

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors consider that the Company's ultimate holding company is JCS Limited, a company also incorporated in Bermuda as an exempted company with limited liability.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 19.

### 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

#### Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

#### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its estimated useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

#### Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Negative goodwill (Continued)

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful lives of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets acquired, it is recognised as income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet as a deduction from assets.

#### Revenue recognition

##### Development properties

When properties are developed for sale, income is recognised only when the sale is completed and when the relevant building occupation/sale permit is issued by the relevant authority. Payments received from purchasers prior to this stage are recorded as sales deposits under current liabilities.

##### Others

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

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

Service income is recognised when services are provided.

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

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

Securities trading income is recognised on a trade-date basis when contracts are executed.

#### Investment properties

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

Investment properties are stated at their open market value at the balance sheet date. They are valued at intervals of not more than three years by independent professionally qualified valuers. In each of the intervening years, valuations are undertaken by professionally qualified executives of the Group. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investment properties (Continued)

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

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

#### Property, plant and equipment

Property, plant and equipment other than properties under development are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than properties under development over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Land and buildings	2% to 4%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Plant and machinery	10%
Leasehold improvements	25%

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

#### Properties under development

Properties under development held for investment are classified under property, plant and equipment and are stated at cost less any identified impairment loss.

Properties under development held for sale are classified under current assets and are stated at the lower of cost and net realisable value.

Cost comprises land cost and development costs including attributable borrowing costs and charges capitalised during the development period.

#### Operating leases

Rental payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

#### Quotas

Revenue from the sale of, and the cost of acquiring, temporary quotas are dealt with in the income statement at the time of shipments or when the sale of the related goods is completed. Quotas allocated by the authorities in Hong Kong are not recognised in the financial statements. The cost of permanent quotas acquired is amortised over three years after the year of acquisition.

#### Investments in subsidiaries

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

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Interests in associates

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

#### Joint ventures

##### *Jointly controlled entities*

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

#### Investments in securities

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

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Borrowing costs**

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

All other borrowing costs are recognised as expenses in the period in which they are incurred.

#### **Transaction costs on bank borrowings**

The transaction costs incurred in connection with the bank borrowings raised are deferred and charged to the income statement over the period of the bank borrowings from the date of bank borrowings withdrawn to the final repayment maturity date so as to produce a constant periodic rate of charge on the remaining balance of the bank borrowings for each accounting period.

#### **Taxation**

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

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

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

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

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

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

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of subsidiaries, associates and jointly controlled entities which are denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### Retirement benefit costs

Payments to defined contribution retirement benefit plans/state managed retirement benefit scheme/the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

### 4. TURNOVER

Turnover comprises:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Gross rental income	214,056	317,111
Gross proceeds from sale of properties	196,362	125,170
Gross invoiced sales	61,053	147,487
Agency and service fees income	582	718
Dividend income	2,005	1,678
Project management fee income	664	689
	474,722	592,853

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 5. GEOGRAPHICAL AND BUSINESS SEGMENTS

#### Geographical segments

The operations of the Group are currently located in New Zealand, Australia, Greater China other than Hong Kong (the "PRC") and Hong Kong. The corresponding geographical locations of the Group's assets are the basis on which the Group reports its primary segment information.

	Year ended 31st December, 2004						Consolidated HK\$'000
	New Zealand HK\$'000	Australia HK\$'000	PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Eliminations HK\$'000	
<b>REVENUE</b>							
External sales	321,572	22,519	4,276	126,355	-	-	474,722
Inter-segment sales*	-	-	-	39,223	-	(39,223)	-
<b>Total revenue</b>	<b>321,572</b>	<b>22,519</b>	<b>4,276</b>	<b>165,578</b>	<b>-</b>	<b>(39,223)</b>	<b>474,722</b>
<b>RESULT</b>							
Segment profit (loss)	139,682	9,758	(7,425)	97,939	(906)	-	239,048
Interest income							67,710
Unallocated corporate expenses							(39,632)
Profit from operations							267,126
Finance costs							(121,060)
Share of results of associates	3,354	-	-	-	-	-	3,354
Share of results of jointly controlled entities	-	-	(3,689)	-	-	-	(3,689)
Profit before taxation							145,731
Taxation							(2,156)
Profit before minority interests							143,575
Minority interests							(23,083)
<b>Net profit for the year</b>							<b>120,492</b>

\* Inter-segment sales are charged at prevailing market rates.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 5. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

#### Geographical segments (Continued)

Balance Sheet at 31st December, 2004

	New Zealand HK\$'000	Australia HK\$'000	PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>						
Segment assets	1,247,190	784,113	550,479	5,001,995	107,032	7,690,809
Interests in associates	18,340	-	-	-	-	18,340
Amounts due from associates	33,950	-	-	-	-	33,950
Interests in jointly controlled entities	-	-	290	-	-	290
Amounts due from jointly controlled entities	-	-	2,790	-	-	2,790
Taxation recoverable						1,593
Consolidated total assets						7,747,772
<b>LIABILITIES</b>						
Segment liabilities	118,383	49,241	113,014	97,477	564	378,679
Borrowings	747,631	70,869	110,088	2,217,616	51,071	3,197,275
Taxation payable						19,818
Deferred taxation						39,613
Consolidated total liabilities						3,635,385

Other Information for the year ended 31st December, 2004

	New Zealand HK\$'000	Australia HK\$'000	PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Consolidated HK\$'000
Capital additions	334,576	-	40,692	281,499	-	656,767
Depreciation and amortisation	1,488	365	290	1,905	17	4,065
Net (loss) gain on investments and properties	(80,680)	(14,045)	-	22	-	(94,703)
Gain on disposal of subsidiaries engaging in property investment and development	34,922	42,508	-	-	-	77,430
Release of negative goodwill	25,959	1,203	-	12,266	-	39,428
Bad debts written off/allowance for doubtful debts	179	90	-	5,180	-	5,449



## Notes to the Financial Statements

For the year ended 31st December, 2004

### 5. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

#### Geographical segments (Continued)

	Year ended 31st December, 2003						Consolidated HK\$'000
	New Zealand HK\$'000	Australia HK\$'000	PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Eliminations HK\$'000	
<b>REVENUE</b>							
External sales	244,037	92,763	14,861	241,192	–	–	592,853
Inter-segment sales*	–	–	31	543	–	(574)	–
<b>Total revenue</b>	<b>244,037</b>	<b>92,763</b>	<b>14,892</b>	<b>241,735</b>	<b>–</b>	<b>(574)</b>	<b>592,853</b>
<b>RESULT</b>							
Segment profit (loss)	162,068	129,479	(8,056)	148,373	14,802	–	446,666
Interest income							54,419
Unallocated corporate expenses							(37,833)
Profit from operations							463,252
Finance costs							(158,679)
Share of results of associates	104	–	–	(2,175)	–	–	(2,071)
Share of results of jointly controlled entities	–	–	6,105	–	–	–	6,105
Profit before taxation							308,607
Taxation							(10,775)
Profit before minority interests							297,832
Minority interests							(110,571)
<b>Net profit for the year</b>							<b>187,261</b>

