

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation and presentation

- (i) The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties are stated at valuation.
- (ii) At 31st December, 2004, the Group’s current liabilities, amounting to HK\$293,274,000, exceeded its current assets by HK\$67,415,000. The Group’s current liabilities consisted of the following:
 - a. HK\$201,342,000 attributable to Beijing Dan Yao Property Co. Ltd. (“Dan Yao”), an 85% owned subsidiary. This amount includes a total of HK\$99,426,000 which was resulted from the legal judgements against Dan Yao in respect of several litigations. Dan Yao has applied for liquidation as more fully disclosed in note 26 to the financial statements. As at 31st December, 2004, a provision of HK\$44,002,000 has been made in the Group’s financial statements against the carrying value of the properties held for sale, the major asset of Dan Yao. The amount provided represents the net asset value of Dan Yao attributable to the Group. The Directors are of the view that this provision fully reflects the financial impact to the Group in the event that Dan Yao is to cease operation.
 - b. HK\$91,932,000 attributable to the other operations of the Group. The Directors are of the view that the operations of the Group, other than that of Dan Yao, together with its available banking facilities and other financial resources, can generate sufficient cash flows to enable the settlement of its liabilities as and when they fall due. Accordingly, the Directors are confident that these operations will continue and no adjustment to the financial statements has been made.

Based on the foregoing, the Directors believe that the Group will continue as a going concern. Consequently, the Directors have prepared the financial statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(a) Basis of preparation and presentation (Cont'd)

- (iii) The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Group accounting

(i) *Consolidation*

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

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

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

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

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

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

(ii) *Jointly controlled entity*

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Group accounting (Cont'd)

(ii) *Jointly controlled entity (Cont'd)*

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

(iii) *Associated companies*

An associated company is a company, not being a subsidiary and a jointly controlled entity, in which an equity interest is held by the Group for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies after revaluation of the underlying properties of the associated companies, where appropriate, in accordance with the Group's accounting policy, and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Surplus on revaluation of the underlying properties of associated companies are credited directly to revaluation reserves. Deficits on revaluation are offset against surplus on previous valuations in respect of the properties of the same associated company and thereafter debited to operating profit. Any subsequent surpluses are credited to operating profit up to the amount previously debited.

Where audited financial statements of associated companies are not co-terminous with those of the Group, the share of the results is arrived at from the latest audited financial statements available and unaudited management financial statements made up to 31st December, as adjusted for the revaluation of the underlying properties of the associated companies and to comply with the Group's accounting policy.

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Group accounting (Cont'd)

(iv) *Gain or loss on disposal*

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

(c) Fixed assets

(i) *Investment properties*

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

Investment properties held on leases with unexpired periods of greater than twenty years are stated at annual professional valuation based on the open market value at balance sheet date. Separate values are not attributed to land and buildings. The valuations are incorporated in the annual financial statements. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

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

(ii) *Properties held under development*

Properties held under development for long term purposes are classified under fixed assets and are stated at cost to the Group less accumulated impairment losses. These properties are transferred to investment properties or other properties, as the case may be, upon completion of the development at carrying value.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(c) Fixed assets (Cont'd)

(iii) *Leasehold land and buildings and other fixed assets*

Leasehold land and buildings and other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

(iv) *Depreciation*

No depreciation is provided on investment properties with an unexpired lease term of over twenty years. When the unexpired lease term is twenty years or less, depreciation is provided on the carrying value over the remaining term of the lease.

No depreciation is provided on properties held for development for long term purposes.

Depreciation of leasehold land and buildings is calculated over the unexpired period of the lease or their expected useful lives to the Group whichever is shorter.

Depreciation of other fixed assets is calculated to write off their costs less accumulated impairment losses on a straight-line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:

Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	10%–20%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

(v) *Impairment and gain or loss on disposal of fixed assets*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets other than investment properties are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(c) Fixed assets (Cont'd)

(v) *Impairment and gain or loss on disposal of fixed assets (Cont'd)*

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net proceeds from disposal and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(d) Properties held for sale

Properties held for sale are included in current assets and stated at the lower of cost and estimated net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(e) Investment securities

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

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such security will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(f) Other assets

Other assets are stated at cost less any provision for impairment losses.

(g) Accounts receivable

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(h) Borrowing costs

Interest and related finance charges are generally expensed as incurred. With respect to interest incurred on borrowings attributable to financing the acquisition and development of qualifying assets, the expenses are capitalised as part of the costs of those assets if, in the opinion of the Directors, the qualifying assets concerned will generate adequate future economic benefit to the Group.

(i) Employee benefits

(i) *Employee leave entitlements*

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

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

(ii) *Pension obligations*

The Group operates a defined contribution provident fund scheme (the "Scheme") which is available to certain employees who joined the Group before 1st December, 2000. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions.

