Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

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 as explained in the accounting policies set out below.

(c) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half 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 controlled subsidiary is consolidated into the consolidated financial statements, 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 Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in accordance with the policy on investments in securities (see note 1(k)).

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the consolidated profit and loss account.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)), 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, in which case, it is stated at fair value with changes in fair value recognised in accordance with the policy on investments in securities (see note 1(k)).

(d) Associates

An associate is an entity in which the Group or 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, in which case it is stated at fair value with changes in fair value recognised in accordance with the policy on investments in securities (see note 1(k)). The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e). When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates (Continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(j)). Any such provisions are recognised as an expense in the profit and loss account.

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries and associates, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life which does not exceed 20 years. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(j)).

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

On disposal of a controlled subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account is included in the calculation of the profit or loss on disposal.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed assets

(i) 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 in the balance sheet at their open market value which is assessed annually by external qualified valuers;

- land and buildings, hotel and other properties are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)).

- furniture, fixtures and equipment and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1 (j)).

(ii) 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 profit and loss account, 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 profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the 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.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account 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 profit and loss account for the year.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Properties under development

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 provisions considered necessary by the directors.

Properties under development are transferred to fixed assets or properties held for sale upon the date of practical completion.

(h) Properties held for sale

Properties held for sale are stated at the lower of cost and the estimated net realisable value. In the case of properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, including borrowing costs capitalised, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

(i) Depreciation

(i) Investment properties

No depreciation is provided on investment properties with an unexpired lease term of more than 20 years, including renewal periods, since the valuation takes into account the state of the property at the date of valuation.

(ii) Properties under development

No depreciation is provided on properties under development.

(iii) Hotel properties

Depreciation on hotel properties is provided on a straight line basis over the shorter of the joint venture period and 25 years on the cost of the hotel properties.

(iv) Land and buildings and other properties

Depreciation is provided on a straight line basis over the unexpired period of the lease.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Depreciation (Continued)

(v) Other fixed assets

Depreciation is calculated to write off the cost of these assets on a straight line basis over their estimated useful lives as follows:

Furniture, fixtures and equipment	– 3 to 5 years
Motor vehicles	– $6^2/_3$ years

(j) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets (other than properties carried at revalued amounts);

– investments in subsidiaries and associates; and

– positive goodwill (recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the profit and loss account whenever the carrying amount of such an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. 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 assets that generates cash inflows independently (i.e. a cash-generating unit).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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 profit and loss account in the year in which the reversals are recognised.

(k) Investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:

(i) Non-trading investments are stated in the balance sheet at their fair values. Changes in fair value are recognised in the investment revaluation reserve until the investment is sold, collected, or otherwise disposed of, or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account.

(ii) Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) Profits or losses on disposal of non-trading investments are accounted for in the profit and loss account as they arise. The profit or loss includes any amount previously held in the investment revaluation reserve in respect of that investment.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost represents purchase cost computed on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(n) 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 central pension schemes operated by the local governments in Mainland China are recognised as an expense in the profit and loss account as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

1. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(n) Employee benefits (Continued)

(iii) Contributions to the social insurance fund schemes operated by the local governments in Vietnam are recognised as an expense in the profit and loss account as incurred, except to the extent that they are incurred during the construction period, in which case they are capitalised as part of properties under development.

(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.

(o) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (Continued)

arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Revenue arising from the sale of properties is recognised upon the completion of the sales agreements or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under trade and other payables.

(ii) Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(iii) Hotel and club revenue from room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(iv) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the rates applicable.

(v) Management fees are recognised when the services are rendered.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date.

The results of overseas subsidiaries and associates are translated into Hong Kong dollars at the average exchange rate for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date

Exchange gains and losses on foreign currency translation are dealt with in the profit and loss account, except for those arising from the translation of the financial statements of overseas subsidiaries and associates which are taken directly to the exchange reserve.

(s) Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

(t) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Affiliated companies

An affiliated company is a company, not being a subsidiary or an associate, in which a director of the Company has a significant beneficial interest.

(v) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities, and include affiliated companies.

(w) Segment reporting

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

Information relating to geographical segments based on the location of assets is chosen as the primary reporting format because this is considered by management to be more relevant to the Group in making operating and financial decisions.

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 property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group 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.

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings and corporate expenses.

2. TURNOVER

The principal activities of the Group are property investment and development, hotel and club operations and the provision of management services.

Turnover represents the proceeds from the sale of properties, rental income and income from hotel and club operations and the provision of management services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2003	2002
	$'000	*$'000*
Proceeds from the sale of properties	**223,033**	151,988
Rental income	**8,031**	7,986
Hotel and club operations	**103,677**	59,263
Management fee income	**4,783**	5,265
	339,524	224,502

3. OTHER REVENUE AND OTHER NET INCOME

	2003	2002
	$'000	*$'000*
(a) Other revenue		
Interest income	**2,810**	1,828
Dividend income from non-trading listed investments	**17**	13
Other revenue from hotel operations and miscellaneous income	**7,346**	2,266
	10,173	4,107
(b) Other net income		
Exchange gain	**19,435**	1,799
Loss on disposal of fixed assets	**(5)**	–
(Loss)/gain on liquidation of a subsidiary	**(18)**	2,187
Others	**89**	(51)
	19,501	3,935

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2003	2002
	$'000	*$'000*
(a) Finance costs		
Interest on bank overdrafts and other advances repayable within five years	**8,106**	9,049
Interest paid on amounts due to an affiliated company	**889**	3,966
Other borrowing costs	**121**	721
Total borrowing costs	**9,116**	13,736
Less: Borrowing costs capitalised into properties under development*	**(649)**	(2,941)
	8,467	10,795

* The borrowing costs have been capitalised at a rate of 3.6% per annum (2002: 3% per annum) for properties under development.