\* Inter-segment sales are charged at prevailing market rates.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 5. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

#### Geographical segments (Continued)

Balance Sheet at 31st December, 2003

	New Zealand HK\$'000	Australia HK\$'000	PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>						
Segment assets	1,764,111	1,937,936	457,296	2,581,104	110,133	6,850,580
Interests in associates	16,484	–	–	–	–	16,484
Interests in jointly controlled entities	–	–	3,979	–	–	3,979
Amounts due from jointly controlled entities	–	–	2,790	–	–	2,790
Taxation recoverable						7,726
<b>Consolidated total assets</b>						<b>6,881,559</b>
<b>LIABILITIES</b>						
Segment liabilities	110,040	75,693	120,396	97,571	448	404,148
Borrowings	1,007,981	672,343	56,762	1,092,217	48,762	2,878,065
Taxation payable						19,433
Deferred taxation						28,164
<b>Consolidated total liabilities</b>						<b>3,329,810</b>

#### Other Information for the year ended 31st December, 2003

	New Zealand HK\$'000	Australia HK\$'000	PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Consolidated HK\$'000
Capital additions	145,840	491	491	1,357	–	148,179
Depreciation and amortisation	905	646	247	1,921	31	3,750
Net gain (loss) on investments and properties	(2,694)	76,787	–	24,743	–	98,836
Release of negative goodwill	–	44,244	–	12,266	–	56,510
Gain (loss) on disposal of property, plant and equipment	(1,048)	(11)	–	92	–	(967)
Bad debts written off	376	–	–	–	–	376

Note: The location of assets is similar to the location of customers.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 5. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

#### Business segments

The Group is currently organised into four operating divisions – property investment, garment manufacturing and trading, investment and property development.

Principal activities are as follows:

Property investment	–	rental of properties
Garment manufacturing and trading	–	manufacturing and trading of garment products
Investment	–	investment in securities and treasury investments
Property development	–	development of properties

Other than the garment manufacturing and trading with location of its operations mainly in Hong Kong, all the above divisions are operating in New Zealand, Australia, PRC and Hong Kong.

The following table provides an analysis of the Group's sales revenue and contribution to profit (loss) from operations by business segment:

	Sales revenue by business segment		Contribution to profit (loss) from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Property investment	<b>214,056</b>	316,094	<b>92,452</b>	387,300
Garment manufacturing and trading	<b>57,049</b>	147,488	<b>12,629</b>	4,535
Investment	<b>2,005</b>	2,705	<b>20,683</b>	18,918
Property development	<b>196,362</b>	126,202	<b>112,770</b>	37,697
Others	<b>5,250</b>	364	<b>514</b>	(1,784)
	<b>474,722</b>	592,853	<b>239,048</b>	446,666
Interest income			<b>67,710</b>	54,419
Unallocated corporate expenses			<b>(39,632)</b>	(37,833)
Profit from operations			<b>267,126</b>	463,252

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 5. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

#### Business segments (Continued)

The following is an analysis of the carrying amount of segment assets, and additions to investment properties and property, plant and equipment analysed by business segments:

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property investment	4,183,739	5,458,130	616,694	145,840
Garment manufacturing and trading	16,351	40,881	9	1,180
Investment	164,990	79,013	454	177
Property development	2,851,761	941,531	39,610	491
Others	58,205	18,112	–	491
	<b>7,275,046</b>	<b>6,537,667</b>	<b>656,767</b>	<b>148,179</b>
Unallocated corporate assets	472,726	343,892		
Consolidated total assets	<b>7,747,772</b>	<b>6,881,559</b>		

### 6. CHANGES IN INVENTORIES AND PROPERTIES HELD FOR SALE

	2004	2003
	HK\$'000	HK\$'000
Changes in inventories of manufactured finished goods and work-in-progress	1,480	(6,423)
Raw materials and consumables used	(17,860)	(29,856)
Purchase of goods held for resale	(1,278)	(61,778)
Changes in inventories of properties held for sale	1,853,735	14,346
Costs incurred on properties held for sale	(1,994,662)	(111,371)
	<b>(158,585)</b>	<b>(195,082)</b>

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 7. NET (LOSS) GAIN ON INVESTMENTS AND PROPERTIES

	2004 HK\$'000	2003 HK\$'000
(Loss) gain on disposal of investment properties	(100,803)	72,857
Unrealised holding gain (loss) on investments in trading securities	3,344	(155)
Realised gain on disposal of investments in securities	2,778	2,300
Others	(22)	–
Write back of allowance for properties held for sale	–	21,659
Gain on deemed disposal of an associate	–	2,175
	<b>(94,703)</b>	<b>98,836</b>

### 8. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	2,720	3,056
Under(over)provision for prior years	288	(75)
Bad debts written off/allowance for doubtful debts	5,449	376
Directors' emoluments (note 10)	13,658	12,865
Loss on disposal of property, plant and equipment	–	967
Rental payments under operating leases	8,076	7,451
and crediting:		
Gross rental income from investment properties	212,740	316,079
Less: Outgoings	(20,039)	(29,513)
Net rental income from investment properties	192,701	286,566
Net rental income from other properties	1,316	1,032
	<b>194,017</b>	<b>287,598</b>
Interest earned on bank deposits	58,796	40,780
Other interest income	8,914	13,639
	<b>67,710</b>	<b>54,419</b>
Dividend income from listed investments	2,005	1,666
Dividend income from unlisted investments	–	12
Gain on repurchase of preference convertible promissory notes	–	15,600
Net exchange gain	7,278	904

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 9. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank loans wholly repayable within 5 years	110,332	123,226
Other loans wholly repayable within 5 years	822	–
Bank loans not wholly repayable within 5 years	6,464	21,654
Obligations under finance leases	–	57
Bonds	7,241	18,860
	<hr/>	<hr/>
Total interest	124,859	163,797
Less: Amounts capitalised to property development projects	(10,272)	(7,147)
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	114,587	156,650
Facilities charges	6,473	2,029
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	121,060	158,679

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6% (2003: 7%) to expenditure on qualifying assets.

