Notes to Financial Statements

31 December 2004 (in HK Dollars)

1. Corporate Information

The Company was incorporated in the Bermuda on 10 April, 1995 under the Company Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The registered office of the Company is located at Clarendon House, 2 Church Street Hamilton HM 11, Bermuda.

The principal activities of the Company are investment holding and property investment. The principal activities of the Company's principal subsidiaries are set out in note 16 to the financial statements.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Listing Rules.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred to as the "new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The new HKFRSs may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented.

(a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties, and the marking to market of certain investments in securities.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

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

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

2. Summary of Significant Accounting Policies (cont'd)

(c) Subsidiaries

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

An investment in a subsidiary is consolidated into the consolidated financial statements, unless a subsidiary is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group.

Investment in subsidiaries in the Company's balance sheet is stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company.

(d) Investments in joint ventures

A joint venture operates under a contractual arrangement between the Group or the Company and other parties, where the contractual arrangement establishes that the Group or the Company and one or more of the other parties share control over the economic activity of the joint venture.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method.

(e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year.

Investments in associates in the Company's balance sheet is stated at cost less impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor.

2. Summary of Significant Accounting Policies (cont'd)

(f) Investment in securities

Securities held for trading are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.

Gains or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

(g) Fixed assets

i. Valuation

(a) Fixed assets are carried in the balance sheets on the following bases:

— investment properties with an unexpired lease term of more than 20 years are stated at their open market value which is assessed annually by external qualified valuers; and

— other fixed assets are stated at cost less accumulated depreciation and impairment losses.

(b) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties, immediately prior to the revaluation; and

— when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the income statement.

(c) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the relevant asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

2. Summary of Significant Accounting Policies (cont'd)

(g) Fixed assets (cont'd)

ii. Depreciation

Depreciation is provided on the straight-line basis to write off the cost of each asset over its estimated useful life, and after taking into account their estimated residual value. The principal annual rates used for this purpose are as follows:

Buildings	:	30 years
Leasehold improvements	:	3 to 5 years
Furniture and fixtures	:	5 years
Motor vehicles	:	3 to 5 years

No depreciation is provided on investment properties except for those held on leases with an unexpired lease term of 20 years or less which are depreciated over the remaining term of the leases.

iii. Disposition

Gains or losses arising from the retirement or disposal of a fixed assets are determined as the difference between the estimated net disposal proceeds and the carrying amount of the relevant asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year. For all other fixed assets, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(h) Leased assets

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

i. Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Company or the Group will obtain ownership of the asset, the life of the assets. Impairment losses are accounted for in accordance with the accounting policy as set out below. Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

2. Summary of Significant Accounting Policies (cont'd)

(h) Leased assets (cont'd)

ii. Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets (excluding inventories, investment properties and financial assets other than interests in subsidiaries, associates and joint ventures), or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

i. Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

ii. Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

2. Summary of Significant Accounting Policies (cont'd)

(j) Properties under development and held for resale

Properties under development are stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any impairment losses considered necessary by the directors.

Properties held for resale are stated at the lower of cost or the estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

(k) Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

(l) Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(m) Taxation

Income tax expense 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 is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

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 difference 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 a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Company 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.

Notes to Financial Statements

31 December 2004 (in HK Dollars)

2. Summary of Significant Accounting Policies (cont'd)

(m) Taxation (cont'd)

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 year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(n) Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

i. Rental income from operating leases

Rental income receivable under operating leases is recognised in equal instalments over the accounting periods covered by the lease term. Lease incentives granted are recognised as an integral part of the aggregate lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

ii. Interest income and property management income

Interest income from bank deposits and loans receivable are accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable. Property management income is recognised on a time-apportioned basis.

iii. Securities trading

Sales proceeds on dealing of listed trading securities are recognised on the deal date.

(o) Employee benefits

i. Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii. Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's overseas entities are recognised as an expense in the income statement as incurred.

iii. When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

2. Summary of Significant Accounting Policies (cont'd)

(o) Employee benefits (cont'd)

iv. Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the income statement in the year in which the costs are incurred.

(q) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. All gains and losses on translation of foreign currencies are dealt with in the income statement.