	2003	2002
(b) Staff costs		
Contributions to defined contribution retirement schemes	**919**	771
Salaries, wages and other benefits	**28,716**	16,263
	29,635	17,034
(c) Other items		
Cost of properties sold	**136,762**	95,014
Cost of inventories	**6,522**	7,428
Depreciation	**77,843**	50,479
Auditors' remuneration	**1,097**	1,018
Operating lease charges for hire of premises	**254**	254
Rentals receivable from investment properties less direct outgoings	**(6,016)**	(6,120)
Other rental income less direct outgoings	**(40,408)**	(15,696)

5. INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(a) Taxation in the consolidated profit and loss account represents:

	2003	2002
	$'000	*$'000*
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**–**	–
Current tax – Overseas		
Tax for the year	**13,811**	8,784
Over-provision in respect of prior years	**(652)**	(15,185)
	13,159	(6,401)
Share of associates' taxation	**(1,103)**	3,192
Total income tax expense/(credit)	**12,056**	(3,209)

In March 2003, the Hong Kong SAR Government announced an increase in the Profits Tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%. This increase is taken into account in the preparation of the Group's 2003 financial statements. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

5. INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT (Continued)

(b) Reconciliation between tax expense/(credit) and accounting profit at applicable tax rates

	2003	2002
	$'000	*$'000*
Profit before tax	**44,208**	24,122
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**4,222**	3,293
Tax effect of non-deductible expenses	**2,594**	5,382
Tax effect of non-taxable revenue	**(9,537)**	(8,764)
Tax effect of unused tax losses not recognised	**16,683**	13,365
Tax effect of prior years' tax losses utilised this year	**(58)**	(306)
Tax effect of temporary differences not recognised	**31**	(1,227)
Over-provision in prior years	**(652)**	(15,185)
Tax effect of change of rate of tax applicable to associates	**(1,227)**	233
Actual tax expense/(credit)	**12,056**	(3,209)

6. DIRECTORS' REMUNERATION

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

	2003	2002
	$'000	*$'000*
Fees	**60**	47
Salaries and other emoluments	**240**	480
Discretionary and performance related bonuses	**–**	40
Retirement scheme contributions	**–**	–
	300	567

Included in the above are the following payments to independent non-executive directors:

	2003	2002
	$'000	*$'000*
Fees	**10**	10

6. DIRECTORS' REMUNERATION (Continued)

(b) The directors' remuneration is in the following range:

	2003 Number of directors	2002 Number of directors
Nil – $1,000,000	**6**	6

7. MANAGEMENT REMUNERATION

(a) The aggregate amount of the remuneration of the five (2002: five) employees who, not being directors of the Company, are amongst the top five highest paid individuals, including directors, employed by the Group is as follows:

	2003 ***$'000***	2002 *$'000*
Salaries and other emoluments	**4,449**	2,772
Discretionary and performance related bonuses	**1,648**	527
Retirement scheme contributions	**268**	12
	6,365	3,311

(b) The employees' remuneration is in the following range:

	2003 Number of individuals	2002 Number of individuals
Nil – $1,000,000	**–**	5
$1,000,001 – $2,000,000	**4**	–
$2,000,001 – $3,000,000	**1**	–

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $50,369,000 (2002: $45,691,000) which has been dealt with in the financial statements of the Company.

9. DIVIDENDS

(a) Dividends attributable to the year

	2003	2002
	$'000	*$'000*
Interim dividend declared and paid of $0.01 (2002: $0.01) per share	**3,402**	3,402
Final dividend proposed after the balance sheet date of $0.01 (2002: $Nil) per share	**3,402**	–
	6,804	3,402

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2003	2002
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of $Nil (2002: $Nil) per share	**–**	–

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of $32,860,000 (2002: $28,315,000) and on the 340,200,000 ordinary shares in issue during both years 2003 and 2002.

11. SEGMENT REPORTING

(a) Geographical segments by the location of assets

The Group's business operations are sub-divided into the Macau, the People's Republic of China ("PRC"), Socialist Republic of Vietnam ("Vietnam"), Canada and other markets classified by the location of assets.

Geographical segments

	Year ended 31 December 2003 ($'000)					
	Macau	**PRC**	**Vietnam**	**Canada**	**Others**	**Total**
Turnover	**238,765**	**33,562**	**65,500**	**786**	**911**	**339,524**
Other revenue						
– allocated	**844**	**2,974**	**3,488**	**–**	**–**	**7,306**
– unallocated	**–**	**–**	**–**	**–**	**2,867**	**2,867**
Total revenue	**239,609**	**36,536**	**68,988**	**786**	**3,778**	**349,697**
Segment result	**85,084**	**(22,104)**	**(28,838)**	**(768)**	**7,560**	**40,934**
Finance costs	**(1,070)**	**(2,258)**	**–**	**(2)**	**(5,137)**	**(8,467)**
Share of profits less losses of associates	**(27)**	**8,799**	**5,035**	**(2,063)**	**(3)**	**11,741**
Profit/(loss) from ordinary activities before taxation	**83,987**	**(15,563)**	**(23,803)**	**(2,833)**	**2,420**	**44,208**
Taxation						**(12,056)**
Profit from ordinary activities after taxation						**32,152**
Minority interests	**(24,417)**	**14,310**	**10,531**	**–**	**284**	**708**
Profit attributable to shareholders						**32,860**
Depreciation and amortisation	**4,205**	**26,141**	**47,319**	**–**	**178**	**77,843**
Capital expenditure incurred during the year	**73,057**	**1,874**	**77,314**	**–**	**18**	**152,263**
Segment assets #	**619,288**	**186,399**	**769,385**	**393**	**18,002**	**1,593,467**
Interest in associates	**–**	**136,868**	**157,777**	**47,275**	**4,986**	**346,906**
Unallocated assets	**–**	**–**	**–**	**–**	**287,621**	**287,621**
Total assets	**619,288**	**323,267**	**927,162**	**47,668**	**310,609**	**2,227,994**
Segment liabilities #	**67,007**	**59,689**	**34,447**	**487**	**245,368**	**406,998**
Unallocated liabilities	**–**	**–**	**–**	**–**	**302,463**	**302,463**
Total liabilities	**67,007**	**59,689**	**34,447**	**487**	**547,831**	**709,461**
Minority interests						**176,725**