### 10. DIRECTORS' EMOLUMENTS

The Directors' emoluments for the year are analysed as follows:

	2004 HK\$'000	2003 HK\$'000
Fees to:		
Executive Directors	102	70
Non-executive Directors	20	20
Independent non-executive Directors	272	40
	<hr/>	<hr/>
	394	130
Management remuneration:		
Executive Directors		
Salaries and other benefits	7,818	5,300
Performance based bonus	3,721	5,940
Contributions to pension scheme	995	775
Discretionary payments	700	600
Independent non-executive Directors		
Other remuneration	30	120
	<hr/>	<hr/>
	13,264	12,735
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	13,658	12,865

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 10. DIRECTORS' EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	2004 Number of directors	2003 Number of directors
Nil to HK\$500,000	5	7
HK\$500,001 to HK\$1,000,000	1	–
HK\$1,500,001 to HK\$2,000,000	2	–
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$6,500,001 to HK\$7,000,000	1	–
HK\$9,000,001 to HK\$9,500,000	–	1
	<b>10</b>	<b>9</b>

No directors waived their emoluments during the year.

### 11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2003: two) were directors of the Company whose emoluments are included in the disclosures in note 10. The emoluments of the remaining three (2003: three) individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other remuneration	6,800	5,769
Performance based bonus	1,034	914
Contributions to pension scheme	–	45
	<b>7,834</b>	<b>6,728</b>

Their emoluments were within the following bands:

	2004 Number of employees	2003 Number of employees
HK\$1,500,001 to HK\$2,000,000	2	2
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	–
	<b>3</b>	<b>3</b>

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 12. TAXATION

	2004 HK\$'000	2003 HK\$'000
The charge (credit) comprises:		
Current year		
Hong Kong	654	3,833
Other regions in the PRC	626	–
Other jurisdictions	164	1,887
	<b>1,444</b>	5,720
(Over)underprovision in prior years		
Hong Kong	(135)	(480)
Other regions in the PRC	–	663
	<b>(135)</b>	183
	<b>1,309</b>	5,903
Deferred tax		
Current year	847	2,101
Attributable to a change in tax rate	–	645
	<b>847</b>	2,746
Taxation attributable to the Company and its subsidiaries	<b>2,156</b>	8,649
Share of taxation attributable to jointly controlled entities	–	2,126
	<b>2,156</b>	10,775

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

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

Details of deferred taxation are set out in note 38.



## Notes to the Financial Statements

For the year ended 31st December, 2004

### 12. TAXATION (Continued)

The taxation for the year can be reconciled from taxation based on profit per the income statement as follows:

	Hong Kong and PRC		New Zealand, Australia and others		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	<b>30,021</b>	88,962	<b>115,710</b>	219,645	<b>145,731</b>	308,607
Applicable income tax rate	<b>17.5%</b>	17.5%	<b>33%</b>	33%		
Tax at the applicable income tax rate	<b>5,254</b>	15,568	<b>38,184</b>	72,483	<b>43,438</b>	88,051
Tax effect of expenses not deductible for tax purpose	<b>1,766</b>	2,154	<b>20,400</b>	20,574	<b>22,166</b>	22,728
Tax effect of income not taxable for tax purpose	<b>(3,359)</b>	(7,645)	<b>(37,411)</b>	(20,997)	<b>(40,770)</b>	(28,642)
(Over)underprovision in prior years	<b>(135)</b>	183	–	–	<b>(135)</b>	183
Tax effect of (utilisation of losses previously not recognised) losses not recognised, net	<b>(2,257)</b>	9,199	<b>(22,584)</b>	(72,060)	<b>(24,841)</b>	(62,861)
Tax effect of decrease in deferred tax assets on deductible temporary differences not recognised	<b>(680)</b>	(13,322)	–	–	<b>(680)</b>	(13,322)
Withholding tax on dividend income	–	–	–	1,887	–	1,887
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	–	645	–	–	–	645
Tax effect of share of loss of associates not recognised	–	381	–	–	–	381
Effect of different tax rates of subsidiaries and jointly controlled entities operated in other jurisdictions	<b>457</b>	1,725	<b>(278)</b>	–	<b>179</b>	1,725
Others	<b>651</b>	–	<b>2,148</b>	–	<b>2,799</b>	–
Taxation for the year	<b>1,697</b>	8,888	<b>459</b>	1,887	<b>2,156</b>	10,775

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 13. DIVIDENDS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Final – HK6 cents per share (2003: HK6 cents)	30,692	30,675
Interim – HK4 cents per share (2003: HK4 cents)	20,466	20,450
	<b>51,158</b>	51,125

A final dividend of HK6 cents (2003: HK6 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

### 14. EARNINGS PER SHARE

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	<b>120,492</b>	187,261
	<b>Number of shares</b>	
	2004	2003
Number of ordinary shares for the purposes of basic earnings per share	511,353,614	511,246,868
Effect of dilutive potential ordinary shares		
Options	8,301,278	886,484
Warrants	39,386,622	5,352,693
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>559,041,514</b>	517,486,045

The computation of diluted earnings per share in 2003 did not assume the conversion of the preference convertible promissory notes of a subsidiary of the Company since their exercise would result in an increase in the net profit per share.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 15. INVESTMENT PROPERTIES

	New Zealand and Australia held under freehold HK\$'000	Hong Kong held under long leases HK\$'000	Hong Kong held under medium- term leases HK\$'000	PRC held under medium- term leases HK\$'000	Australia held under long leases HK\$'000	New Zealand held under medium- term leases HK\$'000	New Zealand held under long leases HK\$'000	Total HK\$'000
<b>THE GROUP</b>								
<b>VALUATION</b>								
At 1st January, 2004	1,695,338	81,000	1,800,000	39,300	147,066	19,575	119,208	3,901,487
Exchange adjustments	96,802	-	-	-	7,782	1,994	15,783	122,361
Additions	42,479	43,619	-	1,083	-	135	76,960	164,276
Acquired on acquisition of subsidiaries	22,955	-	-	-	-	-	-	22,955
Disposals	(785,776)	-	-	-	-	-	-	(785,776)
Transfer to properties under development	(105,693)	-	-	-	-	-	(40,095)	(145,788)
(Deficit) surplus on valuation	(36,987)	53,731	300,000	129	21,812	(308)	6,912	345,289
At 31st December, 2004	929,118	178,350	2,100,000	40,512	176,660	21,396	178,768	3,624,804

The Group's investment properties have been revalued as at 31st December, 2004 on an open market value basis by independent professional valuers as follows:

Properties situated in	Name of independent professional valuers
New Zealand and Australia held under freehold	CB Richard Ellis Limited, Colliers International New Zealand Limited
Hong Kong held under medium-term and long leases	Chesterton Petty Limited
PRC held under medium-term leases	Chesterton Petty Limited
Australia held under long leases	Colliers International Consultancy and Valuation Pty Limited
New Zealand held under medium-term and long leases	CB Richard Ellis Limited

The above-mentioned valuations have been adopted by the directors in these financial statements. The net surplus arising on revaluation amounting to HK\$345,289,000 of which HK\$351,588,000 attributable to the Group has been credited to the investment property revaluation reserve.