On consolidation, the balance sheet items of overseas subsidiaries, and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date whilst the income and expense items are translated at the average rates for that period. The resulting translation differences are dealt with in the exchange reserve.

(r) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(s) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Notes to Financial Statements

31 December 2004 (in HK Dollars)

2. Summary of Significant Accounting Policies (cont'd)

(t) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(u) Related party transactions

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(v) Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as the secondary reporting format.

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

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

3. Turnover

Turnover represents rental income and interest income. The amount of each significant category of revenue recognised in turnover during the year is summarised as follows:

	2004	2003
	$'000	$'000
Rental income	4,215	4,730
Interest income	1,872	3,932
	6,087	8,662

4. Other Income, Net

	2004	2003
	$'000	$'000
Surplus on revaluation of investment properties	—	1,100
Sundry income	—	32
	—	1,132

5. Loss from Operations

Loss from operations is arrived at after charging:

	2004	2003
	$'000	$'000
Auditors' remuneration	400	600
Staff costs (including Directors' remuneration):		
— Wages and salaries	3,591	7,116
— Retirement benefits contributions	57	115
Exchange loss	—	259
Depreciation of fixed assets	1,238	2,583
Operating lease rentals in respect of land and buildings	201	18
Impairment loss on other investments	253,466	—
Provision for amount due from a fellow subsidiary	2,405	—
Provision for doubtful debts	2,299	—
Loss on disposal of fixed assets	584	6,710
Loss on disposal of investment properties	1,845	—

Notes to Financial Statements

31 December 2004 (in HK Dollars)

6. Finance Costs

	2004	2003
	$'000	*$'000*
Interest on bank advances and other borrowings repayable within 5 years	**2,452**	4,500
Finance charges on obligations under finance lease	**—**	1
	2,452	4,501

7. Taxation

No provision for Hong Kong profits tax has been made as the Group (2003: 17.5%) incurred a taxation loss for the year.

Taxation on overseas profits is charged at the rates of taxation prevailing in the countries in which the companies operate. No provision for overseas taxation has been made in the financial statements as the subsidiaries operating outside Hong Kong have no assessable profits for the year (2003: Nil).

(a) Taxation in the consolidated income statement represents:

	2004	2003
	$'000	*$'000*
Current tax — Provision for Hong Kong		
Tax for the year	**—**	171
Overprovision in respect of prior years	**—**	(950)
Taxation for the year	**—**	(779)

No provision for deferred tax liabilities has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2003: Nil).

7. Taxation (cont'd)

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

	Group							
	Hong Kong				PRC			
	2004		2003		**2004**		2003	
	$'000		$'000		**$'000**		$'000	
Loss before taxation	**(280,423)**		(12,209)		**(5,396)**		(3,986)	
Tax at the domestic income tax rate	**(49,074)**	**(17.5%)**	(2,137)	(17.5%)	**(1,781)**	(33.0%)	(1,315)	(33.0%)
Tax effect of expenses that are not deductible in determining taxable profit	**48,312**	**17.2%**	1,343	11%	**1,782**	33.01%	1,315	33.0%
Tax effect of income that is not taxable in determining taxable profit	**(327)**	**(0.1%)**	(886)	(7.3%)	**(1)**	(0.01%)	—	—
Tax effect of unrecoginised tax losses	**1,551**	**0.6%**	1,791	14.7%	**—**	—	—	—
Tax effect of unrecognised temporary differences	**(462)**	**(0.2%)**	(235)	(1.9%)	**—**	—	—	—
Over provision in prior years — Overstatement of profit tax in prior years	**—**	**—**	(779)	(6.4%)	**—**	—	—	—
Increasing in opening deferred tax balances resulting from an increase in tax rate in Hong Kong	**—**	**—**	124	1.0%	**—**	—	—	—
Taxation charge for the year	**—**	**—**	(779)	(6.4%)	**—**	—	—	—

At 31 December 2004, the Group has unused tax losses available for offsetting against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit stream. Under the current tax legislation, the tax losses can be carried forward indefinitely.

8. Segment Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

Business segment information has been chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. Summary details of the business segments are as follows:

(a) Property leasing : The leasing of residential apartments, commercial premises and car parks.