11. SEGMENT REPORTING (Continued)

(a) Geographical segments by the location of assets (Continued)

	Year ended 31 December 2002 ($'000)					
	Macau	PRC	Vietnam	Canada	Others	Total
Turnover	158,305	38,422	14,291	1,518	11,966	224,502
Other revenue						
– allocated	931	–	–	–	–	931
– unallocated	–	–	–	–	3,176	3,176
Total revenue	159,236	38,422	14,291	1,518	15,142	228,609
Segment result	37,294	(16,208)	(13,205)	204	7,946	16,031
Finance costs	(2,453)	(5,846)	–	–	(2,496)	(10,795)
Share of profits less losses of associates	(13)	7,950	7,589	3,365	(5)	18,886
Profit/(loss) from ordinary activities before taxation	34,828	(14,104)	(5,616)	3,569	5,445	24,122
Taxation						3,209
Profit from ordinary activities after taxation						27,331
Minority interests	(15,938)	14,904	4,871	–	(2,853)	984
Profit attributable to shareholders						28,315
Depreciation and amortisation	4,244	26,251	19,981	–	3	50,479
Capital expenditure incurred during the year	17,342	1,735	13,637	–	4,498	37,212
Segment assets #	664,017	214,324	735,033	–	18,182	1,631,556
Interest in associates	–	141,031	174,718	37,522	5,030	358,301
Unallocated assets	–	–	–	–	162,780	162,780
Total assets	664,017	355,355	909,751	37,522	185,992	2,152,637
Segment liabilities #	71,259	76,425	13,955	7	199,388	361,034
Unallocated liabilities	–	–	–	–	296,682	296,682
Total liabilities	71,259	76,425	13,955	7	496,070	657,716
Minority interests						190,997

Segment assets and liabilities are before elimination of inter-segment balances.

11. SEGMENT REPORTING (Continued)

(b) Business segments

The Group comprises the following main business segments:

(i) Property development, investment and the provision of management services

(ii) Hotel and club operations

Business segments

	Year ended 31 December							
	Property development, investment and management		Hotel and club operations		Unallocated		Total	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**235,847**	165,239	**103,677**	59,263	**–**	–	**339,524**	224,502
Segment assets #	**773,967**	822,163	**1,161,420**	1,162,663	**292,607**	167,811	**2,227,994**	2,152,637
Contribution to profit/(loss) from operations	**93,535**	46,828	**(52,601)**	(30,797)	**–**	–	**40,934**	16,031
Capital expenditure incurred during the year	**73,075**	21,830	**79,188**	15,382	**–**	–	**152,263**	37,212

\# Segment assets are before elimination of inter-segment balances.

12. FIXED ASSETS

(a) The Group

	Land and buildings	Hotel properties	Other properties	Furniture, fixtures and equipment	Motor vehicles	Sub-total	Investment properties	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost or valuation:								
At 1 January 2003	4,013	892,448	89,886	173,404	6,603	1,166,354	143,800	1,310,154
Additions	–	19,385	–	60,014	366	79,765	–	79,765
Disposals	–	–	–	(4)	(185)	(189)	–	(189)
Surplus on revaluation	–	–	–	–	–	–	3,200	3,200
Reclassification	–	(98,991)	–	98,991	–	–	–	–
Exchange adjustments	–	(5,728)	–	(1,351)	(1)	(7,080)	–	(7,080)
At 31 December 2003	4,013	807,114	89,886	331,054	6,783	1,238,850	147,000	1,385,850
Representing:								
Cost	4,013	807,114	89,886	331,054	6,783	1,238,850	–	1,238,850
Valuation – 2003	–	–	–	–	–	–	147,000	147,000
	4,013	807,114	89,886	331,054	6,783	1,238,850	147,000	1,385,850
Accumulated depreciation:								
At 1 January 2003	–	39,345	16,201	88,150	4,712	148,408	–	148,408
Charge for the year	76	24,712	3,594	48,990	471	77,843	–	77,843
Written back on disposals	–	–	–	(2)	(182)	(184)	–	(184)
Exchange adjustments	–	(426)	–	(843)	(13)	(1,282)	–	(1,282)
At 31 December 2003	76	63,631	19,795	136,295	4,988	224,785	–	224,785
Net book value:								
At 31 December 2003	3,937	743,483	70,091	194,759	1,795	1,014,065	147,000	1,161,065
At 31 December 2002	4,013	853,103	73,685	85,254	1,891	1,017,946	143,800	1,161,746

12. FIXED ASSETS (Continued)

(a) The Group (Continued)

(i) The investment properties comprise various units of Luso International Bank Building and Ocean Gardens in Macau. The lease of Luso International Bank Building is for a period of 50 years, commencing from 6 May 1957 and thereafter renewable for successive periods of 10 years up to 19 December 2049. The lease of Ocean Gardens is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

(ii) The investment properties were revalued by Chesterton Petty Limited, an independent firm of professional surveyors, at 31 December 2003 on an open market value basis, after taking into consideration the net rental income allowing for reversionary potential.