All the Group's investment properties are rented out under operating leases.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 16. PROPERTY, PLANT AND EQUIPMENT

	Properties under development held for investment HK\$'000	Land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
<b>COST</b>							
At 1st January, 2004	387,616	523	20,171	10,488	3,007	2,635	424,440
Exchange adjustments	17,732	(34)	1,158	353	–	–	19,209
Additions	365,670	–	3,417	2,752	–	–	371,839
Acquired on acquisition of subsidiaries	95,475	–	1,788	434	–	–	97,697
Disposals	–	–	(925)	(2,057)	–	–	(2,982)
Disposed on disposal of subsidiaries	(8,373)	–	–	–	–	–	(8,373)
Transfer to properties held for sale	(222,006)	–	–	–	–	–	(222,006)
Transfer from investment properties	145,788	–	–	–	–	–	145,788
<b>At 31st December, 2004</b>	<b>781,902</b>	<b>489</b>	<b>25,609</b>	<b>11,970</b>	<b>3,007</b>	<b>2,635</b>	<b>825,612</b>
<b>DEPRECIATION AND IMPAIRMENT</b>							
At 1st January, 2004	–	155	17,166	6,096	1,618	2,451	27,486
Exchange adjustments	–	(12)	727	100	–	–	815
Provided for the year	–	19	1,905	1,949	139	53	4,065
Eliminated on disposals	–	–	(772)	(1,219)	–	–	(1,991)
<b>At 31st December, 2004</b>	<b>–</b>	<b>162</b>	<b>19,026</b>	<b>6,926</b>	<b>1,757</b>	<b>2,504</b>	<b>30,375</b>
<b>NET BOOK VALUES</b>							
<b>At 31st December, 2004</b>	<b>781,902</b>	<b>327</b>	<b>6,583</b>	<b>5,044</b>	<b>1,250</b>	<b>131</b>	<b>795,237</b>
At 31st December, 2003	387,616	368	3,005	4,392	1,389	184	396,954

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book values of properties shown above comprises:

	Properties under development held for investment		Land and buildings	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
In PRC held under long leases	227,705	188,005	97	101
In Hong Kong held under medium-term leases	342,802	106,015	–	–
In New Zealand held under freehold	211,395	93,596	–	–
In Indonesia under long leases	–	–	230	267
	<b>781,902</b>	<b>387,616</b>	<b>327</b>	<b>368</b>

At 31st December, 2004, the total borrowing costs capitalised to properties under development held for investment were HK\$12,794,000 (2003: HK\$10,730,000).

### 17. PERMANENT QUOTAS

	THE GROUP HK\$'000
COST	
At 1st January, 2004	85,511
Disposals	(85,511)
<b>At 31st December, 2004</b>	<b>–</b>
AMORTISATION	
At 1st January, 2004	85,511
Eliminated on disposal	(85,511)
<b>At 31st December, 2004</b>	<b>–</b>
CARRYING AMOUNT	
<b>At 31st December, 2004 and 31st December, 2003</b>	<b>–</b>

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 18. NEGATIVE GOODWILL

	<b>THE GROUP</b>
	<i>HK\$'000</i>
GROSS AMOUNT	
At 1st January, 2004	423,849
Exchange adjustments	17,513
Arising on acquisition of further interests in subsidiaries	7,260
<b>At 31st December, 2004</b>	<b>448,622</b>
RELEASED TO INCOME	
At 1st January, 2004	176,724
Exchange adjustments	7,306
Released in the year	39,428
<b>At 31st December, 2004</b>	<b>223,458</b>
CARRYING AMOUNT	
<b>At 31st December, 2004</b>	<b>225,164</b>
At 31st December, 2003	247,125

The negative goodwill is released to income on a straight-line basis over 20 years, being the estimated remaining weighted average useful life of the depreciable assets acquired.

During the year, HK\$20,790,000 was released to income upon disposal of certain depreciable assets of the subsidiaries.

### 19. INVESTMENTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost (net of amounts written off)	<b>259,461</b>	259,461
Less: Impairment losses recognised	<b>(122,875)</b>	(122,875)
	<b>136,586</b>	136,586

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 19. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the principal subsidiaries, all of which are companies with limited liability, at 31st December, 2004 are set out below:

Name of subsidiary	Place/ country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective percentage of issued equity share capital/registered capital held by the Company	Principal activities
<b>Direct subsidiary</b>				
Chisel Limited	The British Virgin Islands/ Republic of Indonesia	2 ordinary shares of US\$1 each	100	Investment holding
SEABO Pacific Limited	Bermuda/ PRC	767,919 ordinary shares of HK\$1 each	100	Investment holding
South-East Asia Investment and Agency Company, Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	Investment holding
<b>Indirect subsidiary</b>				
Australian Growth Properties Limited	Australia	191,038,051 ordinary shares of A\$1 each	61	Property investment and development
AGP Management Limited	Australia	350,000 shares of no par value	100	Property and asset management
Chengdu Huashang House Development Co., Ltd.*	PRC	RMB136,000,000 registered capital	97	Property development
Concord Way Limited	Hong Kong	100 ordinary shares of HK\$1 each	100	Property development
Guangzhou Yingfat House Property Development Co., Ltd. ("Yingfat")*	PRC	US\$20,110,000 registered capital	100	Property development
Handy View Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property investment and garment trading

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 19. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place/ country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective percentage of issued equity share capital/registered capital held by the Company	Principal activities
<b>Indirect subsidiary (Continued)</b>				
SEA Group Treasury Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	Property development and financing
Shinning Worldwide Limited	The British Virgin Islands/ Hong Kong	1,000 ordinary shares of US\$1 each	55	Property development
Sky Trend Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property development
Trans Tasman Properties Limited	New Zealand	594,824,424 shares of no par value	61	Property investment and development
UniMilo's Knitwear Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	60	Garment manufacturing
Wing Siu Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property investment

\* *These companies are incorporated in the form of Sino-foreign co-operative joint ventures. According to the shareholders' agreement of Yingfat, the PRC partner is entitled to the higher of a fixed sum of return or 5% of the profit generated from the related property development project as defined in the agreement. The Group has the full entitlement to the remaining of the profit generated.*

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



## Notes to the Financial Statements

For the year ended 31st December, 2004

### 20. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets – unlisted	18,340	16,484
Goodwill on acquisition of associates	80,396	80,396
Impairment loss recognised	(80,396)	(80,396)
	<b>18,340</b>	<b>16,484</b>

The goodwill arose from acquisition of the associates in 2000. As the results of these associates after acquisition were significantly below the original expectation, the directors were of the opinion that future positive returns from these investments were uncertain and the excess of the purchase consideration over the fair value of the underlying net assets representing goodwill of HK\$80,396,000 was therefore considered as impaired and charged to the income statement in the year ended 31st December, 2000.