(b) Interest income : The placing of funds with banks and lending of funds to independent third parties.

(c) Securities trading : The trading of listed securities.

8. Segment Information (cont'd)

Business segments

	Property leasing		Interest income		Securities trading		Unallocated		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment revenue:										
Turnover	**4,215**	4,730	**1,872**	3,932	**—**	—	**—**	—	**6,087**	8,662
Segment results	**4,098**	4,418	**1,872**	3,932	**—**	—	**—**	—	**5,970**	8,350
Other income, net									**—**	1,132
Administrative expenses									**(11,521)**	(21,176)
Other operating expenses									**(4,705)**	—
Impairment loss on other investment									**(253,466)**	—
Loss on disposal of investment properties									**(1,845)**	—
Loss on revaluation of investment properties									**(17,800)**	—
Loss from operations									**(283,367)**	(11,694)
Finance costs									**(2,452)**	(4,501)
Taxation									**—**	779
Loss after tax and before minority interests									**(285,819)**	(15,416)
Minority interests									**1,550**	1,181
Loss from ordinary activities attributable to shareholders									**(284,269)**	(14,235)
Depreciation for the year	**—**	—	**—**	—	**—**	—	**1,238**	2,583	**1,238**	2,583
Segment assets	**80,266**	98,688	**31,004**	31,004	**—**	—	**381,209**	651,925	**492,479**	781,617
Segment liabilities	**45,633**	6,193	**—**	—	**—**	—	**23,000**	65,766	**68,633**	71,959
Capital expenditure incurred during the year	**—**	—	**—**	—	**—**	—	**76,691**	25,444	**76,691**	25,444
Non-cash expenses	**4,144**	—	**—**	—	**—**	—	**256,455**	6,710	**260,599**	6,710

8. Segment Information (cont'd)

Geographical segments

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

	Hong Kong		**Rest of the PRC**	
	2004	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*
Turnover	**6,087**	8,662	**—**	—
Loss from operations	**24,534**	9,223	**258,833**	2,471
Segment assets	**262,013**	194,495	**230,466**	587,122
Capital expenditure incurred during the year	**—**	—	**76,691**	25,444

9. Net Loss from Ordinary Activities Attributable to Shareholders

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2004 was approximately HK$388,480,000 (2003: HK$2,411,000).

10. Loss per Share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of approximately HK$284,269,000 (2003: HK$14,235,000) and the weighted average of 3,313,869,000 (2003: 3,257,978,589) ordinary shares in issue during the year.

There were no potential dilutive shares in existence for the two years ended 31 December 2004 and 31 December 2003, accordingly, no diluted loss per shares has been presented.

11. Directors' Remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2004	2003
	$'000	$'000
Salaries and other emoluments	**720**	5,473
Retirement scheme contributions	**12**	21
	732	5,494

Included in the directors' remuneration were other emoluments of HK$200,000 (2003:HK$205,000) paid to the independent non-executive directors during the year.

The number of directors whose remuneration falls within the following designated bands is set out below:

	Number of Directors	
	2004	2003
HK$Nil — HK$1,000,000	**3**	5
HK$1,000,001 — HK$1,500,000	**—**	1
HK$3,000,001 — HK$3,500,000	**—**	1
	3	7

During the year ended 31 December 2004, no amounts have been paid by the Group to the directors as inducement to join the Group, as compensation for loss of office or as commitment fees to existing directors for entering into new service contracts with the Company (2003: HK$Nil)

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2003: HK$Nil).

12. Five Highest Paid Employees

The five highest paid employees during the year included two (2003: three) directors, details of whose remuneration are set out in Note 11 above. Details of the remuneration of the remaining three (2003: two) highest paid, non-director employees are as follows:

	2004	2003
	$'000	$'000
Salaries and other benefits	**1,008**	1,148
Mandatory provident fund contributions	**45**	38
	1,053	1,186

Their remuneration fell within the HK$ Nil to HK$1,000,000.