(iii) The formal transfer of titles of the relevant units of the investment properties in Luso International Bank Building with a value of \$25,000,000 (2002: \$23,000,000) into a subsidiary's name has not been completed (Note 29). Although the titles have not yet been transferred, the directors are of the opinion that the subsidiary has acquired beneficial title to these properties at 31 December 2003.

(iv) At 31 December 2003, certain investment properties, other properties and a hotel property together with its integral fixtures and fittings with a net book value of \$375,388,000 (2002: \$404,626,000) were mortgaged to various banks to secure banking facilities granted to the Group.

(v) Hotel properties comprise land use rights for 30 years commencing on 21 August 1995 and 48 years commencing on 7 May 1994 granted to the Group's subsidiaries in Wuhan, the PRC and Vietnam respectively.

(vi) Other properties comprise a club house situated in Ocean Gardens. The lease of the club house is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

(vii) The Group leases out investment properties under operating leases, which generally 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.

The gross amount of investment properties of the Group held for use in operating leases was \$147,000,000 (2002: \$143,800,000).

12. FIXED ASSETS (Continued)

(a) The Group (Continued)

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

	2003	2002
	$'000	*$'000*
Within 1 year	**12,000**	5,865
After 1 year but within 5 years	**30,764**	2,343
After 5 years	**6,909**	–
	49,673	8,208

(b) The Company

	Land and buildings	**Furniture, fixtures and equipment**	**Total**
	$'000	*$'000*	*$'000*
Cost:			
At 1 January 2003	4,013	1,017	5,030
Additions	–	18	18
At 31 December 2003	4,013	1,035	5,048
Accumulated depreciation:			
At 1 January 2003	–	531	531
Charge for the year	76	102	178
At 31 December 2003	76	633	709
Net book value:			
At 31 December 2003	3,937	402	4,339
At 31 December 2002	4,013	486	4,499

12. FIXED ASSETS (Continued)

(c) The analysis of the net book value of land and buildings is as follows:

	The Group and the Company	
	2003	2002
	$'000	*$'000*
In Hong Kong under long leases	**3,937**	4,013

13. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2003	2002
	$'000	*$'000*
Properties under development for sale	**66,827**	165,841

The property, which comprises certain leasehold land on Taipa Island, Macau, was acquired by a subsidiary from the Government of Macau as a site for the development, in several phases, of a residential and commercial complex. The lease is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

Under the terms of an agreement dated 1 March 1983 and a supplementary agreement dated 20 June 1994 and a revised agreement on 6 August 1999 with the Government of Macau in respect of the leasehold land, the subsidiary had undertaken to complete the remaining phases of the development by various specified dates with the whole project due to be completed by 31 December 2001. On 5 October 2001, the Macau SAR Government agreed to extend the final completion date up to 31 December 2003 without any penalty.

Whilst construction work has already commenced on all the remaining phases of the development, the directors were of the view that one of the phases would not be completed by the final completion date of 31 December 2003. Accordingly, an application for extension was made to the Macau SAR Government by the subsidiary and on 29 August 2003, the Macau SAR Government agreed to extend the final completion date up to 4 September 2005 without any penalty. Delays in completing the various phases of up to 180 days would give rise to the possibility of fines being imposed by the Macau SAR Government in a manner more particularly described in Note 28(c). Delays beyond the 180-day period would give rise to the possibility of rescission of the lease by the Macau SAR Government without compensation to the subsidiary.

13. PROPERTIES UNDER DEVELOPMENT (Continued)

The directors consider that the remaining phase of the development project will be completed by 4 September 2005 (see also Note 28(c)).

The subsidiary has mortgaged its leasehold land on Taipa Island to a bank to secure banking facilities to the extent of $85,000,000 (2002: $85,000,000) granted to the subsidiary. At 31 December 2003, no such facilities had been utilised (2002: $21,000,000) (see Note 20).

14. INTEREST IN SUBSIDIARIES

	The Company	
	2003	2002
	$'000	*$'000*
Unlisted shares, at cost	**43,823**	49,291
Less: Dividend paid out of pre-acquisition profits	**(4,156)**	(4,156)
Provision	**–**	(5,468)
	39,667	39,667
Amounts due from subsidiaries		
– Current account	**792,024**	700,919
	831,691	740,586
Amounts due to subsidiaries	**3,410**	27,972

Amounts due from/to subsidiaries are unsecured, interest-free and will not be settled within next twelve months.

(Expressed in Hong Kong dollars)

14. INTEREST IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ operation	Issued equity capital	Percentage of equity attributable to the Group	Percentage of equity held by the Company	Percentage of equity held by subsidiaries	Principal activity
Ocean Incorporation Ltd.	Macau	Two quotas of Ptc9,999,000 and Ptc1,000 respectively totalling Ptc10,000,000	100%	100%	–	Property investment and investment holding
Carrigold Limited*	British Virgin Islands	1 share of US$1	100%	100%	–	Investment holding
Compton Developments Limited*	British Virgin Islands	1 share of US$1	100%	100%	–	Investment holding
Crichton Assets Limited*	British Virgin Islands	1 share of US$1	100%	100%	–	Investment holding
Labond Developments Limited*	British Virgin Islands	1 share of US$1	100%	100%	–	Investment holding
KSB Enterprises Limited*	Canada	1 share of no par value issued at CAD$1	100%	100%	–	Investment holding
Bardney Investment Limited*	Republic of Liberia/Macau	2 shares of no par value issued at HK$5,000 each	100%	–	100%	Investment holding
Lam Ho Investments Pte Limited	Singapore	5,000,000 shares of S$1 each	90.10%	–	90.10%	Investment holding
Shun Seng International Limited	Hong Kong	100,000 shares of HK$1 each	75.01%	–	75.01%	Investment holding