Details of the Group's principal associates at 31st December, 2004, all of which are companies with limited liability, are as follows:

Name of associate	Place/ country of incorporation/ operation	Class of shares held	Effective percentage of nominal value of issued equity capital indirectly held by the Company	Principal activities
e-commerce Logistics Limited	Hong Kong	Ordinary	28	e-fulfillment, warehousing and delivery services
GSB Supplycorp Limited	New Zealand	Ordinary	43	Public sector e-procurement
Jacks Point Limited	New Zealand	Ordinary	26	Property development
New Zealand Land Trust Holdings Limited	New Zealand	Ordinary	25	Property development
Professional Service Brokers Limited	New Zealand	Ordinary Preference	43 43	e-procurement management
Supplynet Limited	New Zealand	Ordinary	41	e-commerce marketplace

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

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	290	3,979

As at 31st December, 2004, the Group had interests in the following principal jointly controlled entity formed as a Sino-foreign equity joint venture:

Name of entity	Country of registration/ operation	Registered capital	Effective percentage of registered capital indirectly held by the Company	Principal activities
Chengdu Mingqiang Real Estate Co., Ltd.	PRC	US\$6,000,000	50	Property development

The directors are of the opinion that a complete list of the particulars of all jointly controlled entities of the Group will be of excessive length and therefore the above list contains only the particulars of a jointly controlled entity which principally affect the results or assets of the Group.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 22. OTHER INVESTMENTS

	Non-trading securities		Trading securities		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>						
Investments in securities						
Equity securities:						
Listed – Hong Kong	<b>82,964</b>	54,755	<b>796</b>	914	<b>83,760</b>	55,669
– overseas	<b>3,929</b>	16,940	–	–	<b>3,929</b>	16,940
	<b>86,893</b>	71,695	<b>796</b>	914	<b>87,689</b>	72,609
Unlisted	–	8	–	18,231	–	18,239
	<b>86,893</b>	71,703	<b>796</b>	19,145	<b>87,689</b>	90,848
Club debentures/memberships:						
Unlisted	<b>8,574</b>	8,574	–	–	<b>8,574</b>	8,574
	<b>95,467</b>	80,277	<b>796</b>	19,145	<b>96,263</b>	99,422
Market value of listed securities	<b>86,893</b>	71,695	<b>796</b>	914	<b>87,689</b>	72,609
Carrying amount analysed for reporting purposes as:						
Non-current	<b>95,467</b>	80,277	–	–	<b>95,467</b>	80,277
Current	–	–	<b>796</b>	19,145	<b>796</b>	19,145
	<b>95,467</b>	80,277	<b>796</b>	19,145	<b>96,263</b>	99,422

### 23. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

#### THE GROUP

The amounts are unsecured and interest-free. The Group will not demand for repayment within the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

### 24. OTHER LOANS RECEIVABLE

#### THE GROUP

The other loans receivable are secured by certain leasehold properties, carry interest at commercial rate and are repayable in accordance with their respective repayment terms.

Included in other loans receivable last year was a loan of NZ\$812,000 (equivalent to approximately HK\$4,119,000) advanced to New Zealand Land Trust Limited, a company owned as to 50% by a company associated with Mr. John Darby.

Mr. John Darby is a director of and has 25% interest in a former non-wholly owned subsidiary of the Company. The loan was fully repaid during the year.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 25. AMOUNT DUE FROM AN ASSOCIATE

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Non-current	31,863	–
Current	2,087	2,020
	<b>33,950</b>	<b>2,020</b>

The non-current portion represents the deferred consideration arising from the disposal of a subsidiary. The amount is unsecured, bears interest at market rate and repayable within two years from May 2004 but extendable for an additional year.

The current portion is unsecured, interest free and has no fixed repayment term.

The amount in last year was secured by a floating charge over certain assets of the associate, bore interest at commercial rate and was fully repaid during the year.

### 26. INVENTORIES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	82	122
Work-in-progress	1,741	1,527
Finished goods	1,574	252
	<b>3,397</b>	<b>1,901</b>

Included above are finished goods of nil (2003: HK\$252,000) carried at net realisable value.

### 27. PROPERTIES HELD FOR SALE

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Completed	1,538,427	16,384
Under development	853,289	524,072
	<b>2,391,716</b>	<b>540,456</b>

At 31st December, 2004, the total borrowing costs capitalised to properties held for sale were HK\$14,723,000 (2003: HK\$6,515,000).

Included in the above are completed properties held for sale and properties under development of HK\$2,172,976 (2003: nil) and HK\$845,308,000 (2003: HK\$326,644,000) respectively which are carried at net realisable value.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 28. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 1 to 3 months to its trade customers.

For the receivable from the sales of properties, the repayment terms are based on the respective agreements.

Included in the Group's debtors, deposits and prepayments are trade debtors of HK\$14,295,000 (2003: HK\$36,081,000), an aged analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0 to 60 days	12,541	17,588
61 to 90 days	194	15,899
91 to 365 days	1,184	972
Over 365 days	376	1,622
	<b>14,295</b>	<b>36,081</b>

### 29. ADVANCE TO A DIRECTOR OF AN INDIRECT SUBSIDIARY

THE GROUP  
HK\$'000

#### Mr. Donald I. Fletcher

Balance at 1st January, 2004	1,606
Balance at 31st December, 2004	–
Maximum amount outstanding during the year	1,606

The above advance last year was unsecured, non-interest bearing and fully repaid during the year.