Starting from 1st December, 2000, a mandatory provident fund scheme (the "MPF") is available to all Hong Kong employees. Employees who joined the Group before 1st December, 2000 can choose to remain in the Scheme or participate in the MPF while employees who joined the Group after 1st December, 2000 can only participate in the MPF. Contributions to the MPF are expensed as incurred.

The Group also participates in the employee pension schemes of the respective municipal government in Mainland China where the Group operates. The Group has to make monthly contributions calculated as a percentage of the monthly payroll and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. The Group's contributions to the schemes are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(j) Deferred taxation

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

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

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

(k) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(l) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the financial statements by translating foreign currencies into Hong Kong dollars at the rates of exchange ruling as at the balance sheet date. Exchange differences arising are included in the profit and loss account.

The balance sheets of overseas subsidiaries, jointly controlled entities and associated companies at the year end expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences arising are taken directly to the exchange difference reserve.

(m) Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks less bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(n) Contingent liabilities

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

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

(o) Provisions

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

(p) Segment reporting

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

Segment assets consist primarily of fixed assets, properties, receivables and operating cash, and mainly exclude investments in a jointly controlled entity, associated companies and tax recoverable. Segment liabilities comprise operating liabilities and exclude items such as deferred tax liabilities and minority interests. Capital expenditure comprises additions to fixed assets. Unallocated costs represent corporate expenses.

In respect of geographical segment reporting, turnover is based on the country of operations. Segment assets and capital expenditure are where the assets are located.

(q) Revenue recognition

Revenue from sale of completed properties held for sale is recognised when the relevant sales contracts are concluded but subject to sales proceeds received.

Rental income is recognised on a straight-line basis over the period of the leases.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(q) Revenue recognition (Cont'd)

Estate management fees income is recognised on an accrual basis.

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

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

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in property development, property investment, estate management and holding of investments. The turnover and revenues recognised during the year are set out below:

	2004 HK\$'000	2003 HK\$'000
Sale of properties	—	3,881
Gross rental income		
— investment properties	23,345	21,956
— other properties	8,053	11,339
Estate management fees income	4,469	6,979
Interest income	752	13,244
Dividend income	371	371
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Total revenues and turnover	36,990	57,770
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NOTES TO THE FINANCIAL STATEMENTS

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

Primary reporting — business segments

The Group reports its business segment analysis based on the four principal activities as follows:

2004

	Property development HK\$'000	Property investment HK\$'000	Estate management HK\$'000	Investment holding HK\$'000	Unallocated costs HK\$'000	Group HK\$'000
Turnover	—	31,398	4,469	1,123		36,990
Segment results	(2,075)	25,746	3,490	3,627		30,788
Unallocated corporate expenses					(17,115)	(17,115)
Operating profit						13,673
Finance costs						(20,469)
Share of results of						
— a jointly controlled entity	—	—	—	—		—
— associated companies	(162,631)	4,647	—	—		(157,984)
Loss before taxation						(164,780)
Taxation						(9,385)
Loss after taxation						(174,165)
Minority interests						84
Loss attributable to shareholders						(174,081)
Segment assets	201,147	360,818	1,729	16,375		580,069
Interest in a jointly controlled entity	—	—	—	—		—
Interests in associated companies	119,286	1,110,289	—	—		1,229,575
Unallocated assets						18,225
Total assets						1,827,869
Segment liabilities	250,372	9,764	2,023	—		262,159
Minority interests						—
Unallocated liabilities						70,323
Total liabilities						332,482
Capital expenditure	—	7	—	—	18	25
Depreciation	225	48	4	—	384	661
Provision/(write back of provision)	95,965	(7,686)	—	(2,341)	—	85,938

NOTES TO THE FINANCIAL STATEMENTS

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

Primary reporting — business segments (Cont'd)

2003

	Property development HK\$'000	Property investment HK\$'000	Estate management HK\$'000	Investment holding HK\$'000	Unallocated costs HK\$'000	Group HK\$'000
Turnover	3,881	33,295	6,979	13,615		57,770
Segment results	(81,454)	(196,806)	4,047	12,211		(262,002)
Unallocated corporate expenses					(17,456)	(17,456)
Operating loss						(279,458)
Finance costs						(14,321)
Share of results of associated companies	(65,176)	(1,033)	—	—		(66,209)
Loss before taxation						(359,988)
Taxation						(491)
Loss after taxation						(360,479)
Minority interests						67,544
Loss attributable to shareholders						(292,935)
Segment assets	193,155	808,013	2,740	14,344		1,018,252
Interests in associated companies	281,774	592,179	—	260,000		1,133,953
Unallocated assets						7,019
Total assets						2,159,224
Segment liabilities	264,137	240,018	6,470	9		510,634
Minority interests						129
Unallocated liabilities						77,808
Total liabilities						588,571
Capital expenditure	3,645	6,030	—	—	25	9,700
Depreciation	3,722	4,305	4	—	413	8,444
Provision	139,558	214,995	—	1,406	—	355,959