Notes to Financial Statements

31 December 2004 (in HK Dollars)

13. Employee Benefits

(a) Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The employees of the Company's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

There is no forfeited contribution which could be utilised to reduce the level of the contribution by the Group and therefore there was no such balance as at 31 December 2004.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong, Singapore and the PRC. In the opinion of the Directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2004 in respect of the retirement of its employees.

(b) Equity compensation benefits

The share option scheme adopted by the Group has been expired on 23 December 2000, as at 31 December 2004 and up to the date of this report, the Group does not adopt any new share option scheme.

14. Fixed Assets

(a) Group

	Investment properties	Properties under development	Leasehold improvements	Furniture & fixture and motor vehicles	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
At cost or valuation:					
At 1 January 2004	102,620	114,623	463	11,155	228,861
Additions	—	44,436	—	255	44,691
Disposals	(4,820)	—	—	(1,451)	(6,271)
Deficit on revaluation	(17,800)	—	—	—	(17,800)
At 31 December 2004	**80,000**	**159,059**	**463**	**9,959**	**249,481**
Representing:					
Cost	—	159,059	463	9,959	169,481
Valuation — 2004	80,000	—	—	—	80,000
Depreciation and impairment losses:					
At 1 January 2004	—	—	250	3,195	3,445
Charge for the year	—	—	110	1,128	1,238
Written back on disposal	—	—	—	(867)	(867)
At 31 December 2004	**—**	**—**	**360**	**3,456**	**3,816**
Net book value:					
At 31 December 2004	**80,000**	**159,059**	**103**	**6,503**	**245,665**
At 31 December 2003	102,620	114,623	213	7,960	225,416

(b) Company

	Furniture & fixture and motor vehicles
	$'000
At cost:	
At 1 January 2004 and 31 December 2004	922
Depreciation:	
At 1 January 2004	570
Charge for the year	168
At 31 December 2004	**738**
Net book value:	
At 31 December 2004	**184**
At 31 December 2003	352

Notes to Financial Statements

31 December 2004 (in HK Dollars)

14. Fixed Assets (cont'd)

(c) The analysis of net book value of investment properties is as follows:

	Group	
	2004	2003
	$'000	*$'000*
In Hong Kong		
Under medium-term leases	**80,000**	102,620

(d) The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	Group	
	2004	2003
	$'000	*$'000*
Within 1 year	**1,458**	4,605
After 1 year but within 5 years	**784**	4,674
	2,242	9,279

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals. As at 31 December 2004, the Group's investment properties held for use in operating leases were HK$53,300,000 (2003: HK$72,840,000).

(e) Movements of investment properties revaluation deficit/(surplus) comprise of the follows:

	Group	
	2004	2003
	$'000	*$'000*
Accumulated deficit at 1 January 2004/2003	**32,784**	33,884
Deficit/(Surplus) on revaluation for the year	**17,800**	(1,100)
Reversal of deficit on revaluation upon disposal	**(4,335)**	—
Accumulated deficit at 31 December 2004/2003	**46,249**	32,784

(f) With reference to the valuation report dated 25 April 2005, investment properties of the Group were revalued at 31 December 2004 by an independent firm of surveyors, Malcom & Associates Appraisal Limited who have among their staff Associates of the Hong Kong Institute of Surveyors, on an open market value basis calculated by reference to net rental income allowing for reversionary income potential.

14. Fixed Assets (cont'd)

(g) Certain investment properties are pledged for the bank facilities granted to the Group, details of which are set out in note 25 to the financial statement.

(h) Properties under development are situated in the PRC.

15. Interest in Joint Venture

In 2001, the Group entered into an agreement with an independent third party to jointly develop a property project in the PRC. Pursuant to the agreement, the Group contributes a piece of land and takes up the costs of preliminary stage of the property construction and the joint venture party takes up all remaining costs of property construction. Profits from the sales of the property will be shared between the Group and the joint venture party on a 30:70 basis.

On 22 March 2006, the Group entered into a sales and purchase agreement with an independent third party to dispose of the interest in joint venture at a consideration of approximately HK$46,768,000.