### 30. AMOUNTS DUE FROM (TO) SUBSIDIARIES

#### THE COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 31. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in the Group's creditors, deposits received and accrued charges are trade creditors of HK\$67,483,000 (2003: HK\$50,942,000), an aged analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 to 60 days	62,369	31,256
61 to 90 days	1,233	15,087
91 to 365 days	690	573
Over 365 days	3,191	4,026
	<b>67,483</b>	<b>50,942</b>

### 32. PROVISIONS

	THE GROUP		
	Rehousing compensation HK\$'000	Rental guarantee HK\$'000	Total HK\$'000
At 1st January, 2003	68,864	–	68,864
Exchange adjustments	(168)	5,111	4,943
Provision in the year	1,717	48,940	50,657
Reversal of provision in the year	(9,880)	–	(9,880)
Payment for the year	–	(9,912)	(9,912)
At 31st December, 2003	60,533	44,139	104,672
Exchange adjustments	–	5,087	5,087
Increase resulting from re-measurement	–	14,045	14,045
Additional provisions recognised	440	24,859	25,299
Reversal of provision in the year	(941)	–	(941)
Payment for the year	–	(38,801)	(38,801)
<b>At 31st December, 2004</b>	<b>60,032</b>	<b>49,329</b>	<b>109,361</b>

The provisions for rehousing compensation represent the compensation for the delay in handover of rehousing properties to the former commercial unit owners ("Affected Owners") whose properties have been demolished due to the construction of a property developed for sale in the PRC and the estimated cost for the permanent relocation of certain of the Affected Owners who will not have rehousing properties allocated under management's plan. Such provisions are estimated based on management's best estimate by reference to the PRC statutory requirements and other relevant signed agreements. In the opinion of the directors, the compensation is expected to be paid within one year, depending on the progress of negotiation with Affected Owners.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 32. PROVISIONS (Continued)

The provision for rental guarantee represents the estimated rental compensation to be paid to purchasers of the disposed investment properties until the time the properties were being leased out by the purchasers up to a maximum period of 36 months from the date of disposal of the properties in accordance with the sales and purchases agreements signed with the purchasers.

### 33. BORROWINGS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Bank loans		
– secured	2,897,699	2,779,599
– unsecured	250,024	27,173
2007 bonds (note)	–	71,409
Other loans – unsecured	61,704	5,584
<b>Total borrowings</b>	<b>3,209,427</b>	<b>2,883,765</b>
Less: Unamortised transaction costs on bank loans raised	(12,152)	(5,700)
<b>Total net borrowings</b>	<b>3,197,275</b>	<b>2,878,065</b>

The borrowings are repayable as follows:

Bank loans:

Within one year	1,432,057	201,442
More than one year, but not exceeding two years	255,318	1,510,843
More than two years, but not exceeding five years	742,480	955,101
More than five years	717,868	139,386
	<b>3,147,723</b>	<b>2,806,772</b>

2007 bonds	–	71,409
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Other loans:

Within one year	–	4,101
More than one year, but not exceeding two years	–	1,483
More than two years, but not exceeding five years	61,704	–
	<b>61,704</b>	<b>5,584</b>

Unamortised transaction costs on bank loans raised	(12,152)	(5,700)
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<b>Total</b>	<b>3,197,275</b>	<b>2,878,065</b>
Less: Amounts due within one year shown under current liabilities	(1,432,057)	(205,543)

<b>Amount due after one year</b>	<b>1,765,218</b>	<b>2,672,522</b>
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## Notes to the Financial Statements

For the year ended 31st December, 2004

### 33. BORROWINGS (Continued)

	THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
Bank loans		
– unsecured, due within one year	<b>210,000</b>	20,549

Note:

The 2007 bonds which were issued by Trans Tasman Properties Limited ("TTP"), a subsidiary of the Company, on 21st May, 2001 have a face value of NZ\$1, carry at 10% per annum interest return and will mature on 27th June, 2007.

The 2007 bonds were secured by a floating charge over all the assets of TTP. TTP has the option to redeem the 2007 bonds, in full or on a pro-rata basis, with effect from 27th June, 2003 and thereafter on any interest payment date while the holders of the 2007 bonds have the option to require TTP to redeem 50% of the 2007 bonds with effect from 27th December, 2005. The bonds were fully redeemed during the year.

TTP is a New Zealand public listed investment holding company and 61.3% (2003: 60.0%) of the shares in TTP is held by the Group as at 31st December, 2004.

### 34. OTHER PAYABLES

#### THE GROUP

The other payables are unsecured, repayable by the end of a property development project which is expected to be completed after two years, but not exceeding five years from the balance sheet date. Accordingly, the amounts are shown as non-current.

### 35. SHARE CAPITAL

Movements during the year in the share capital of the Company were as follows:

	Number of shares		Nominal value	
	2004	2003	2004	2003
			HK\$'000	HK\$'000
Ordinary shares of HK\$0.1 each:				
Authorised:				
At beginning and end of year	<b>1,000,000,000</b>	1,000,000,000	<b>100,000</b>	100,000
Issued and fully paid:				
At beginning of the year	<b>511,246,868</b>	511,246,868	<b>51,125</b>	51,125
Shares issued upon exercise of warrants	<b>291,739</b>	–	<b>29</b>	–
At end of the year	<b>511,538,607</b>	511,246,868	<b>51,154</b>	51,125

All the new shares issued during the year rank pari passu in all respects with the existing shares.



## Notes to the Financial Statements

For the year ended 31st December, 2004

### 36. WARRANTS

The Company had outstanding warrants expiring in 2008 entitling the registered holders to subscribe in cash for fully paid shares of HK\$0.1 each of the Company at a subscription price of HK\$1.38 per share, subject to adjustment, until 3rd December, 2008. At 31st December, 2004, the aggregate par value of shares issuable against the outstanding warrants amounted to HK\$12,072,811 (2003: HK\$12,101,985) and the amount receivable by the Company upon full exercise of the warrants amounted to HK\$166,604,794 (2003: HK\$167,007,394).

Exercise in full of the rights attached to the 2008 warrants still outstanding at 31st December, 2004 would, under the present capital structure of the Company, result in the issue of 120,728,111 (2003: 121,019,850) additional shares of HK\$0.1 each.