NOTES TO THE FINANCIAL STATEMENTS

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

Secondary reporting — geographical segments

A geographical analysis of the Group's turnover, segment results, total assets and capital expenditure by location of market, is as follows:

	2004				2003			
	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	28,969	20,574	374,625	21	42,448	31,150	582,819	25
Mainland China	8,021	10,214	205,444	4	15,322	(293,152)	435,433	9,675
	<u>36,990</u>	<u>30,788</u>	<u>580,069</u>	<u>25</u>	<u>57,770</u>	<u>(262,002)</u>	<u>1,018,252</u>	<u>9,700</u>
Unallocated corporate expenses		(17,115)				(17,456)		
Operating profit/(loss)		<u>13,673</u>				<u>(279,458)</u>		
Interest in a jointly controlled entity			—				—	
Interests in associated companies			1,229,575				1,133,953	
Unallocated assets			<u>18,225</u>				<u>7,019</u>	
Total assets			<u>1,827,869</u>				<u>2,159,224</u>	

NOTES TO THE FINANCIAL STATEMENTS

3. OPERATING PROFIT/(LOSS)

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

	2004 HK\$'000	2003 HK\$'000
Crediting		
Gross rental income from investment properties	23,345	21,956
Less: outgoings	(7,091)	(7,076)
Net rental income from investment properties	16,254	14,880
Gross rental income from other properties	8,053	11,339
Less: depreciation	—	(4,207)
Less: outgoings	(3,496)	(2,624)
Net rental income from other properties	4,557	4,508
Write back of provision for impairment loss of investment securities	2,341	—
Charging		
Cost of properties sold	—	2,558
Staff costs, including Directors' remuneration (note 8)	12,090	13,963
Depreciation of fixed assets, other than properties with rental income	661	4,237
Loss on disposal of fixed assets	43	—
Provision for impairment loss of investment securities	—	1,406
Operating leases in respect of office premises and staff quarters	1,727	2,770
Loss on disposal of investment properties	2,250	—
Auditors' remuneration	856	856

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	18,259	18,610
Interest on other loans not wholly repayable within five years	669	196
Interest on trade creditors	1,323	—
Other incidental borrowing costs	218	381
Total borrowing costs incurred	20,469	19,187
Less: Interest capitalised	—	(4,866)
Total finance costs expensed during the year	20,469	14,321

In 2003, the capitalisation rate applied to funds borrowed generally and used for property development projects in the People's Republic of China (the "PRC") is between 1.86% and 2.58% per annum.

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. No provision has been made for the income tax in the PRC as there was no estimated assessable profit derived from subsidiaries in the PRC (2003: HK\$Nil).

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax	22	—
Under-provision of Hong Kong profits tax in prior years	112	20
Deferred taxation relating to the origination of temporary differences	148	388
Share of taxation attributable to:		
— a jointly controlled entity	—	—
— associated companies	9,103	83
	9,385	491

NOTES TO THE FINANCIAL STATEMENTS

5. TAXATION (Cont'd)

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

	2004 HK\$'000	2003 HK\$'000
Loss before taxation	(164,780)	(359,988)
Calculated at a taxation rate of 17.5% (2003: 17.5%)	(28,836)	(62,998)
Effect of different taxation rates in other countries	(25,396)	(47,441)
Income not subject to taxation	(2,387)	(799)
Expenses not deductible for taxation purposes	10,770	11,499
Utilisation of previously unrecognised tax losses	(2,222)	(2,091)
Deferred tax assets not recognised	48,965	102,301
Under provision for taxation in prior years		
— subsidiaries	112	20
— associated companies	8,379	—
Taxation charge	9,385	491

6. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of a loss of HK\$363,757,000 (2003: HK\$224,584,000).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$174,081,000 (2003: HK\$292,935,000) and 1,135,606,132 (2003: 1,135,606,132) ordinary shares in issue during the year. There were no outstanding share options of the Company in 2003 and 2004. Accordingly, diluted loss per share are not shown.

NOTES TO THE FINANCIAL STATEMENTS

8. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2004 HK\$'000	2003 HK\$'000
Wages and salaries	11,693	12,982
Unutilised annual leave	55	(15)
Social security cost	164	707
Pension costs — defined contribution plans (note 9)	178	289
	<u>12,090</u>	<u>13,963</u>

9. RETIREMENT BENEFIT COSTS

The Group operates a defined contribution provident fund scheme (the "Scheme") which is available to certain employees who joined the Group before 1st December, 2000. Contributions to the Scheme by the Group and the employees are calculated as a percentage of the employees' monthly payroll. The Group's contributions are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions totalling HK\$27,000 (2003: HK\$15,000) were utilised during the year and HK\$40,000 (2003: HK\$Nil) was returned to the Group. The remaining forfeited contributions of HK\$62,000 (2003: HK\$44,000) at the year end can be used to reduce future contributions.

