>
At 31st December, 2004	1,187,680
	<hr/>
Aggregate depreciation	
At 1st January, 2004	1,172,154
Exchange adjustment	520
Current year charge	9,973
	<hr/>
At 31st December, 2004	1,182,647
	<hr/>
Net book value at 31st December, 2004	5,033
	<hr/> <hr/>
Net book value at 31st December, 2003	14,998
	<hr/> <hr/>

11. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	51,215,849	51,215,851
Due from subsidiaries	302,710,743	274,666,763
	<hr/>	<hr/>
	353,926,592	325,882,614
Due to subsidiaries	(111,081,865)	(92,050,292)
	<hr/>	<hr/>
	242,844,727	233,832,322
	<hr/> <hr/>	<hr/> <hr/>

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



Notes to the Accounts (Cont'd)

31st December, 2004

11. INTERESTS IN SUBSIDIARIES (Cont'd)

The following is a list of significant subsidiaries at 31st December, 2004:

Name of company	Issued and fully paid share/registered capital		Effective percentage holding		Principal activities
			2004	2003	
Incorporated in Hong Kong					
Alliance Pacific Investment Limited *	Ordinary	HK\$2	100%	100%	Property holding in Beijing, China
Allon Trading Limited	Ordinary	HK\$2	100%	100%	Securities trading
Capital Head Investment Limited *	Ordinary	HK\$2	100%	100%	Property investment in Shanghai, China
Concord Trinity Development Limited *	Ordinary	HK\$2	100%	100%	Property investment in Shanghai, China
	Non- voting deferred	HK\$2			
G.C. Luckmate Trading Limited *	Ordinary	HK\$4,000,000	95%	95%	General trading
G.C. Luckmate Trading (Asia) Limited *	Ordinary	HK\$2	100%	100%	General trading
G.C. Luckmate Trading (International) Limited *	Ordinary	HK\$2	100%	100%	General trading
G.C. Nominees Limited	Ordinary	HK\$2	100%	100%	Investment holding
Glory South Investment Limited *	Ordinary	HK\$2	100%	100%	Property holding in Hainan, China
Halesite Limited	Ordinary	HK\$4,000,000	100%	100%	Property investment
Honour Alliance Development Limited *	Ordinary	HK\$2	100%	100%	Property investment
Jelson Enterprises Limited *	Ordinary	HK\$2	100%	100%	Property investment in Shanghai, China
	Non- voting deferred	HK\$2			
New Solution Consultants Limited	Ordinary	HK\$2	100%	100%	Investment holding
Silver Regent Development Limited *	Ordinary	HK\$2	100%	100%	Property investment
Star Talent Investment Limited *	Ordinary	HK\$2	100%	100%	Property holding in Beijing, China
Sunison Development Limited	Ordinary	HK\$2	100%	100%	Investment holding
Tai Loy Trading Company Limited	Ordinary	HK\$43,440,000	100%	100%	Investment holding



Notes to the Accounts (Cont'd)

31st December, 2004

11. INTERESTS IN SUBSIDIARIES (Cont'd)

Name of company	Issued and fully paid share/registered capital		Effective percentage holding		Principal activities
			2004	2003	
Incorporated in the British Virgin Islands					
Adamgate Limited *	Ordinary	US\$1	100%	100%	Investment holding
Dajen Properties Limited	Ordinary	US\$1	100%	100%	Investment holding
Fairlight Limited *	Ordinary	US\$1	100%	100%	Investment holding
Great China Commodities Limited *	Ordinary	US\$10,000	95%	95%	Investment holding
Great China Development (Shanghai) Limited	Ordinary	US\$10	100%	100%	Investment holding
Pakka Properties Limited *	Ordinary	US\$1	100%	100%	Investment holding
Poppins Properties Limited *	Ordinary	US\$50,000	100%	100%	Investment holding
Incorporated in Canada					
549653 B. C. Limited	Common	CAD1	100%	100%	Property investment operates in Vancouver, Canada
Established in the People's Republic of China					
Haode Property Management (Shanghai) Company Limited <i>(a wholly foreign owned investment enterprise)</i>	Registered capital	US\$500,000	100%	100%	Real estate agent in Shanghai, China
Qingdao Parada International Heating Company Limited * <i>(a foreign equity joint venture enterprise)</i>	Registered capital	US\$360,000	63%	63%	Boiler trading in Qingdao, China
博平置業(上海)有限公司* <i>(a wholly foreign owned investment enterprise)</i>	Registered capital	US\$8,460,000	100%	100%	Property investment in Shanghai, China

All subsidiaries operate in Hong Kong except otherwise stated.