(Expressed in Hong Kong dollars)

14. INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ operation	Issued equity capital	Percentage of equity attributable to the Group	Percentage of equity held by the Company	Percentage of equity held by subsidiaries	Principal activity
Golden Crown Development Limited ("Golden Crown")	Macau	70,000,000 shares of Ptc1 each	70.61%	–	70.61%	Property development
Ocean Gardens Management Company Limited *	Macau	Two quotas of Ptc99,000 and Ptc1,000 respectively totalling Ptc100,000	69.90%	–	99%	Building management
Honister Investment Limited	Republic of Liberia/Macau	2 shares of no par value issued at HK$5,000 each	70.61%	–	100%	Investment holding
Ocean Club Recreational Company Limited	Macau	100,000 shares of Ptc1 each	70.61%	–	100%	Club operation
Ocean Place Joint Venture Company Limited ("OPJV")	Socialist Republic of Vietnam	US$29,100,000	63.07%	–	70%	Operation of a hotel
Hubei Qing Chuan Hotel Company Limited # * ("Qing Chuan")	The People's Republic of China ("PRC")	US$16,300,000	41.26%	–	55%	Operation of a hotel
Lam Ho Finance Limited *	British Virgin Islands	1 share of US$1	90.10%	–	100%	Financial investment

* The accounts of the subsidiaries not audited by KPMG reflect total assets and total turnover constituting approximately 13% (2002: 15%) and 11% (2002: 19%) of the respective consolidated totals.

\# Sino-foreign equity joint venture

15. INTEREST IN ASSOCIATES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Unlisted shares, at cost	**–**	–	**5**	5
Share of net assets	**173,269**	153,332	**–**	–
Interest free loans to associates	**173,637**	204,969	**146,019**	165,337
	346,906	358,301	**146,024**	165,342

The following list contains the particulars of associates, all of which are unlisted corporate entities:

			Percentage of equity			
Name of company	**Form of business structure**	**Place of incorporation/ operation**	**attributable to the Group**	**held by the Company**	**held by subsidiaries**	**Principal activity**
Chateau Ottawa Hotel Inc – *note (a)*	Incorporated	Canada	50%	–	50%	Operation of a hotel
Worldwide Properties Limited	Incorporated	Macau	50%	–	50%	Dormant
Trans-International Development Limited	Incorporated	Macau	40%	–	40%	Dormant
Shun Cheong International Limited – *note (b)*	Incorporated	Hong Kong	35.01%	–	35.01%	Property investment
Porchester Assets Limited ("PAL") – *note (c)*	Incorporated	British Virgin Islands	49%	49%	–	Investment holding
Crown Pacific Development Limited ("Crown Pacific") – *note (d)*	Incorporated	Hong Kong	24%	–	24%	Investment holding
KSF Enterprises Sdn Bhd ("KSF") – *note (e)*	Incorporated	Malaysia	25%	25%	–	Investment holding

15. INTEREST IN ASSOCIATES (Continued)

(a) Chateau Ottawa Hotel Inc owns a hotel in Ottawa licensed with Sheraton Inns Canada operating as the Sheraton Ottawa Hotel.

(b) Shun Cheong International Limited is engaged in property investment in the PRC.

(c) PAL has a wholly owned subsidiary, Glynhill Investments (Vietnam) Pte Ltd ("Glynhill"), which holds 51% in Chains Caravelle Hotel Joint Venture Company Limited ("CCH"). CCH is a joint venture company established under the laws of Vietnam between Glynhill and a local Vietnamese entity for the purpose of developing, renovating and operating the Caravelle Hotel in Vietnam. In accordance with the joint venture agreement and the subsequent increase in registered share capital on 19 May 1997, the legal capital of CCH is $143.8 million (US$18.6 million). Glynhill contributed $73.3 million (US$9.5 million), and the remaining balance of $70.5 million (US$9.1 million) was contributed by the Vietnamese joint venture partner in the form of the right of use to a parcel of land (2,612 sq.m.) for a term of 40 years. In addition, Glynhill is committed to secure on behalf of CCH or, alternatively, to provide further finance of up to $305 million (US$39.4 million) in the form of an interest bearing shareholder's loan towards the costs of developing and renovating the hotel and for general working capital requirements. As at 31 December 2003, PAL has advanced interest bearing loans totalling $298 million (US$38.4 million) (2002: $332.6 million (US$42.7 million)) to CCH. The joint venture has a duration of 40 years from 8 October 1992 and may be extended for a further period subject to the mutual agreement of the joint venture partners and approval from the relevant local authority.

(d) Crown Pacific is engaged in the development for resale and investment purposes of a residential compound in Beijing in the PRC through Beijing Hong Gong Garden Villa House Property Development Co Limited ("BHGG"), a Sino-foreign cooperative joint venture company established in the PRC with a local Beijing party. In accordance with the joint venture agreement, the legal capital of BHGG is approximately $256 million (US$33.1 million), which has been fully paid up. Crown Pacific is entitled to share 100% of the financial results and net assets of BHGG save for a distribution of profit of a fixed sum of $2.8 million to the local Beijing party.