### 37. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>						
At 1st January, 2003	155,588	4,451	190,081	–	1,729,093	2,079,213
Net loss for the year	–	–	–	–	(2,710)	(2,710)
Dividend proposed	–	–	–	30,675	(30,675)	–
Dividend paid	–	–	–	–	(20,450)	(20,450)
At 31st December, 2003	155,588	4,451	190,081	30,675	1,675,258	2,056,053
Shares issued upon exercise of warrants	373	–	–	–	–	373
Net loss for the year	–	–	–	–	(3,309)	(3,309)
Dividend proposed	–	–	–	30,692	(30,692)	–
Dividends paid	–	–	–	(30,675)	(20,453)	(51,128)
Additional dividend paid on the exercise of warrants subsequent to the issue of financial statement	–	–	–	–	(13)	(13)
<b>At 31st December, 2004</b>	<b>155,961</b>	<b>4,451</b>	<b>190,081</b>	<b>30,692</b>	<b>1,620,791</b>	<b>2,001,976</b>

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for their acquisition at the time of the group reorganisation.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 37. RESERVES (Continued)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Contributed surplus	190,081	190,081
Dividend reserve	30,692	30,675
Accumulated profits	1,620,791	1,675,258
	<b>1,841,564</b>	<b>1,896,014</b>

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 38. DEFERRED TAXATION

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

#### THE GROUP

	Accelerated tax depreciation HK\$'000	Revaluation on properties HK\$'000	Other temporary difference in respect of unamortised transaction costs on bank loans HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st January, 2003	146,510	15,300	–	(138,974)	22,836
Exchange adjustments	24,022	–	–	(24,022)	–
(Credit) charge to income for the year	(75,858)	–	–	77,959	2,101
Effect of change in tax rate					
– charge (credit) to income	691	–	–	(46)	645
Charge to equity for the year	–	2,582	–	–	2,582
At 31st December, 2003	95,365	17,882	–	(85,083)	28,164
Exchange adjustments	2,309	6,793	–	(9,102)	–
(Credit) charge to income for the year	(75,752)	–	2,127	74,472	847
Charge to equity for the year	–	10,602	–	–	10,602
<b>At 31st December, 2004</b>	<b>21,922</b>	<b>35,277</b>	<b>2,127</b>	<b>(19,713)</b>	<b>39,613</b>

For the purposes of balance sheet presentation, deferred tax assets and liabilities above have been offset and shown under non-current liabilities.

At 31st December, 2004, the Group has unused tax losses of HK\$756,512,000 (2003: HK\$1,002,738,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$71,355,000 (2003: HK\$261,521,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$685,157,000 (2003: HK\$741,217,000) due to the unpredictability of future profit streams.

At 31st December, 2004, the Group has deductible temporary differences in respect of impairment of properties of HK\$171,437,000 (2003: HK\$175,328,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At 31st December, 2004, the Company has unused tax losses of HK\$21,691,000 (2003: HK\$17,499,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 39. MINORITY INTERESTS

Included in minority interests are amounts due to minority shareholders amounting to HK\$91,897,000 (2003: HK\$89,316,000).

### 40. PURCHASES OF SUBSIDIARIES

On 2nd July, 2004, the Company acquired 55% of the Clearwater Property Holdings Limited and its subsidiaries through its non-wholly owned subsidiary, TTP, for a consideration of HK\$5,000.

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
NET ASSETS ACQUIRED		
Investment properties	22,955	–
Property, plant and equipment	97,697	–
Inventories	600	–
Debtors, deposits and prepayments	38,077	–
Bank balances and cash	41	–
Creditors, deposits and accrued charges	(8,049)	–
Bank borrowings	(151,316)	–
	<b>5</b>	<b>–</b>

Satisfied by:

Cash consideration	5	–
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Analysis of the net inflow of cash and cash equivalents in respect of the purchase of subsidiaries:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries:		
Cash and cash equivalents acquired	41	–
Cash consideration	(5)	–
	<b>36</b>	<b>–</b>

The subsidiaries acquired during the year contributed HK\$4,767,000 to the Group's turnover and incurred an operating loss of HK\$5,506,000 for the year.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 41. DISPOSAL OF SUBSIDIARIES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
NET ASSETS DISPOSED OF		
Properties, plant and equipment	8,373	–
Debtors, deposits and prepayments	250	–
Bank balances and cash	38,615	–
Creditors, deposits received and accrued charges	(13,675)	–
Minority interests	(12,194)	–
	<b>21,369</b>	–
Gain on disposal of subsidiaries	<b>102,545</b>	–
	<b>123,914</b>	–
Satisfied by:		
Cash	92,051	–
Consideration receivable ( <i>see note 25</i> )	31,863	–
	<b>123,914</b>	–

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cash consideration	92,051	–
Cash and cash equivalents disposed of	(38,615)	–
	<b>53,436</b>	–
Gain on disposal of subsidiaries	<b>102,545</b>	–
Gain deferred and included in other creditors ( <i>note</i> )	<b>(25,115)</b>	–
Gain recognised in the income statement	<b>77,430</b>	–

The subsidiaries disposed of during the year have no significant contribution to the Group's turnover or profit from operations for the year.

*Note:* On 6th May, 2004, the Group entered into an agreement with the other shareholders of Jacks Point Limited ("JPL"), a former subsidiary in which the Group had 60% interest, to dispose of its entire interest in JPL to an associate newly set up with those other shareholders of JPL. Upon completion, the Group retains 26.1% equity interest in JPL, accordingly the gain on disposal attributable to the Group's remaining interest is deferred and included in other creditors.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 42. CAPITAL COMMITMENTS

At the balance sheet date, the Group had capital commitments in respect of expenditure to be incurred on properties as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Authorised but not contracted for		
Hong Kong	300,000	73,380
PRC	82,000	438,000
	<b>382,000</b>	511,380
Contracted for but not provided for in the financial statements		
Hong Kong	284,595	281,558
PRC	234,000	3,000
New Zealand and Australia	221,992	2,083
	<b>740,587</b>	286,641

On 2nd November, 2004, an indirect wholly owned subsidiary of the Company, Mr. Mike Coburn, Mr. John Darby and Mr. Don Fletcher established a joint venture in the proportion of 24.0%, 15.0%, 31.1% and 29.9% respectively. Under an agreement between the Group and Mr. Don Fletcher, the Group holds another 1% interest in the said joint venture through the company controlled by Don Fletcher. Mr. Mike Coburn and Mr. John Darby are associates with the Company's subsidiary and Mr. Don Fletcher is the Executive Chairman and Managing Director of the Group's property investment companies in New Zealand and Australia. The outstanding commitment of the Group to the joint venture as at 31st December, 2004 is NZ\$4,119,000 (equivalent to approximately HK\$23,025,000).

The Company did not have any capital commitments at the balance sheet date.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 43. OPERATING LEASE ARRANGEMENTS

#### The Group as lessee

At 31st December, 2004, the Group had commitments for future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due as follow:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	9,313	5,874
In the second to fifth year inclusive	31,481	21,462
Over five years	56,283	50,796
	<b>97,077</b>	<b>78,132</b>

Leases are negotiated for the range of 1 to 14 years (2003: 1 to 14 years) with fixed monthly rentals.