Except for those subsidiaries marked with an asterisk “*”, the above subsidiaries are all held directly by the Company.



Notes to the Accounts (Cont'd)

31st December, 2004

12. INTERESTS IN ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Share of net assets	42,922,265	47,000,391	–	–
Due from associated companies	47,087,338	43,941,628	47,087,338	43,941,628
	90,009,603	90,942,019	47,087,338	43,941,628

The amounts due from associated companies are unsecured, interest free and have no fixed terms of repayment.

The following is a list of the associated companies at 31st December, 2004:

Name of company	Place of incorporation/ establishment	Particulars of issued shares/ registered capital	Effective percentage holding		Principal activities
			2004	2003	
Samstrong International Limited	British Virgin Islands	Ordinary US\$100	43%	43%	Investment holding
Da Da Development (Shanghai) Corporation <i>(a wholly foreign owned investment enterprise)</i>	The People's Republic of China	Registered capital US\$10,200,000	43%	43%	Property investment in Shanghai, China



Notes to the Accounts (Cont'd)

31st December, 2004

12. INTERESTS IN ASSOCIATED COMPANIES (Cont'd)

Consolidated financial information of the associated companies is as follows:

	2004 HK\$	2003 HK\$
Turnover	<u>6,290,091</u>	<u>8,419,073</u>
Profit for the year	<u>3,386,137</u>	<u>894,764</u>
Fixed assets	327,804,289	327,175,618
Current assets	7,104,889	4,020,847
Current liabilities	(16,238,881)	(16,048,250)
Shareholders' loans	(131,114,022)	(128,601,377)
Long term bank loan-non current portion	(2,683,200)	(6,002,578)
Deferred tax liabilities	<u>(85,053,879)</u>	<u>(71,241,016)</u>
Shareholders' funds	<u>99,819,196</u>	<u>109,303,244</u>

The investment properties included in fixed assets were revalued at HK\$327,600,000 (2003: HK\$326,826,000) at 31st December, 2004 on the basis of open market value by A. G. Wilkinson & Associates, an independent firm of chartered surveyors. The investment properties were pledged to banks to secure the associated companies' banking facilities to the extent of approximately HK\$16,546,400 (2003: 19,813,003).

13. LONG TERM INVESTMENTS

	2004 HK\$	2003 HK\$
Unlisted shares, at cost		
– Hainan Yangpu Land Development Company Limited (“HYLDCL”)	–	50,000,000
Less: Provision for impairment	–	<u>(50,000,000)</u>
	–	–
Club debentures, at cost	3,221,056	3,221,056
Less: Provision for impairment	<u>(351,000)</u>	–
	<u>2,870,056</u>	<u>3,221,056</u>



Notes to the Accounts (Cont'd)

31st December, 2004

14. SHORT TERM INVESTMENTS

	GROUP		COMPANY	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Debt securities, unlisted	3,498,998	–	–	–

15. PROPERTIES HELD FOR RESALE

As at the balance sheet date, the properties were pledged to a bank to secure the Group's banking facilities to the extent of approximately HK\$32,188,000 (2003: HK\$50,000,000).

As 31st December 2004, the carrying amount of properties held for resale that were carried at net realisable value amounted to HK\$1,946,150 (2003: Nil).

16. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	GROUP		COMPANY	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Trade receivables	3,708,217	3,990,126	–	–
Bills receivable	60,526,288	42,675,903	–	–
Trade and bills receivables (<i>Note (a)</i>)	64,234,505	46,666,029	–	–
Prepayments and deposits	23,761,023	7,824,647	316,476	284,715
Other receivables	697,402	2,617,855	77,002	120,007
	88,692,930	57,108,531	393,478	404,722



Notes to the Accounts (Cont'd)

31st December, 2004

16. ACCOUNTS RECEIVABLE AND PREPAYMENTS (Cont'd)

Note:

- (a) The majority of the Group's turnover is on letter of credit or documents against payment. The credit terms given to the customers vary and are generally based on the financial strength of individual customers. In order to effectively manage the credit risks associated with trade debts, credit evaluations of customers are performed periodically.

At 31st December, 2004, the ageing analysis of the trade and bills receivables were as follows:

	2004	2003
	HK\$	HK\$
Less than 30 days	62,996,468	45,959,640
30-60 days	15,593	–
61-90 days	–	54,000
Over 90 days	1,222,444	652,389
	<u>64,234,505</u>	<u>46,666,029</u>

17. PLEDGED BANK DEPOSITS

As at the balance sheet date, cash and bank balances amounted to HK\$7,946,935 (2003: HK\$62,176,200) for the Group were pledged to banks to secure general banking facilities.

18. BANK BALANCES AND CASH

As at the balance sheet date, approximately HK\$25,771,807 (2003: HK\$3,325,962) of the Group's cash and bank balances were denominated in RMB and placed with bank in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.



Notes to the Accounts (Cont'd)

31st December, 2004

19. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	GROUP		COMPANY	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Trade and bills payable	101,747,001	70,805,367	–	–
Other payables and accruals	56,587,544	68,428,485	1,932,073	1,575,866
	<u>158,334,545</u>	<u>139,233,852</u>	<u>1,932,073</u>	<u>1,575,866</u>

At 31st December, 2004, the ageing analysis of the trade and bills payable were as follows:

	GROUP	
	2004	2003
	HK\$	HK\$
Less than 30 days	101,372,653	54,240,515
30-60 days	–	16,564,852
Over 90 days	374,348	–
	<u>101,747,001</u>	<u>70,805,367</u>

20. BANK LOANS, SECURED

	GROUP		COMPANY	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
The analysis of the secured bank loans is as follows:				
Wholly repayable within five years	42,296,165	206,811,318	13,705,457	101,043,670
Not wholly repayable within five years	122,738,865	39,862,174	94,630,000	15,000,000
	<u>165,035,030</u>	<u>246,673,492</u>	<u>108,335,457</u>	<u>116,043,670</u>
Current portion of secured bank loans	(27,192,367)	(61,648,690)	(13,643,715)	(43,028,141)
Non-current portion of secured bank loans	<u>137,842,663</u>	<u>185,024,802</u>	<u>94,691,742</u>	<u>73,015,529</u>



Notes to the Accounts (Cont'd)

31st December, 2004

20. BANK LOANS, SECURED (Cont'd)

At 31st December, 2004, the Group's bank loans were repayable as follows:

	GROUP		COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Within one year	27,192,367	61,648,690	13,643,715	43,028,141
In the second year	27,128,538	59,858,728	13,942,226	23,404,738
In the third to fifth year	41,254,736	85,303,900	27,069,516	34,610,791
After the fifth year	69,459,389	39,862,174	53,680,000	15,000,000
	165,035,030	246,673,492	108,335,457	116,043,670
Less: Amount due within one year included in current liabilities	(27,192,367)	(61,648,690)	(13,643,715)	(43,028,141)
Bank loans, secured – non-current portion	137,842,663	185,024,802	94,691,742	73,015,529

Bank loans were secured on certain investment properties and fixed assets (Note 10), bank deposits (Note 17), properties held for resale (Note 15), issued shares of certain subsidiary companies and assignment of rental income. Guarantees were also given by the Company in respect of certain subsidiaries' borrowings (Note 25).