Starting from 1st December, 2000, a mandatory provident fund scheme (the "MPF") is available to all Hong Kong employees. Employees who joined the Group before 1st December, 2000 can choose to remain in the Scheme or participate in the MPF while employees who joined the Group after 1st December, 2000 can only participate in the MPF.

The Group also participates in the employee pension schemes of the respective municipal government in Mainland China where the Group operates. The Group has to make monthly contributions calculated as a percentage of the monthly payroll and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group.

The cost charged to the profit and loss account represents contributions payable by the Group to the schemes. Contributions totalling HK\$178,000 (2003: HK\$289,000) were paid during the year.

NOTES TO THE FINANCIAL STATEMENTS

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of emoluments payable to Directors of the Company during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Fees	666	660
Basic salaries, housing allowances, other allowances and benefits in kind	4,892	4,913
Discretionary bonuses	363	363
Pensions	24	24
	5,945	5,960

The fees payable to Independent Non-executive Directors of the Company during the year amounted to HK\$502,000 (2003: HK\$440,000).

The emoluments of the Directors fell within the following bands:

Emolument bands	Number of Directors	
	2004	2003
HK\$Nil — HK\$1,000,000	3	3
HK\$2,000,001 — HK\$2,500,000	1	1
HK\$3,000,001 — HK\$3,500,000	1	1
	5	5

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

	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	1,540	1,628
Discretionary bonuses	128	136
Pensions	73	78
	1,741	1,842

NOTES TO THE FINANCIAL STATEMENTS

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

The emoluments of these highest paid individuals fell within the following bands:

Emolument bands		Number of individuals	
		2004	2003
HK\$Nil — HK\$1,000,000		2	2
HK\$1,000,001 — HK\$1,500,000		1	1
		<u>3</u>	<u>3</u>

11. FIXED ASSETS

	Group							Company			
	Investment properties HK\$'000	Properties held under development HK\$'000	Leasehold land and buildings HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation											
At 1st January, 2004	565,330	447,532	17,229	1,880	6,515	4,576	1,043,062	496	2,057	2,248	4,801
Additions	—	16,129	—	22	3	—	16,154	18	—	—	18
Disposal	(3,382)	—	—	(196)	(52)	(1,351)	(4,981)	(42)	(12)	(1,351)	(1,405)
Transfer of a subsidiary to a jointly controlled entity (note 24(c))	—	(464,097)	(16,842)	(50)	—	(400)	(481,389)	—	—	—	—
Revaluation	(207,578)	—	—	—	—	—	(207,578)	—	—	—	—
Exchange realignment	—	436	16	—	3	2	457	—	—	—	—
At 31st December, 2004	354,370	—	403	1,656	6,469	2,827	365,725	472	2,045	897	3,414
Accumulated depreciation and impairment											
At 1st January, 2004	—	214,995	16,880	1,523	6,237	3,763	243,398	412	1,806	1,934	4,152
Charge for the year	—	—	12	115	138	396	661	37	131	180	348
Disposal	—	—	—	(122)	(36)	(1,351)	(1,509)	(40)	(12)	(1,351)	(1,403)
Transfer of a subsidiary to a jointly controlled entity (note 24(c))	—	(206,731)	(16,841)	(42)	—	(172)	(223,786)	—	—	—	—
Reversal of impairment charge	—	(8,269)	—	—	—	—	(8,269)	—	—	—	—
Exchange realignment	—	5	17	—	3	—	25	—	—	—	—
At 31st December, 2004	—	—	68	1,474	6,342	2,636	10,520	409	1,925	763	3,097
Net book value											
At 31st December, 2004	354,370	—	335	182	127	191	355,205	63	120	134	317
At 31st December, 2003	565,330	232,537	349	357	278	813	799,664	84	251	314	649

NOTES TO THE FINANCIAL STATEMENTS

11. FIXED ASSETS (Cont'd)

The analysis of the cost or valuation of the above assets as at 31st December, 2004 and 2003 is as follows:

	Group							Company			
	Investment properties HK\$'000	Properties held under development HK\$'000	Leasehold land and buildings HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
The analysis of cost or valuation of the above assets as at 31st December, 2004 is as follows:											
At cost	—	—	403	1,656	6,469	2,827	11,355	472	2,045	897	3,414
At 2004 professional valuation	354,370	—	—	—	—	—	354,370	—	—	—	—
	354,370	—	403	1,656	6,469	2,827	365,725	472	2,045	897	3,414
The analysis of cost or valuation of the above assets as at 31st December, 2003 is as follows:											
At cost	—	447,532	17,229	1,880	6,515	4,576	477,732	496	2,057	2,248	4,801
At 2003 professional valuation	565,330	—	—	—	—	—	565,330	—	—	—	—
	565,330	447,532	17,229	1,880	6,515	4,576	1,043,062	496	2,057	2,248	4,801