16. Investments in Subsidiaries

	Company	
	2004	2003
	$'000	*$'000*
Unlisted shares, at cost	**510,824**	510,824
Less: Provision of investment in subsidiaries	**(374,384)**	(53,506)
	136,440	457,318

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

Notes to Financial Statements

31 December 2004 (in HK Dollars)

16. Investments in Subsidiaries (cont'd)

Particulars of the principal subsidiaries of the Company are as follows:

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	*Indirect*	
BOCMT Real Estate Holdings Limited	Hong Kong	Ordinary HK$246,153,900	100%	—	Investment holding
Express Century Limited	Hong Kong	Ordinary HK$2	—	100%	Property investment
Great Luck Property Limited	Hong Kong	Ordinary HK$2	—	100%	Property investment
Master Venture Limited	Hong Kong	Ordinary HK$2	—	100%	Property investment
Sherwell Property Corp.	British Virgin Islands	Ordinary US$200	—	100%	Investment holding
Silver Place Limited	Hong Kong	Ordinary HK$2	—	100%	Investment holding
Sun Man Tai International (B.V.I.) Limited	British Virgin Islands	Ordinary HK$274,051	100%	—	Investment holding
Talent Ocean Limited	Hong Kong	Ordinary HK$2	—	100%	Property investment
Wan Tai China Telecom Limited	Hong Kong	Ordinary HK$2	—	100%	Property investment
Xian BOCMT Estate Company Limited	PRC	Registered capital US$10,000,000	—	70%	Property development

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. Interest in an Associate

	Group		Company	
	2004	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*
Unlisted shares, at cost	**—**	—	**—**	1
Share of net assets	**—**	—	**—**	—
	—	—	**—**	1
Amounts due from associate	**605**	605	**605**	605
	605	605	**605**	606

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

The maximum debit balance during the year ended 31 December 2004 was approximately HK$605,000 (2003: HK$605,000).

Particulars of the associate are as follows:

Name of company	**Business structure**	**Place of establishment/ registration and operation**	**Percentage of equity interest attributable to the Group**	**Class of shares**	**Principal activities**
Joy Route Limited	Corporate	British Virgin Islands	50%	Ordinary US$100	Inactive

18. Other Investments

	Group	
	2004	2003
	$'000	*$'000*
Investment securities:		
Unlisted shares, at cost	**340,466**	308,466
Less: Impairment loss	**(253,466)**	—
	87,000	308,466

The investment securities are unlisted equity securities outside Hong Kong and are carried at cost less impairment losses.

As at 31 December 2004, the Directors considered that there was an indication that Other Investments may be impaired.

In the opinion of the Directors, the recoverable amount of Other Investments was estimated to be approximately HK$55,000,000, which was the net selling price of Other Investments as at 31 December 2004. As a result, impairment loss on Other Investments of approximately HK$253,466,000 was provided during the year ended 31 December 2004.

Notes to Financial Statements

31 December 2004 (in HK Dollars)

19. Accounts Receivables

	Group	
	2004	2003
	$'000	*$'000*
Accounts receivables	**2,299**	578
Less: Provision for doubtful debts	**(2,299)**	—
	—	578

Included in accounts receivables are debts which are normally due within 30 days from the date of billing. The ageing analysis included as follows:

	Group	
	2004	2003
	$'000	*$'000*
0 — 30 days	**—**	578

20. Prepayments, Deposits and Other Receivables

Prepayments, deposit and other receivables of the Group are expected to be recovered within one year except for utility deposits of approximately HK$180,000 (2003: HK$187,000).

21. Investment Deposits

		Group		Company	
		2004	2003	**2004**	2003
	Notes	***$'000***	*$'000*	***$'000***	*$'000*
Deposits for property investment	*(a)*	**58,720**	58,720	**58,720**	58,720
Deposits held by agents	*(b)*	**—**	57,005	**—**	—
		58,720	115,725	**58,720**	58,720

Notes:

(a) The Group paid investment deposits to an independent third party totaling HK$58,720,000 for properties which are being developed. Certain units of the respective properties will be transferred to the Group upon completion of the construction. The commercial building construction project had been completed in late 2005. On 15 February 2006, the Group entered into a sales and purchase agreement with an independent third party to dispose of the right of purchasing for those units of the commercial building at a total consideration of approximately HK$65,000,000.