21. SHARE CAPITAL

	COMPANY	
	2004 HK\$	2003 HK\$
Authorised 500,000,000 (2003: 500,000,000) ordinary shares of HK\$0.20 each	100,000,000	100,000,000
Issued and fully paid 261,684,910 (2003: 261,684,910) ordinary shares of HK\$0.20 each	52,336,982	52,336,982



Notes to the Accounts (Cont'd)

31st December, 2004

22. RESERVES

	GROUP		COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
SHARE PREMIUM ACCOUNT	19,516,419	19,516,419	19,516,419	19,516,419
INVESTMENT PROPERTIES REVALUATION RESERVE				
At 1st January	310,104,897	271,011,133	–	–
Reserve transferred to profit and loss account upon disposal of investment properties	(4,206,343)	–	–	–
Surplus on revaluation of investment properties				
– Gross	38,878,537	55,325,113	–	–
– Taxation (note 23)	2,088,510	(16,231,349)	–	–
At 31st December	346,865,601	310,104,897	–	–
EXCHANGE FLUCTUATION RESERVE				
At 1st January	3,220,245	1,230,987	–	–
Exchange differences	197,896	1,989,258	–	–
At 31st December	3,418,141	3,220,245	–	–
RESERVE ARISING ON CONSOLIDATION				
At 1st January and 31st December	1,441,177	1,441,177	–	–
RETAINED EARNINGS				
At 1st January	35,296,079	55,438,609	127,548,772	129,016,381
Profit/(loss) for the year	34,001,912	(20,142,530)	(14,019,418)	(1,467,609)
Interim dividend paid	(2,616,849)	–	(2,616,849)	–
At 31st December (Note)	66,681,142	35,296,079	110,912,505	127,548,772
TOTAL RESERVES	437,922,480	369,578,817	130,428,924	147,065,191
<i>Note :</i>				
Retained earnings representing:				
2004 final dividend proposed	2,616,849	–	2,616,849	–
Others	64,064,293	35,296,079	108,295,656	127,548,772
Retained earnings at 31st December	66,681,142	35,296,079	110,912,505	127,548,772
Retained by:				
Company and subsidiaries				
– Share premium account	19,516,419	19,516,419		
– Investment properties revaluation reserve	319,061,269	276,361,034		
– Exchange fluctuation reserve	1,999,638	2,207,108		
– Reserve arising on consolidation	1,441,177	1,441,177		
– Retained earnings	52,981,712	23,052,688		
	395,000,215	322,578,426		
Associated companies				
– Investment properties revaluation reserve	27,804,332	33,743,863		
– Exchange fluctuation reserve	1,418,503	1,013,137		
– Retained earnings	13,699,430	12,243,391		
	42,922,265	47,000,391		
	437,922,480	369,578,817		



Notes to the Accounts (Cont'd)

31st December, 2004

23. DEFERRED TAX LIABILITIES

Deferred taxation are calculated in full on temporary differences under the liability method.

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

	Accelerated tax		Revaluation of		Total	
	depreciation allowance		properties			
	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	1,143,165	790,560	36,986,794	20,755,445	38,129,959	21,546,005
Charged to profit and loss						
Account (note 5)	113,443	352,605	–	–	113,443	352,605
(Credited)/charged						
to equity (note 22)	–	–	(2,088,510)	16,231,349	(2,088,510)	16,231,349
At 31st December	<u>1,256,608</u>	<u>1,143,165</u>	<u>34,898,284</u>	<u>36,986,794</u>	<u>36,154,892</u>	<u>38,129,959</u>

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$24,372,308 (2003: HK\$22,857,690) to carry forward against future taxable income. Tax losses of HK\$248,237 (2003: Nil) will expire in 2009 and tax losses of HK\$24,124,071 (2003: HK\$22,857,690) have no expiry date.