The Group's interest in investment properties, properties held under development and leasehold land and buildings at their net book values are analysed as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	335	349
Leases of between 10 to 50 years	350,500	558,600
Leases of less than 10 years	200	170
In PRC, held on:		
Leases of over 50 years	1,490	2,691
Leases of between 10 to 50 years	2,180	236,406
	<u>354,705</u>	<u>798,216</u>

Investment properties in Hong Kong and in the PRC were revalued at 31st December, 2004 on the basis of their open market value by an independent firm of professional surveyor, DTZ Debenham Tie Leung Limited. The Directors are of the view that the valuation reflected the market condition in respect of the investment properties.

NOTES TO THE FINANCIAL STATEMENTS

11. FIXED ASSETS (Cont'd)

At 31st December, 2004, the net book value of fixed assets pledged as security for the Group's bank overdrafts amounted to HK\$328,200,000 (2003: HK\$535,800,000).

12. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK\$'000	HK\$'000
Investments in unlisted shares, at cost	1,904	1,904
Amounts due from subsidiaries, net of provision	495,649	877,118
Amounts due to subsidiaries	(613)	(800)
	<u>496,940</u>	<u>878,222</u>

The particulars of principal subsidiaries of the Group as at 31st December, 2004 are set out on page 65.

The amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment, except for an amount of HK\$180,000,000 (2003: HK\$449,057,000) due from a subsidiary which is interest bearing at prime rate (2003: prime rate less 0.75% per annum).

13. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets	—	—
Amount due from a jointly controlled entity, net of provision	—	—
	<u>—</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

13. INTEREST IN A JOINTLY CONTROLLED ENTITY (Cont'd)

Notes:

- (a) On 26th April, 2004, Turbo Dragon Limited ("Turbo Dragon"), a wholly-owned subsidiary of the Group, entered into a sale and purchase supplemental agreement, which was supplemental to the sale and purchase agreement dated 30th July, 2003 (collectively "S&P Agreement"), with China Yintai Investment Company Limited ("Yintai") to sell its entire equity interest of 61.1% in Beijing Lucky Building Company Limited ("Beijing Lucky"). On execution of the S&P Agreement, a deposit of HK\$23,585,000 was received and 2 out of the 4 directors representing Turbo Dragon in the board of directors of Beijing Lucky were replaced by those representing Yintai in accordance with the terms in the S&P Agreement before year end. As a result, Turbo Dragon no longer had the unilateral control over the board of directors of Beijing Lucky. Accordingly, Beijing Lucky was treated as a jointly controlled entity of the Group as at 31st December, 2004.

Details of this transaction are set out in the Company's circular issued on 25th May, 2004.

- (b) The Company has no directly owned jointly controlled entity as at 31st December, 2004 and 2003. Particulars of the jointly controlled entity as at 31st December, 2004 are set out on page 66.

14. INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets other than goodwill, after revaluation	847,974	747,229
Amounts due from associated companies, net of provision	393,215	397,139
Amounts due to associated companies	(11,614)	(10,415)
	<u>1,229,575</u>	<u>1,133,953</u>

The interests in associated companies represent unlisted shares in Hong Kong and the PRC. The details of principal associated companies of the Group as at 31st December, 2004 are set out on page 66.

The properties of the associated companies were valued annually at 31st December by independent professional surveyors on an open market value basis.

The amounts due from/to associated companies are unsecured, interest free and have no fixed terms of repayment as at 31st December, 2004. In 2003, an amount of HK\$260 million due from an associated company was interest bearing at prime rate.

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATED COMPANIES (Cont'd)

Information on material associated companies

The financial information on Zeta Estates Limited ("Zeta"), a 33 $\frac{1}{3}$ % owned associated company, and Beijing Jing Yuan Property Development Co., Ltd. ("Jing Yuan"), a 29.4% owned associated company, the results and financial positions of which are material in the context of the Group's financial statements, is summarised below.

The financial year end of Zeta is not co-terminous with that of the Company. The information set out below is based on the audited results of Zeta covering the two months ended 29th February and the unaudited management accounts for the remaining ten months ended 31st December, adjusted to comply with the Group's accounting policies.