(b) Deposits totaling HK$57,005,000 are held by agents appointed by the group, who are engaged to search for the potential investments in PRC properties and projects. During the year ended 31 December 2004, the deposits were applied for acquisition of other investment and property under development amounting to approximately HK$32,000,000 and HK$25,005,000 respectively.

22. Loan Receivables

The amounts are unsecured, interest-bearing at rates ranging from 6% to 7% per annum and repayable within one year. The loan receivables were fully repaid in March 2006.

23. Other Deposit

A sum of RMB15,000,000 (approximately HK$14,151,000) was deposited into an escrow account kept by a legal firm as fund proof for undertaking construction work of a property development project located in the PRC.

24. Amount due from a Fellow Subsidiary

The amount due from a fellow subsidiary is unsecured, interest free and repayable on demand.

25. Cash and Cash Equivalents

	Group		Company	
	2004	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks	**238**	229	**—**	—
Cash at bank	**4,357**	36,826	**258**	69
Cash and cash equivalents in the balance sheet	**4,595**	37,055	**258**	69
Bank overdraft	**(7,138)**	(9,931)		
Cash and cash equivalents in the cash flow statement	**(2,543)**	27,124		

26. Bank Loans and Overdrafts

At 31 December 2004, the secured bank loans and overdrafts are repayable as follows:

	Group	
	2004	2003
	$'000	*$'000*
Within 1 year or on demand	**35,922**	13,906
After 1 year but within 2 years	**1,579**	4,139
After 2 years but within 5 years	**5,238**	18,013
After 5 years	**6,999**	19,103
	13,816	41,255
	49,738	55,161

26. Bank Loans and Overdrafts (cont'd)

The bank loans and overdrafts are secured on certain investment properties of the Group with an aggregate carrying value totaling HK$80,000,000 as at 31 December 2004 (2003: HK$102,620,000), together with the right to receive rentals thereon. Such banking overdraft facilities, amounting to HK$10,000,000 (2003: HK$10,000,000), were utilised to the extent of approximately HK$7,138,000 (2003: HK$9,931,000) at 31 December 2004.

27. Accounts Payables

The ageing analysis of accounts payable is set out as follows:

	Group	
	2004	2003
	$'000	*$'000*
Due within 1 month or on demand	—	196

28. Other Payables and Accured Expenses

Other payables and accrued expenses of the Group are expected to be settled within one year except for rental deposits received of HK$270,000 (2003: HK$1,428,000).

29. Amounts due to Ultimate Holding Company

The amounts due to ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.

30. Amount due to a Director

The amount due to a director is unsecured, interest-free and has no fixed terms of repayment.

31. Share Capital

	2004		2003	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***$'000***	*'000*	*$'000*
Authorised:				
Ordinary shares at HK$0.01 each	**5,000,000**	**50,000**	5,000,000	50,000
Issued and fully paid:				
Ordinary shares at HK$0.01 each:				
At 1 January 2004/2003	**3,313,869**	**33,139**	2,763,869	27,639
Issue of new shares	—	—	550,000	5,500
At 31 December 2004/2003	**3,313,869**	**33,139**	3,313,869	33,139

31. Share Capital (cont'd)

Details of issue of new shares

	Number of shares *'000*	Issued price per share *$*	Aggregate amount received *$'000*
2003			
24 January 2003	250,000	0.13	32,500
17 February 2003	300,000	0.14	42,000
	550,000		74,500

No issue of shares for the year ended 31 December 2004.

During the year ended 31 December 2003, the Company placed a number of new ordinary shares to independent subscribers and contractors of property development project on the respective date at the respective share issue price. The new ordinary shares rank pari passu in all material aspects with the existing issued shares of the Company.