The joint venture lasts for a period of 30 years from 15 January 1993 to 14 January 2023. All four phases of the development have been completed and most of the units have been sold.

(e) KSF has a wholly owned subsidiary, KSD Enterprises Limited, which operates the DoubleTree International Plaza Hotel in Toronto, Canada. It also has a 50% interest in KSE Enterprises Limited which operates the Four Points Hotel by Sheraton in Quebec, Canada.

15. INTEREST IN ASSOCIATES (Continued)

The following supplementary financial information is disclosed relating to a principal associate, Crown Pacific, which is based on its audited consolidated financial statements for the year ended 31 December 2003.

Consolidated profit and loss account

	2003	2002
	$'000	*$'000*
Turnover	**23,335**	9,979
Other revenue and gains	**84,607**	82,578
Profit from ordinary activities before taxation	**36,662**	33,125
Profit attributable to shareholders	**32,656**	24,777
Group's share of profit from ordinary activities before taxation	**8,799**	7,950

Consolidated balance sheet

	2003	2002
	$'000	*$'000*
Long term assets	**184,869**	166,757
Current assets	**755,612**	792,519
Current liabilities	**(370,197)**	(371,648)
Long term liabilities	**(100,000)**	(150,000)
Shareholders' funds	**470,284**	437,628
Group's share of net assets	**112,868**	105,031

16. NON-TRADING INVESTMENTS

	The Group and the Company	
	2003	2002
	$'000	*$'000*
Listed shares outside Hong Kong, at market value	**804**	780

17. PROPERTIES HELD FOR SALE

Properties held for sale comprise:

(a) Ocean Park held by the Company

The property is freehold and situated in Singapore.

(b) Heng Fa Chuen held by the Company

The property is held under a long lease and situated in Hong Kong.

(c) Properties in Macau held by subsidiaries

(i) Ocean Centre II

The lease is for a period of 30 years, commencing from 9 June 1973 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

(ii) Keck Seng Industrial Centre III

The lease is for a period of 30 years, commencing from 4 September 1973 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

At 31 December 2003, the formal transfer of titles of the above properties with a carrying value of $3,260,000 (2002: $3,260,000) into a subsidiary's name had not been completed and the properties were still registered in the names of the previous owners (see also Note 29). Although the titles have not been transferred, the directors are of the opinion that the subsidiary had acquired beneficial title to these properties at 31 December 2003.

(iii) Ocean Gardens

These are completed units of a property development on Taipa Island in Macau. The lease is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

Certain of these properties with a carrying value of $135,048,000 (2002: $157,270,000) have been mortgaged to secure the subsidiary's banking facilities at 31 December 2003.

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Amount expected to be recoverable:				
– within 1 year	**56,009**	33,129	**83**	129
– after 1 year	**353**	348	**–**	–
Trade and other receivables	**56,362**	33,477	**83**	129

Included in trade and other receivables are trade receivables (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2003	2002
	$'000	*$'000*
Current	**4,707**	3,034
1 to 3 months overdue	**38,497**	20,186
4 to 12 months overdue	**147**	–
More than 12 months overdue	**5**	7
	43,356	23,227

Debts are due within 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

19. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks and other financial institutions	**211,494**	143,237	**51,628**	54,059
Cash at bank and in hand	**76,090**	19,075	**118**	427
Cash and cash equivalents in the balance sheet	**287,584**	162,312	**51,746**	54,486
Bank overdrafts *(Note 20)*	**(4)**	(41)		
Cash and cash equivalents in the cash flow statement	**287,580**	162,271		

20. BANK OVERDRAFTS AND LOANS

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Repayable within 1 year and included in current liabilities:				
Bank overdrafts *(Note 19)*	**4**	41	**1**	8
Bank loans	**142,009**	141,160	**118,461**	70,589
	142,013	141,201	**118,462**	70,597
Bank loans repayable after 1 year and included in non-current liabilities:				
Between 2 and 5 years	**138,560**	129,194	**–**	–
	280,573	270,395	**118,462**	70,597

20. BANK OVERDRAFTS AND LOANS (Continued)

At 31 December 2003, the bank loans and overdrafts outstanding were secured as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Unsecured bank overdrafts	**4**	41	**1**	8
Bank loans				
– secured *(Note 13)*	**15,143**	48,005	**–**	–
– unsecured	**265,426**	222,349	**118,461**	70,589
	280,569	270,354	**118,461**	70,589
	280,573	270,395	**118,462**	70,597

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Creditors and accruals	**74,615**	51,804	**680**	530
Sales deposits and receipts in advance	**6,966**	5,682	**204**	308
	81,581	57,486	**884**	838

Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group	
	2003	2002
	$'000	*$'000*
Due within 1 month or on demand	**4,833**	4,304
Due after 1 month but within 3 months	**2,340**	–
Due after 3 months but within 6 months	**110**	–
	7,283	4,304

22. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Provision for overseas taxation for the year	**13,811**	8,784	**40**	1,515
Balance of overseas tax provision relating to prior years	**29,670**	23,005	**–**	–
	43,481	31,789	**40**	1,515

(b) Deferred tax

At 31 December 2003, the Group did not have any material deferred tax liabilities (2002: $Nil).

The major component of unprovided deferred taxation of the Group is the future benefit of tax losses, which have been agreed with the relevant tax authorities, of $4,241,000 (2002: $1,356,000). The future benefit of tax losses which are subject to agreement by the relevant tax authorities at 31 December 2003 amount to $105,954,000 (2002: $91,650,000). The future benefit of tax losses are not recognised as it is not probable that there will be sufficient appropriate taxable profits before expiry of tax losses in the respective tax jurisdictions.

