Notes on the Financial Statements

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 include all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public 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 Company and 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 for 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 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 for 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 for 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)) unless an associate 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 or venturer, in which case, it is stated at fair value with changes in fair value recognised in accordance with the policy for investments in securities (see Note 1(k)).

(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 properties 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 guaranteed 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.

(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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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).

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 consolidated 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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (Continued)

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:

	2004	2003
	HK$'000	*HK$'000*
Proceeds from the sale of properties	**162,330**	223,033
Hotel and club operations	**227,346**	103,677
Rental income	**9,005**	8,031
Management fee income	**4,987**	4,783
	403,668	339,524

3. OTHER REVENUE AND OTHER NET INCOME

	2004	2003
	HK$'000	*HK$'000*
(a) Other revenue		
Interest income	**6,244**	2,810
Dividend income from non-trading listed investments	**24**	17
Other revenue from hotel operations and miscellaneous income	**4,361**	7,346
	10,629	10,173
(b) Other net income		
Exchange gain	**20,998**	19,435
Loss on disposal of fixed assets	**(4,754)**	(5)
Loss on liquidation of a subsidiary	**–**	(18)
Others	**–**	89
	16,244	19,501

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	2004	2003
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank overdrafts and other borrowing wholly repayable within five years	**4,858**	8,106
Interest on other loans	**3,189**	–
Interest paid on amounts due to an affiliated company	**67**	889
Other borrowing costs	**28**	121
Total borrowing costs	**8,142**	9,116
Less: Borrowing costs capitalised into properties under development*	**(3)**	(649)
	8,139	8,467

* The borrowing costs have been capitalised at a rate of 2.3% per annum (2003: 3.6% per annum) for properties under development.

	2004	2003
	HK$'000	*HK$'000*
(b) Staff costs		
Contributions to defined contribution retirement schemes	**1,264**	919
Salaries, wages and other benefits	**38,788**	28,716
	40,052	29,635
(c) Other items		
Cost of properties sold (including the release of provisions for construction costs (note))	**55,988**	136,762
Cost of inventories	**25,692**	6,522
Auditors' remuneration	**1,016**	1,097
Operating lease charges for hire of premises	**254**	254
Rentals receivable from investment properties less direct outgoings	**(8,002)**	(6,016)
Rentals receivable from serviced apartments less direct outgoings	**(76,311)**	(40,408)

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION (Continued)

Note: The financial statements include provisions for construction costs for work performed, which are estimated based on information available to the directors, including independent surveyors' reports, where applicable. Upon completion of certain units of a property development during the year ended 31 December 2004, the directors have reassessed the adequacy of provisions for construction costs for this property development based on information provided by an independent surveyor on 8 July 2004, and provisions for construction costs amounting to HK$16,866,000 have been released to cost of sales in the consolidated profit and loss account for the year ended 31 December 2004 (2003: HK$Nil).

5. INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

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

	2004	2003
	HK$'000	*HK$'000*
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**–**	–
Current tax – Overseas		
Tax for the year	**16,755**	13,811
Over-provision in respect of prior years (note)	**(13,081)**	(652)
	3,674	13,159
Share of associates' taxation	**1,706**	(1,103)
Total income tax expense	**5,380**	12,056

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Note: In prior years, the directors provided for Macau complementary tax based on information available to the Group at that time. During the year ended 31 December 2004, the directors have reassessed the adequacy of those provisions and as a result of this evaluation, provisions for Macau complementary tax totalling HK$13,106,000 have been released to the consolidated profit and loss account for the year ended 31 December 2004.

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

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

	2004	2003
	HK$'000	*HK$'000*
Profit before tax	**125,491**	44,208
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**18,828**	4,222
Tax effect of non-deductible expenses	**2,149**	2,594
Tax effect of non-taxable revenue	**(13,117)**	(9,537)
Tax effect of unused tax losses not recognised	**12,073**	16,683
Tax effect of prior years' tax losses utilised this year	**(972)**	(58)
Tax effect of temporary differences not recognised	**(500)**	31
Over-provision in prior years	**(13,081)**	(652)
Tax effect of change of rate of tax applicable to associates	**–**	(1,227)
Actual tax expense	**5,380**	12,056

6. DIRECTORS' REMUNERATION

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

	2004	2003
	HK$'000	*HK$'000*
Fees	**346**	60
Salaries and other emoluments	**–**	240
Discretionary and performance related bonuses	**–**	–
Retirement scheme contributions	**–**	–
	346	300

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

	2004	2003
	HK$'000	*HK$'000*
Fees	**96**	10

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

	2004	2003
	Number of directors	Number of directors
HK$Nil – HK$1,000,000	**7**	6

For the years ended 31 December 2004 and 2003, the directors' remuneration is as follows:

	2004	2003
	HK$'000	*HK$'000*
Executive directors		
– Ho Kian Guan	**100**	20
– Ho Kian Hock	**50**	10
– Tse See Fan, Paul	**50**	10
Non-executive director		
– Ho Kian Cheong	**50**	250
Independent non-executive directors		
– Chan Yau Hing, Robin	**45**	5
– Kwok Chi Shun, Arthur	**45**	5
– Wang Poey Foon, Angela (newly appointed on 28 September 2004)	**6**	–
	346	300

7. MANAGEMENT REMUNERATION

(a) The aggregate amount of the remuneration of the five (2003: 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:

	2004	2003
	HK$'000	*HK$'000*
Salaries and other emoluments	**3,783**	4,449
Discretionary and performance related bonuses	**2,085**	1,648
Retirement scheme contributions	**237**	268
	6,105	6,365

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

	2004 Number of individuals	2003 Number of individuals
HK$Nil – HK$1,000,000	**1**	–
HK$1,000,001 – HK$2,000,000	**4**	4
HK$2,000,001 – HK$3,000,000	**–**	1

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of HK$51,374,000 (2003: HK$50,369,000) which has been dealt with in the financial statements of the Company.

9. DIVIDENDS

(a) Dividends attributable to the year

	2004	2003
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK$0.015 (2003: HK$0.01) per share	**5,103**	3,402
Final dividend proposed after the balance sheet date of HK$0.03 (2003: HK$0.01) per share	**10,206**	3,402
	15,309	6,804

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

	2004	2003
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.01 (2003: HK$Nil) per share	**3,402**	–

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$89,835,000 (2003: HK$32,860,000) and on the 340,200,000 ordinary shares in issue during both years ended 31 December 2004 and 2003.

11. SEGMENT REPORTING

(a) Geographical segments by the location of assets

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

Geographical segments

	Year ended 31 December 2004 (HK$'000)					
	Macau	PRC	Vietnam	Canada	Others	Total
Turnover	179,557	40,746	181,903	861	601	403,668
Other revenue						
– allocated	5,113	2,319	1,374	–	–	8,806
– unallocated	–	–	–	–	1,823	1,823
Total revenue	184,670	43,065	183,277	861	2,424	414,297
Segment results	108,224	(5,381)	5,044	351	8,859	117,097
Finance costs	(170)	(1,857)	–	–	(6,112)	(8,139)
Share of profits less losses of associates	(15)	7,081	8,530	940	(3)	16,533
Profit/(loss) from ordinary activities before taxation	108,039	(157)	13,574	1,291	2,744	125,491
Income tax						(5,380)
Profit from ordinary activities after taxation						120,111
Minority interests	(32,447)	4,094	(1,863)	–	(60)	(30,276)
Profit attributable to shareholders						89,835
Depreciation	4,040	13,480	76,715	–	176	94,411
Capital expenditure incurred during the year	19,107	10,890	16,930	–	–	46,927
Segment assets #	555,312	182,496	703,815	–	17,887	1,459,510
Interest in associates	–	143,306	153,906	51,491	4,974	353,677
Unallocated assets	–	–	–	–	445,507	445,507
Total assets	555,312	325,802	857,721	51,491	468,368	2,258,694
Segment liabilities #	86,302	76,638	47,869	8	242,850	453,667
Unallocated liabilities	–	–	–	–	178,525	178,525
Total liabilities	86,302	76,638	47,869	8	421,375	632,192
Minority interests						191,571

11. SEGMENT REPORTING (Continued)

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

	Year ended 31 December 2003 (HK$'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 results	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
Income tax						(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	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

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 provision of management services

(ii) Hotel and club operations

Business segments

	Year ended 31 December (HK$'000)							
	Property development, investment and management		Hotel and club operations		Unallocated		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
Revenue from external customers	**176,322**	235,847	**227,346**	103,677	**–**	–	**403,668**	339,524
Segment assets #	**715,976**	773,967	**1,092,237**	1,161,420	**450,481**	292,607	**2,258,694**	2,227,994
Contribution to profit/(loss) from operations	**117,203**	93,535	**(106)**	(52,601)	**–**	–	**117,097**	40,934
Capital expenditure incurred during the year	**19,107**	73,075	**27,820**	79,188	**–**	–	**46,927**	152,263