32. Reserves

Group

	Share premium	**Contributed surplus**	**Capital reserve**	**Exchange reserve**	**Retained earnings**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2003	422,636	31,350	(894)	(4,260)	147,548	596,380
Exchange differences on translation of foreign subsidiaries	—	—	—	(85)	—	(85)
Issue of new shares	69,000	—	—	—	—	69,000
Loss for the year	—	—	—	—	(14,235)	(14,235)
At 31 December 2003 and at 1 January 2004	**491,636**	**31,350**	**(894)**	**(4,345)**	**133,313**	**651,060**
Exchange differences on translation of foreign subsidiaries	**—**	**—**	**—**	**7**	**—**	**7**
Loss for the year	**—**	**—**	**—**	**—**	**(284,269)**	**(284,269)**
At 31 December 2004	**491,636**	**31,350**	**(894)**	**(4,338)**	**(150,956)**	**366,798**

32. Reserves (cont'd)

Company

	Share premium	Contributed surplus	Accumulated losses	Total
	$'000	$'000	$'000	$'000
At 1 January 2003	422,636	115,615	(19,504)	518,747
Issue of new shares	69,000	—	—	69,000
Loss for the year	—	—	(2,411)	(2,411)
At 31 December 2003 and at 1 January 2004	**491,636**	**115,615**	**(21,915)**	**585,336**
Loss for the year	**—**	**—**	**(388,480)**	**(388,480)**
At 31 December 2004	**491,636**	**115,615**	**(410,395)**	**196,856**

The contributed surplus represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation in 1995.

According to the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus.

33. Material Related Party Transactions

Save as disclosed in note 24, 29 and 30 to the financial statements, during the year ended 31 December 2004, the Group entered into the following arrangements with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business:

On 31 December 2001, China Wan Tai Group Limited, the ultimate holding company, provided an irrevocable guarantee to the Group in respect of certain investment deposits and amount due from fellow subsidiary of HK$96,087,000 and HK$11,652,000, respectively whereby China Wan Tai Group Limited agrees to reimburse any loss suffered by the Group, in the event that the Group is unable to recover the amounts from relevant parties on or before the agreed dates. As at 31 December 2004, there were no balances of the related investment deposits and amount due from a fellow subsidiary (2003: approximately HK$2,405,000).

34. Operating Lease Arrangements

At 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follow:

	Group	
	2004	2003
	$'000	*$'000*
Within 1 year	**295**	219
After 1 year but within 5 years	**38**	201
	333	420

35. Capital Commitments

At 31 December 2004, the Group had the following commitments which were not provided for in the consolidated balance sheet:

	Group	
	2004	2003
	$'000	*$'000*
Contracted for in respect of property development project in the PRC	—	24,950

Saved as disclosed above, as at 31 December 2004, the Group did not have any significant capital commitments.

The Company did not have any significant capital commitments as at 31 December 2004 (2003: Nil).

36. Ultimate Holding Company

The directors consider the ultimate holding company at 31 December 2003 to be China Wan Tai, a company incorporated in Hong Kong with limited liability.

37. Events after Balance Sheet Date

(a) On 18 December 2004, Talent Ocean Limited, a wholly owned subsidiary of the Company, entered into a sales and purchase agreement with an independent third party, Eastern Group Trading Limited, to sell the investment property at a total consideration of HK$35,000,000. The transaction was completed on 28 January 2005. As at 31 December 2004, the net book value of the investment property was HK$35,000,000.

(b) On 27 February 2006, Great Luck Property Limited and Silver Place Limited, being wholly owned subsidiaries of the Company, entered into a sales and purchase agreement with an independent third party to dispose of part of their other investment at a total consideration of RMB57,200,000 (approximately HK$55,000,000). As at 31 December 2004, the carrying value of the respective other investments was approximately HK$55,000,000.

(c) On 15 February 2006, the Group entered into a sales and purchase agreement with an independent third party to dispose of their investment deposits in relation to the right of purchasing certain units of a commercial building (the "Investment Deposits") at a total consideration of approximately HK$65,000,000. As at 31 December 2004, the carrying value of the Investment Deposits was approximately HK$58,720,000.

(d) On 22 March 2006, the Group entered into a sales and purchase agreement with an independent third party to dispose of the interest in joint venture at a total consideration of approximately HK$46,768,000. As at 31 December 2004, the carrying value of the interest in joint venture was approximately HK$46,768,000.

38. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

39. Authorisation for Issue of Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 18 April 2006.