#### The Group as lessor

Certain of the Group's properties held for rental purposes, with a carrying amount of approximately HK\$786 million (2003: HK\$2,133 million), have been disposed of during the year. The remaining properties are expected to generate rental yields of 6% on an ongoing basis. All of the properties held have committed tenants for the range of 1 to 6 years (2003: 1 to 6 years).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	127,458	221,541
In the second to fifth year inclusive	227,281	585,199
Over five years	41,670	117,735
	<b>396,409</b>	<b>924,475</b>

In addition, one of the leases entered with tenants is subject to additional rental based on specified percentage of revenue recognised by the tenant in accordance with lease agreement over the annual minimum lease payments.

The Company did not have any non-cancellable operating lease commitments or lease arrangements at the balance sheet date.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 44. CONTINGENT LIABILITIES

#### THE GROUP

At 31st December, 2004, the Group has given guarantees to purchasers of the disposed investment properties that, for a maximum period of 36 months from the date of disposal of the properties, certain areas of the properties will receive an agreed minimum monthly rent until leased. A provision of HK\$38,904,000 (2003: HK\$48,940,000) had been made during the year as set out in note 32.

At 31st December, 2003, the Group acted as guarantor for the repayment of the bank loans granted to purchasers of the Group's properties under development for sale amounting to HK\$1,128,000. The guarantee was released upon completion of the construction of the properties and the relevant property ownership certificate being issued by the relevant authority.

#### THE COMPANY

At 31st December, 2004, the Company and a minority shareholder of a subsidiary agreed to provide funding to cover any overrun and any pre-completion expenses and to undertake completion of a property development project in order to secure a banking facility granted to a subsidiary. Other than this, the Company did not have any significant contingent liabilities.

### 45. PLEDGE OF ASSETS

At 31st December, 2004, the Group had the following mortgages and/or pledges over its assets to secure banking facilities and other loans granted to the Group.

- (a) Fixed and floating charges on investment properties with an aggregate book value of HK\$3,476,697,000 (2003: HK\$3,644,483,000).
- (b) Properties held for sale with an aggregate book value of HK\$1,610,719,000 (2003: HK\$529,213,000).
- (c) Fixed and floating charges on properties under development held for investment with an aggregate book value of HK\$462,418,000 (2003: HK\$106,015,000).
- (d) Bank deposits of HK\$138,869,000 (2003: HK\$69,655,000).
- (e) Listed shares of a subsidiary principally comprising of investment properties and properties held for sales including in (a) and (b) above.
- (f) Unlisted shares of certain subsidiaries with assets principally comprised of investment properties and properties under development held for investment including in (a) and (c) above.



## Notes to the Financial Statements

*For the year ended 31st December, 2004*

### 46. SHARE OPTION SCHEME

The Company operates an employee share option scheme (the "Scheme") for the primary purpose of providing incentive to directors and eligible employee. The original scheme was approved and adopted on 30th June, 1990. A new scheme was approved and adopted on 23rd June, 2000, which will be effective until 29th June, 2010. At 31st December, 2004, the number of shares in respect of which options had been granted and remained outstanding under the new scheme was 28,000,000, representing approximately 5.5% of the shares of the Company in issue at that date. The share options under the original scheme was expired during the year.

Under the Scheme, the board of directors of the Company may offer to any director or full time employee/ chief executive of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares, and the average of the closing prices of shares on the Stock Exchange on each of the five business days immediately preceding the date of the grant of the options and the minimum price as the Stock Exchange may from time to time prescribe, subject to a maximum of 10% or such other percentage limit as the Stock Exchange may from time to time prescribe, of the issued share capital of the Company. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant or such period as the directors determine, upon payment of HK\$10 per each grant of options. Options may be exercised at any time after the date of grant to the tenth anniversary of the date of grant.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 46. SHARE OPTION SCHEME (Continued)

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

Date of grant	Exercisable period	Exercise price HK\$	Number of share options		
			Outstanding at 1.1.2004	Expired during the year	Outstanding at 31.12.2004
<b>Directors</b>					
21.2.1994	21.2.1994 – 20.2.2004	4.40	2,200,000	(2,200,000)	–
4.12.2000	4.12.2000 – 3.12.2010	1.44	28,000,000	–	<b>28,000,000</b>
			30,200,000	(2,200,000)	<b>28,000,000</b>

Date of grant	Exercisable period	Exercise price HK\$	Number of share options		
			Outstanding at 1.1.2003	Expired during the year	Outstanding at 31.12.2003
<b>Directors</b>					
18.11.1993	18.11.1993 – 17.11.2003	2.78	3,500,000	(3,500,000)	–
21.2.1994	21.2.1994 – 20.2.2004	4.40	2,200,000	–	2,200,000
4.12.2000	4.12.2000 – 3.12.2010	1.44	28,000,000	–	28,000,000
			33,700,000	(3,500,000)	30,200,000
<b>Employees</b>					
18.11.1993	18.11.1993 – 17.11.2003	2.78	10,000,000	(10,000,000)	–
			43,700,000	(13,500,000)	30,200,000

No options were granted or exercised during the year.

## Notes to the Financial Statements

For the year ended 31st December, 2004

### 47. RETIREMENT BENEFITS PLANS

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

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee's basic salary, depending on the length of service with the Group.

For members of the MPF Scheme, the Group contributes 5% to 15% of relevant payroll costs or HK\$1,000 per month to the scheme which contribution is matched by the employee, depending on the length of service with the Group.

The employees of the Group's subsidiaries in the PRC and Australia are members of state-managed retirement benefit schemes operated by the government of the PRC and Australia respectively. The subsidiaries are required to contribute 9% to 20% of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

Forfeited contributions for the year amounting to HK\$143,000 (2003: HK\$857,000) has been used to reduce the level of contributions. The total cost charged to income of HK\$1,891,000 (2003: HK\$2,619,000) represents contribution payable to these schemes by the Group in respect of the current year.

## Notes to the Financial Statements

*For the year ended 31st December, 2004*

### **48. POST BALANCE SHEET EVENT**

The Group entered into a sales and purchase agreement with an independent third party to dispose of the Group's investment properties located at 8-12 Gilmer Terrace, Wellington, New Zealand with a carrying value as at 31st December, 2004 of NZ\$23.4 million, equivalent to approximately HK\$130.2 million, at a consideration of NZ\$22.5 million (equivalent to approximately HK\$125.2 million). The transaction will be completed on or before 24th May, 2005. Details of this transaction are set out in the circular of the Company dated 10th March, 2005.