The tax losses can be carried forward to offset against the taxable profits of subsequent years for up to three to five years from the year in which they were incurred or there is no restriction on their expiry, depending on the tax jurisdiction concerned.

As at 31 December 2003, the Company did not have any material deferred tax assets and liabilities (2002: $Nil).

23. LOANS FROM MINORITY SHAREHOLDERS

Loans from minority shareholders include an amount due to an affiliated company of $141,660,000 (2002: $128,889,000) and are non-interest bearing except for an amount of $Nil (2002: $38,336,000) which is interest bearing at market rates and repayable on 30 April 2005.

By a mutual agreement between Qing Chuan and its shareholders, the shareholders agreed to waive interest expenses on all shareholders' loans. The interest payable to the affiliated company for the year ended 31 December 2003 was $Nil (2002: $Nil).

24. SHARE CAPITAL

	2003		2002	
	No. of shares	***$'000***	*No. of shares*	*$'000*
Authorised:				
Ordinary shares of $1 each	500,000,000	500,000	500,000,000	500,000
Issued and fully paid:				
At 1 January and 31 December	340,200,000	340,200	340,200,000	340,200

25. RESERVES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Share premium account:				
At 1 January and 31 December	**158,105**	158,105	**158,105**	158,105
Legal reserve:				
At 1 January and 31 December	**12,758**	12,758	**–**	–
Exchange reserve:				
At 1 January	**9,269**	11,428	**891**	1,178
Movement during the year	**5,555**	(2,159)	**–**	(287)
At 31 December	**14,824**	9,269	**891**	891
Investment property revaluation reserve:				
At 1 January	**8,080**	8,080	**–**	–
Revaluation surplus	**2,847**	–	**–**	–
At 31 December	**10,927**	8,080	**–**	–
Investment revaluation reserve:				
At 1 January	**188**	44	**188**	44
Revaluation surplus	**24**	144	**24**	144
At 31 December	**212**	188	**212**	188
Retained profits:				
At 1 January	**775,324**	750,411	**380,419**	338,130
Profit for the year	**32,860**	28,315	**50,369**	45,691
Dividends paid in respect of the current year	**(3,402)**	(3,402)	**(3,402)**	(3,402)
At 31 December	**804,782**	775,324	**427,386**	380,419
	1,001,608	963,724	**586,594**	539,603

25. RESERVES (Continued)

Profit for the year is retained as follows:

	2003	2002
	$'000	*$'000*
By the Company and its subsidiaries	**20,016**	12,621
By associates	**12,844**	15,694
	32,860	28,315

The application of the share premium is governed by section 48B of the Hong Kong Companies Ordinance.

The legal reserve is non-distributable and represents transfers from annual profits up to a maximum of 20 percent of the issued and paid up capital of the Macau subsidiaries in accordance with the Macau Commercial Code.

The exchange reserve of the Group arises on translation of the financial statements of foreign subsidiaries and associates (see Note 1(r)).

The investment property revaluation and investment revaluation reserves have been set up and dealt in accordance with the accounting policies adopted for the revaluation of investment properties (see Note 1(f)) and non-trading investments (see Note 1(k)).

Distributable profits of the Company at 31 December 2003 amounted to $427,386,000 (2002: $380,419,000).

26. EMPLOYEE BENEFITS

The Group participates in defined contribution retirement schemes in Hong Kong, the PRC and Vietnam.

The companies of the Group operating in Hong Kong operate a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance 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 $20,000.

26. EMPLOYEE BENEFITS (Continued)

The employees of the Group's subsidiary operating in the PRC are members of central pension schemes operated by the local governments in the PRC and the subsidiary makes mandatory contributions to these central pension schemes to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiary are based on 20% of the employees' salaries cost in accordance with the relevant regulations in the PRC and are charged to the consolidated profit and loss account as incurred. The subsidiary discharges its retirement obligations upon payment of the retirement contributions to the central pension schemes operated by the local governments in the PRC.

The employees of the Group's subsidiary operating in Vietnam are members of social insurance fund schemes operated by the local governments in Vietnam and the subsidiary makes mandatory contributions to these social insurance fund schemes to fund the employees' retirement benefits, maternity benefits and sick leave benefits. The social insurance contributions paid by the Vietnam subsidiary are based on Social Insurance Regulations at the prevailing rate of 15% of basic salaries.

27. COMMITMENTS

At 31 December 2003, the Group had commitments in respect of development expenditure not provided for in the financial statements as follows:

	2003	2002
	$'000	*$'000*
Contracted for	**29,890**	91,906
Authorised but not contracted for	**–**	93,396
	29,890	185,302

At 31 December 2003, the total future minimum lease payments under non-cancellable operating leases are as follows:

	2003	2002
	$'000	*$'000*
Leases on premises expiring		
– within one year	**180**	180

28. CONTINGENT LIABILITIES

(a) At 31 December 2003, there were outstanding counter indemnities relating to guarantees issued by a subsidiary's bankers in favour of the Macau SAR Government in respect of properties under development amounting to $6,311,000 (2002: $6,311,000).

(b) At 31 December 2003, there were guarantees given by a subsidiary to banks on behalf of purchasers of flats amounting to $37,379,000 (2002: $Nil).

(c) Pursuant to the revised agreement with the Macau SAR Government on 29 August 2003 (Note 13), Golden Crown is required to complete the remaining phase of the development project in Ocean Gardens by 4 September 2005. Failure to comply with the development schedule may render the subsidiary liable to a fine of $4,854 for each day of delay up to a limit of 90 days and thereafter the fine may be increased up to $9,709 per day. When the delay reaches 180 days, the Macau SAR Government may terminate the agreement totally or partially and the specified areas granted together with the work already done shall revert to the Macau SAR Government and the subsidiary shall have no right of compensation. The directors are confident that the remaining phase of the development project will be completed by 4 September 2005.