	Zeta	
	2004	2003
	HK\$'000	HK\$'000
Profit and loss account — year ended 31st December		
Turnover	56,905	71,014
Loss after taxation	(13,628)	(5,431)
Loss attributable to the Group	(4,543)	(1,810)
Balance sheet — as at 31st December		
Investment properties	3,169,795	2,374,739
Fixed assets	22	38
Long term receivables	596	542
Current assets	40,534	32,351
Current liabilities	(867,833)	(73,997)
Long term liabilities	—	(780,000)
Shareholders' funds	2,343,114	1,553,673
Net assets attributable to the Group	781,038	517,891

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATED COMPANIES (Cont'd)

	Jing Yuan	
	2004	2003
	HK\$'000	HK\$'000
Profit and loss account — year ended 31st December		
Turnover	1,152,731	467,290
Loss after taxation	<u>(552,676)</u>	<u>(221,688)</u>
Loss attributable to the Group	<u>(162,487)</u>	<u>(65,176)</u>
Balance sheet — as at 31st December		
Properties held under development for sale	447,174	1,754,800
Fixed assets	4,651	181,200
Long term receivables	87,831	2,922
Current assets	1,314,567	457,917
Current liabilities	(109,635)	(63,378)
Long term liabilities	<u>(1,701,243)</u>	<u>(1,737,440)</u>
Shareholders' funds	<u>43,345</u>	<u>596,021</u>
Net assets attributable to the Group	<u>12,743</u>	<u>175,230</u>

15. INVESTMENT SECURITIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Investment securities		
Unlisted investments, at cost	18,712	18,712
Provision	(7,525)	(9,866)
Advances to investee companies	<u>4,638</u>	<u>4,947</u>
	<u>15,825</u>	<u>13,793</u>

Advances to investee companies are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

16. OTHER ASSETS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Club debentures, at cost	<u>1,405</u>	<u>2,218</u>	<u>1,405</u>	<u>1,405</u>

17. LOAN TO A SUBSIDIARY

The loan to a subsidiary is unsecured, interest bearing at 6% per annum (2003: 6% per annum) and repayable within twelve months from the balance sheet date.

18. TRADE RECEIVABLES

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Within 30 days	1,245	1,215
31–60 days	749	1,157
61–90 days	212	498
Over 90 days	<u>1,602</u>	<u>2,863</u>
	<u>3,808</u>	<u>5,733</u>

The Group's trade receivables in the current year represented rental charges and estate management fees due from tenants which are due on presentation of invoices.

19. TRADE PAYABLES

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Within 30 days	368	302
31–60 days	540	468
61–90 days	290	375
Over 90 days	<u>46,275</u>	<u>76,653</u>
	<u>47,473</u>	<u>77,798</u>

NOTES TO THE FINANCIAL STATEMENTS

20. SHARE CAPITAL

	Company	
	Number of shares	Ordinary shares of HK\$0.50 each HK\$'000
Authorised:		
At 1st January, 2003, 2004 and 31st December, 2004	<u>1,600,000,000</u>	<u>800,000</u>
Issued and fully paid:		
At 1st January, 2003, 2004 and 31st December, 2004	<u>1,135,606,132</u>	<u>567,803</u>

21. RESERVES

Group

	Share premium account HK\$'000	Investment properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Exchange difference reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2003	694,070	391,555	530,565	3,483	(248,993)	1,370,680
Revaluation surplus realised upon disposal of properties of an associated company	—	—	(3,595)	—	—	(3,595)
Deficit arising from revaluation of the Group's investment properties	—	(54,303)	—	—	—	(54,303)
Deficit arising from revaluation of the Group's interests in associated companies based on the market value of their underlying properties	—	—	(16,997)	—	—	(16,997)
Loss attributable to shareholders for the year	—	—	—	—	(292,935)	(292,935)
At 31st December, 2003	<u>694,070</u>	<u>337,252</u>	<u>509,973</u>	<u>3,483</u>	<u>(541,928)</u>	<u>1,002,850</u>
Dealt with by:						
Company and subsidiaries	694,070	337,252	—	508	(452,177)	579,653
Associated companies	—	—	509,973	2,975	(89,751)	423,197
At 31st December, 2003	<u>694,070</u>	<u>337,252</u>	<u>509,973</u>	<u>3,483</u>	<u>(541,928)</u>	<u>1,002,850</u>