Notes to the Accounts (Cont'd)

31st December, 2004

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2004 HK\$	2003 HK\$
Operating profit/(loss)	37,532,349	(19,522,413)
Interest expenses	8,254,804	12,243,272
Interest income	(935,013)	(789,860)
Depreciation charges	1,623,471	1,979,666
Loss on disposal of investment properties	2,351,848	–
Gain on disposal of other fixed assets	(39,113)	(107,024)
Write-back of provision upon disposal of long term investment	(11,756,250)	–
Gain on disposal of subsidiaries	(1,167,846)	–
Impairment of fixed assets	544,648	–
Provision for long term investment	351,000	–
Decrease in properties held for resale	39,945,116	9,979,744
Decrease/(increase) in inventories	33,298,882	(47,217,017)
Increase in accounts receivables and prepayments	(31,825,315)	(43,470,820)
Increase in accounts payable and accrued expenses	19,913,272	125,665,519
Increase in rental deposits received	234,785	365,379
	<hr/>	<hr/>
Net cash inflow generated from operations	98,326,638	39,126,446
Interest paid	(8,254,804)	(12,956,377)
Overseas taxation paid	(4,895,229)	(1,147,020)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>85,176,605</u>	<u>25,023,049</u>



Notes to the Accounts (Cont'd)

31st December, 2004

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of changes in financing during the year

	Secured bank loans		Minority interests		Pledged bank deposit		Trust receipt loans	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Balance brought forward	246,673,492	253,854,929	769,109	1,913,457	(62,176,200)	(62,296,200)	9,996,081	22,189,159
Exchange differences	217,324	935,534	-	-	-	-	-	-
Cash (outflow)/inflow	(81,855,786)	(8,116,971)	-	-	54,229,265	120,000	(9,996,081)	(12,193,078)
Minority interests' share of loss	-	-	(41,745)	(988,356)	-	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	(155,992)	-	-	-	-
Balance carried forward	<u>165,035,030</u>	<u>246,673,492</u>	<u>727,364</u>	<u>769,109</u>	<u>(7,946,935)</u>	<u>(62,176,200)</u>	<u>-</u>	<u>9,996,081</u>

(c) Disposal of subsidiaries

	2004 HK\$	2003 HK\$
Net assets of subsidiaries disposed:		
Fixed assets	53,116	-
Accounts receivable and prepayments	240,916	-
Bank balances and cash	455,507	-
Accounts payable and accrued expenses	(812,579)	-
Taxation payable	(6,138)	-
	<u>(69,178)</u>	<u>-</u>
Gain on disposal of subsidiaries	1,167,846	-
	<u>1,098,668</u>	<u>-</u>
Satisfied by cash	<u>1,098,668</u>	<u>-</u>
	2004 HK\$	2003 HK\$
Analysis of the net inflow in respect of disposal of subsidiaries:		
Sales proceeds	1,098,668	-
Cash and cash equivalents disposed of:		
Bank balances and cash	(455,507)	-
	<u>643,161</u>	<u>-</u>



Notes to the Accounts (Cont'd)

31st December, 2004

25. CONTINGENT LIABILITIES AND COMMITMENTS

	GROUP		COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
a. Contingent liabilities:				
Bills discounted with recourse	1,109,713	67,779,529	–	–
Guarantees for banking facilities utilised by:				
– subsidiaries	–	–	344,359,676	324,891,273
– an associated company	16,546,400	19,813,003	16,546,400	19,813,003
	<u>17,656,113</u>	<u>87,592,532</u>	<u>360,906,076</u>	<u>344,704,276</u>

Management anticipate that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

b. Commitments under operating leases:

(i) Rental payment

At 31st December, 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	GROUP	
	2004 HK\$	2003 HK\$
– Not later than one year	1,140,253	93,629
– Later than one year and not later than five years	276,000	–
	<u>1,416,253</u>	<u>93,629</u>



Notes to the Accounts (Cont'd)

31st December, 2004

25. CONTINGENT LIABILITIES AND COMMITMENTS (Cont'd)

b. Commitments under operating leases: (Cont'd)

(ii) Rental income

At 31st December, 2004, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
– Not later than one year	15,769,928	15,008,542
– Later than one year and not later than five years	22,134,855	29,575,956
– Later than five years	10,570,412	22,687,169
	<u>48,475,195</u>	<u>67,271,667</u>

26. ULTIMATE HOLDING COMPANY

The directors regard Asian Pacific Investment Corporation, a company incorporated in Panama, as being its ultimate holding company.

27. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 8th April, 2005.