(d) At 31 December 2003, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and the associates amounted to $182,312,000 (2002: $183,017,000) and $61,980,000 (2002: $51,495,000) respectively.

(e) At 31 December 2003, guarantees given by a subsidiary to a bank to secure banking facilities made available to an associate amounted to $37,500,000 (CAD$6,250,000) (2002: $33,075,000 (CAD$6,635,000)).

(f) To finance the capital expenditure of its subsidiary, an intermediate subsidiary provided a guarantee to a bank to secure a banking facility made available to the Company. At 31 December 2003, the guarantee granted by the subsidiary amounted to $62,024,000 (US$8,000,000) (2002: $Nil).

29. MACAU PROPERTIES

It is common practice in Macau for transfer of interests in property to be effected by agreements or by the grant of irrevocable powers of attorney, without any change being made in the registered ownership of the property. At 31 December 2003, the Group's interests in certain properties situated in Macau held in this manner were as follows:

	2003	2002
	$'000	*$'000*
Investment properties *(Note 12(a)(iii))*	**25,000**	23,000
Properties held for sale *(Note 17(c)(ii))*	**3,260**	3,260
	28,260	26,260

30. CHANGE IN ACCOUNTING POLICY

In priors years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all materials timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 January 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) issued by the Hong Kong Society of Accountants, the Group adopted a new accounting policy for deferred tax as set out in Note 1(o). The new accounting policy does not have any impact on the Group's profit for the current and prior year and net assets at the current and prior year end.

31. MATERIAL RELATED PARTY TRANSACTIONS

During the year, certain subsidiaries of the Company had the following transactions, which were on normal commercial terms, with Goodland Limited ("Goodland"), an affiliated company which holds 45% of the issued shares of the Company at 31 December 2003:

(a) A current account was maintained between Goodland and Ocean Incorporation Ltd. and interest was charged on the outstanding balance at market rates. At 31 December 2003, the balance due by Ocean Incorporation Ltd. on this account amounted to $60,994,580 (2002: $91,733,642). The interest charge for the year ended 31 December 2003 was $884,516 (2002: $2,131,721).

31. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Goodland maintained interest bearing current account with Golden Crown. At 31 December 2003, the balance due by Golden Crown amounted to $92,320 (2002: $280,106). The interest charge for the year ended 31 December 2003 payable by Golden Crown was $5,216 (2002: $5,470).

At 31 December 2003, the balances due to/(from) Goodland by OPJV, Golden Crown, Qing Chuan, Shun Seng International Limited and Lam Ho Investments Pte Limited on non-interest bearing accounts amounted to $8,841,149 (2002: $3,441,152), $31,985,931 (2002: $13,600,000), $3,428,372 (2002: $5,153,154), $Nil (2002: $188) and $Nil (2002: $(3,904)) respectively.

(c) Loans from minority shareholders include an amount due to Goodland of $141,660,000 (2002: $128,889,000) and are non-interest bearing except for an amount of $Nil (2002: $38,336,000) due by Qing Chuan to Goodland which is interest bearing at market rates and repayable on 30 April 2005.

By a mutual agreement between Qing Chuan and its shareholders, the shareholders agreed to waive interest expenses on all shareholders' loans. The interest payable to Goodland was $Nil (2002: $Nil).

(d) Golden Crown rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to $1,011,204 for the year ended 31 December 2003 (2002: $1,011,204).

(e) Ocean Incorporation Ltd., OPJV and Golden Crown paid management fees of $1,456,311 (2002: $1,456,311), $2,954,388 (2002: $3,113,200) and $1,747,573 (2002: $1,747,573) respectively for the year to Goodland.

(f) Golden Crown rented certain properties from Goodland and rental amounting to $174,757 (2002: $174,757) was paid during the year.

Kansas Holdings Limited provides management services to the Company. No management fee was charged during the years 2002 and 2003.

Keck Seng Realty Investment Pte Limited acts as manager and sales agent for the Company's property in Singapore. No management or agency fee was charged during the years 2002 and 2003.

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were interested in the above arrangements as substantial shareholders and directors of Kansas Holdings Limited, Keck Seng Realty Investment Pte Limited and Goodland.

32. POST BALANCE SHEET EVENTS

On 26 March 2004, the Company, Goodland, Larch Management Incorporated and AKAA Project Management International Limited provided a guarantee, on a joint and several basis, to a bank in connection with a term loan facility obtained by a subsidiary of the Company, Qing Chuan.

A term loan facility of up to an aggregate principal amount of US$3,800,000 (approximately $29,640,000) was made available by the bank for a period of three years subject to the terms and conditions of a facility agreement between Qing Chuan and the bank entered into on 26 March 2004. The interest rate shall be the sum of 1.46% per annum and 3 or 6 months' LIBOR at Qing Chuan's option. It is intended that Qing Chuan will choose whichever is the lower of LIBOR on an interest payment date.

Approximately 50% of the facility will be used to finance and/or refinance the borrower's existing loans and approximately 50% will be retained as the general working capital of the borrower.

The directors of the Company, including the independent non-executive directors, consider that the guarantee is granted upon normal commercial terms which have been arrived at after arm's length negotiations. They consider that the terms of the guarantee are fair and reasonable. The obtaining of the facility by the borrower is in the interests of the Company as a whole due to the lower interest rate of the facility as compared to the existing loans of the borrower.