NOTES TO THE FINANCIAL STATEMENTS

21. RESERVES (Cont'd)

	Share premium account HK\$'000	Investment properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Exchange difference reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2004	694,070	337,252	509,973	3,483	(541,928)	1,002,850
Revaluation surplus realised upon disposal of properties of an associated company	—	—	(695)	—	—	(695)
Deficit arising from revaluation of the Group's investment properties	—	(171,248)	—	—	—	(171,248)
Surplus arising from revaluation of the Group's interests in associated companies based on the market value of their underlying properties	—	—	268,385	—	—	268,385
Revaluation deficit realised upon disposal of the Group's investment properties	—	2,063	—	—	—	2,063
Exchange differences	—	—	—	568	—	568
Exchange differences shared by minority interests	—	—	—	(61)	—	(61)
Transfer of a subsidiary to a jointly controlled entity (note 24(c))	—	—	—	(197)	—	(197)
Loss attributable to shareholders for the year	—	—	—	—	(174,081)	(174,081)
At 31st December, 2004	694,070	168,067	777,663	3,793	(716,009)	927,584
Dealt with by:						
Company and subsidiaries	694,070	168,067	—	674	(459,171)	403,640
A jointly controlled entity	—	—	—	—	—	—
Associated companies	—	—	777,663	3,119	(256,838)	523,944
At 31st December, 2004	694,070	168,067	777,663	3,793	(716,009)	927,584

NOTES TO THE FINANCIAL STATEMENTS

21. RESERVES (Cont'd)

Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2003	694,070	(226,419)	467,651
Loss for the year	—	(224,584)	(224,584)
At 31st December, 2003	<u>694,070</u>	<u>(451,003)</u>	<u>243,067</u>
At 1st January, 2004	694,070	(451,003)	243,067
Loss for the year	—	(363,757)	(363,757)
At 31st December, 2004	<u>694,070</u>	<u>(814,760)</u>	<u>(120,690)</u>

As at 31st December, 2004, the Company did not have any distributable reserve calculated under section 79B of the Hong Kong Companies Ordinance (2003: HK\$Nil).

22. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank overdrafts (note a)	49,030	49,828	49,030	49,828
Short term bank loans — secured (note b)	8,962	197,926	—	—
Long term bank loans, secured (note c) — current portion	<u>40,943</u>	<u>60,905</u>	<u>—</u>	<u>20,000</u>
	<u>98,935</u>	<u>308,659</u>	<u>49,030</u>	<u>69,828</u>

NOTES TO THE FINANCIAL STATEMENTS

22. BANK LOANS AND OVERDRAFTS (Cont'd)

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

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	<u>98,935</u>	<u>308,659</u>	<u>49,030</u>	<u>69,828</u>

- (a) The Group had a bank overdraft facility of HK\$75 million (2003: HK\$100 million) which was secured by first legal charges over the properties held by a wholly-owned subsidiary of the Company and share charges over the issued shares of certain subsidiaries of the Company. The facility was subsequently reduced to HK\$60 million in January, 2005.
- (b) The short term banking facilities comprised:
- (i) A short term bank loan of RMB200 million (HK\$188.5 million) granted to Beijing Lucky was secured by the properties held under development of Beijing Lucky. The loan, together with other assets and liabilities of Beijing Lucky, was transferred as interest in a jointly controlled entity in 2004. Details of the transfer are set out in note 13(a) to the financial statements.
 - (ii) A short term bank loan of RMB9.5 million (HK\$9 million) (2003: RMB10 million (HK\$9.4 million)) granted to Dan Yao was secured by the properties of Dan Yao.
- (c) The long term bank loans comprised:
- (i) A loan granted to the Company amounting to HK\$20 million which was wholly repaid in 2004. The loan was secured by first legal charges over the properties held by a wholly-owned subsidiary of the Company and share charges over the issued shares of certain subsidiaries of the Company.
 - (ii) A loan amounting to RMB43.4 million (HK\$40.9 million) (2003: RMB43.4 million (HK\$40.9 million)) granted to Dan Yao was secured by properties of Dan Yao.

NOTES TO THE FINANCIAL STATEMENTS

23. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date.

The movement on the deferred tax liabilities/(assets) during the year was as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	75,442	77,921	(1,298)	—
Deferred taxation charged to profit and loss account	96	248	1,440	(1,298)
Deferred taxation on revaluation of investment properties	(36,330)	(2,727)	—	—
At 31st December	39,208	75,442	142	(1,298)

Deferred taxation for the Group mainly represents the taxation on the revaluation surplus of the Group's properties in Hong Kong upon reclassification from properties held for sale to investment properties in previous years, which has been allowed to be deferred until the disposal of the properties.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st December, 2004, the Group and the Company has unrecognised deferred tax assets in respect of tax losses of HK\$22,128,000 (2003: HK\$41,706,000) and HK\$Nil (2003: HK\$Nil) respectively, which have no expiry date, to carry forward.

NOTES TO THE FINANCIAL STATEMENTS

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit/(loss) to net cash generated from operations:

	Group	
	2004 HK\$'000	2003 HK\$'000
Operating profit/(loss)	13,673	(279,458)
Depreciation	661	8,444
Loss on disposal of investment properties	2,250	—
Loss on disposal of fixed assets	43	—
(Write back of provision)/provision in respect of properties held for sale	(1,974)	46,559
(Write back of provision)/provision in respect of properties held under development	(8,269)	214,995
(Write back of provision)/provision for impairment loss of investment securities	(2,341)	1,406
Dividend income	(371)	(371)
Interest income	(752)	(13,244)
Operating profit/(loss) before working capital changes	2,920	(21,669)
Decrease in other assets	814	—
Increase in properties held for sale	(3,992)	(62,114)
(Increase)/decrease in trade receivables, other receivables, prepayments and deposits	(2,388)	11,823
Increase in trade payables, other payables and accrued charges	32,808	111,924
Net cash generated from operations	30,162	39,964

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Analysis of changes in financing during the year

	Bank and other loans		Minority interests	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1st January	262,002	339,276	129	67,673
Cash items:				
— Repayment of bank loans	(20,472)	(76,726)	—	—
— Repayment of loan from a third party	(3,174)	(548)	—	—
Non-cash items:				
— Loss for the year attributable to minority shareholders	—	—	(84)	(67,544)
— Transfer of a subsidiary to a jointly controlled entity (note 24(c))	(188,679)	—	(106)	—
— Exchange differences	228	—	61	—
At 31st December	49,905	262,002	—	129

NOTES TO THE FINANCIAL STATEMENTS

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

(c) Transfer of a subsidiary to a jointly controlled entity (note 13(a))

	2004 HK\$'000	2003 HK\$'000
Net assets transferred:		
Fixed assets (note 11)	257,603	—
Other receivables, prepayment and deposit	1,099	—
Tax recoverable	307	—
Cash and bank balance	22,784	—
Trade payables	(37,124)	—
Other payables and accrued charges	(55,687)	—
Short term bank loan (note 24(b))	(188,679)	—
Minority interests (note 24(b))	(106)	—
Exchange difference reserve (note 21)	(197)	—
	<u>—</u>	<u>—</u>

Analysis of the net cash inflow in respect of the transfer of a subsidiary to a jointly controlled entity

	2004 HK\$'000	2003 HK\$'000
Deposit received	23,585	—
Cash and bank balance transferred	(22,784)	—
	<u>801</u>	<u>—</u>

(d) Analysis of cash and cash equivalents

	2004 HK\$'000	2003 HK\$'000
Bank balances and cash	17,154	8,328
Bank overdrafts	(49,030)	(49,828)
	<u>(31,876)</u>	<u>(41,500)</u>

NOTES TO THE FINANCIAL STATEMENTS

25. LEASE COMMITMENTS

(a) Commitments under operating leases

At 31st December, 2004, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group and Company	
	2004	2003
	HK\$'000	HK\$'000
Not later than one year	1,251	1,050
Later than one year and not later than five years	1,069	1,567
	2,320	2,617

(b) Future minimum rental receivables

At 31st December, 2004, the Group had future minimum lease payments receivable under non-cancellable operating leases in respect of investment properties and properties held for sale as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Not later than one year	17,437	15,717
Later than one year and not later than five years	30,433	31,721
Later than five years	11,271	16,105
	59,141	63,543

26. SUBSEQUENT EVENT

On 10th March, 2005, the PRC Court has accepted for consideration the application of the Company to liquidate Dan Yao. However, up to the date of this report, the decision of the PRC Court on granting an order for liquidation is not yet known. According to the advice of the Company's PRC legal advisers, the PRC Court will commence review and hearing of the liquidation from the date it accepts the application and it will take at least four months before the PRC Court makes a decision on whether or not to grant an order for liquidation.

NOTES TO THE FINANCIAL STATEMENTS

27. RELATED PARTY TRANSACTION

In addition to the amounts due from associated companies and the related interest income received therefrom as disclosed in note 14 to the financial statements, the Group has the following transactions with the related companies:

On 21st November, 2000, Dan Yao entered into respective agreements (the “Agency Agreements”) with Mr. Zhao Sheng Li and Mr. Hua Ming, being two connected persons of the Company, to act as their property management agent of the properties owned by them for a period from 1st July, 2001 to 30th June, 2009. Under the Agency Agreements, Dan Yao is entitled to all the net income arising from leasing the properties and in return, Dan Yao has undertaken the repayments of mortgage loans amounted to RMB5,090,000 (HK\$4,797,000) and the interest accrued thereon and provided corporate guarantees to the bank on the mortgage loans. On 5th and 14th January, 2004, each of Mr. Hua Ming and Mr. Zhao Sheng Li entered into two termination agreements with Dan Yao respectively for the termination of the Agency Agreements and the property pre-sale agreements. The balance of the mortgage loans RMB3,050,000 (HK\$2,877,000) was repaid to the bank on 31st August, 2004 by Dan Yao and the properties were returned from Mr. Hua Ming and Mr. Zhao Sheng Li to Dan Yao on the termination of the two property pre-sale agreements.

28. ULTIMATE HOLDING COMPANY

The Directors regard Dan Form International Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 19th April, 2005.