\# 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
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:								
At 1 January 2004	4,013	807,114	89,886	331,054	6,783	1,238,850	147,000	1,385,850
Additions	–	14,056	–	13,292	931	28,279	–	28,279
Disposals	–	(2,625)	–	(2,297)	(956)	(5,878)	–	(5,878)
Surplus on revaluation	–	–	–	–	–	–	11,000	11,000
Exchange adjustments	–	2,508	–	927	(11)	3,424	–	3,424
At 31 December 2004	4,013	821,053	89,886	342,976	6,747	1,264,675	158,000	1,422,675
Representing:								
Cost	4,013	821,053	89,886	342,976	6,747	1,264,675	–	1,264,675
Valuation – 2004	–	–	–	–	–	–	158,000	158,000
	4,013	821,053	89,886	342,976	6,747	1,264,675	158,000	1,422,675
Accumulated depreciation:								
At 1 January 2004	76	63,631	19,795	136,295	4,988	224,785	–	224,785
Charge for the year	76	36,373	3,594	53,960	408	94,411	–	94,411
Written back on disposals	–	–	–	(578)	(442)	(1,020)	–	(1,020)
Exchange adjustments	–	300	–	590	7	897	–	897
At 31 December 2004	152	100,304	23,389	190,267	4,961	319,073	–	319,073
Net book value:								
At 31 December 2004	3,861	720,749	66,497	152,709	1,786	945,602	158,000	1,103,602
At 31 December 2003	3,937	743,483	70,091	194,759	1,795	1,014,065	147,000	1,161,065

(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 2004 on an open market value basis, after taking into consideration the net rental income allowing for reversionary potential.

12. FIXED ASSETS (Continued)

(a) The Group (Continued)

(iii) At 31 December 2004, certain investment properties, other properties and a hotel property together with its integral fixtures and fittings with a net book value of HK$873,345,000 (2003: $375,388,000) were mortgaged to various banks to secure banking facilities granted to the Group (Note 20).

(iv) Hotel properties comprise land use rights granted to the Group's subsidiaries in (a) Wuhan, the PRC with a period of 50 years after receiving an approval for extension of 20 years in 2004 in addition to the initial period of 30 years commencing on 21 August 1995, and (b) Vietnam with a period of 48 years commencing on 7 May 1994.

(v) 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.

(vi) The Group leases out investment properties under operating leases, which generally run for an initial period of one to four 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 HK$158,000,000 (2003: HK$147,000,000).

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

	2004	2003
	HK$'000	*HK$'000*
Within 1 year	**20,450**	12,000
After 1 year but within 5 years	**21,950**	30,764
After 5 years	**2,056**	6,909
	44,456	49,673

12. FIXED ASSETS (Continued)

(b) The Company

	Land and buildings	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 January 2004	4,013	1,035	5,048
Disposals	–	(532)	(532)
At 31 December 2004	4,013	503	4,516
Accumulated depreciation:			
At 1 January 2004	76	633	709
Charge for the year	75	101	176
Written back on disposals	–	(532)	(532)
At 31 December 2004	151	202	353
Net book value:			
At 31 December 2004	3,862	301	4,163
At 31 December 2003	3,937	402	4,339

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

	The Group and the Company	
	2004	2003
	HK$'000	*HK$'000*
In Hong Kong under long leases	**3,862**	3,937

13. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Properties under development for sale	**85,475**	66,827

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, 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(f). 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.

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

The subsidiary has mortgaged its leasehold land on Taipa Island to a bank to secure banking facilities to the extent of HK$85,000,000 (2003: HK$85,000,000) granted to the subsidiary. At 31 December 2004, HK$20,000,000 of the bank facilities were utilised (2003: HK$Nil) (see Note 20).

14. INTEREST IN SUBSIDIARIES

	The Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**43,823**	43,823
Less: Dividend paid out of pre-acquisition profits	**(4,156)**	(4,156)
	39,667	39,667
Amounts due from subsidiaries		
– Current account	**811,473**	792,024
	851,140	831,691
Amounts due to subsidiaries	**540**	3,410

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

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 CA$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%	Financial investment
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

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%	Financial investment
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 financial statements of the subsidiaries not audited by KPMG reflect total assets and total turnover constituting approximately 9.2% (2003: 13%) and 11.3% (2003: 11%) of the respective consolidated totals.

\# Qing Chuan was incorporated in the PRC as Sino-foreign equity joint venture in 1995.

15. INTEREST IN ASSOCIATES

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**5**	5
Share of net assets	**191,184**	173,269	**–**	–
Interest free loans to associates	**162,493**	173,637	**134,870**	146,019
	353,677	346,906	**134,875**	146,024

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 HK$143.8 million (US$18.6 million). Glynhill contributed HK$73.3 million (US$9.5 million) and the remaining balance of HK$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 HK$305.0 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 2004, PAL has advanced interest bearing loans totalling HK$281.9 million (US$36.3 million) (2003: HK$298.0 million (US$38.4 million)) to CCH. The joint venture has a duration of 48 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 HK$256.0 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 HK$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 Sheraton Gatineau-Ottawa Hotel & Conference Centre 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 2004:

Consolidated profit and loss account

	2004	2003
	HK$'000	*HK$'000*
Turnover	**–**	23,335
Other revenue and gains	**85,224**	84,607
Profit from ordinary activities before taxation	**29,507**	36,662
Profit attributable to shareholders	**26,826**	32,656
Group's share of profit from ordinary activities before taxation	**7,082**	8,799

Consolidated balance sheet

	2004	2003
	HK$'000	*HK$'000*
Long term assets	**169,742**	184,869
Current assets	**794,908**	755,612
Current liabilities	**(367,540)**	(370,197)
Long term liabilities	**(100,000)**	(100,000)
Shareholders' funds	**497,110**	470,284
Group's share of net assets	**119,306**	112,868

16. NON-TRADING INVESTMENTS

	The Group and the Company	
	2004	2003
	HK$'000	*HK$'000*
Listed shares outside Hong Kong, at market value	**818**	804

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 a subsidiary

(i) Ocean Industrial 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.

(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 HK$Nil (2003: HK$135,048,000) have been mortgaged to secure the subsidiary's banking facilities at 31 December 2004.

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount expected to be recoverable:				
– within 1 year	**27,382**	56,009	**131**	83
– after 1 year	**352**	353	**–**	–
Trade and other receivables	**27,734**	56,362	**131**	83

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	
	2004	2003
	HK$'000	*HK$'000*
Current	**3,065**	4,707
1 to 3 months overdue	**17,907**	38,497
4 to 12 months overdue	**57**	147
More than 12 months overdue	**4**	5
	21,033	43,356

The Group has a defined credit policy. The general credit terms allowed ranges from 0 to 30 days. 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	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits with banks and other financial institutions	**368,951**	211,494	**81,136**	51,628
Cash at bank and in hand	**75,843**	76,090	**149**	118
Cash and cash equivalents in the balance sheet	**444,794**	287,584	**81,285**	51,746
Bank overdrafts *(Note 20)*	**(39)**	(4)		
Cash and cash equivalents in the cash flow statement	**444,755**	287,580		

20. BANK OVERDRAFTS AND LOANS

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Repayable within 1 year and included in current liabilities:				
Bank overdrafts *(Note 19)*	**39**	4	**–**	1
Bank loans	**115,442**	142,009	**83,656**	118,461
	115,481	142,013	**83,656**	118,462
Bank loans repayable after 1 year and included in non-current liabilities:				
After 1 year but within 2 years	**29,162**	–	**15,530**	–
After 2 years but within 5 years	**81,410**	138,560	**15,530**	–
After 5 years	**59,693**	–	**–**	–
	170,265	138,560	**31,060**	–
	285,746	280,573	**114,716**	118,462

At 31 December 2004, the bank loans and overdrafts outstanding were secured as follows:

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unsecured bank overdrafts	**39**	4	**–**	1
Bank loans				
– secured *(Notes 12 and 13)*	**211,731**	15,143	**46,590**	–
– unsecured	**73,976**	265,426	**68,126**	118,461
	285,707	280,569	**114,716**	118,461
	285,746	280,573	**114,716**	118,462

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Creditors and accruals	**82,227**	74,615	**2,163**	680
Sales deposits and receipts in advance	**10,543**	6,966	**219**	204
	92,770	81,581	**2,382**	884

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

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Due within 1 month or on demand	**16,482**	4,833
Due after 1 month but within 3 months	**5,572**	2,340
Due after 3 months but within 6 months	**35**	110
	22,089	7,283

22. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Provision for overseas taxation for the year	**16,755**	13,811	**–**	40
Tax paid for the year	**(3,589)**	(1,453)	**–**	–
Balance of overseas tax provision relating to prior years	**30,400**	31,123	**–**	–
	43,566	43,481	**–**	40

22. INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred taxation

At 31 December 2004, the Group does not have any material deferred taxation liabilities (2003: HK$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 HK$4,955,000 (2003: HK$4,241,000). The future benefit of tax losses which are subject to agreement by the relevant tax authorities at 31 December 2004 amounted to HK$89,574,000 (2003: HK$105,954,000). 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 seven 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 2004, the Company does not have any material deferred taxation asset and liabilities (2003: HK$Nil).

23. LOANS FROM MINORITY SHAREHOLDERS

Loans from minority shareholders include amounts due to Goodland of HK$74,027,000 (2003: HK$141,660,000) which are unsecured, non-interest bearing, and have no fixed terms of repayment except for HK$Nil (2003: HK$64,754,000) which is repayable on 30 April 2005.

24. SHARE CAPITAL

	2004		2003	
	No. of shares	***HK$'000***	No. of shares	*HK$'000*
Authorised:				
Ordinary shares of HK$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	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'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	**14,824**	9,269	**891**	891
Movement during the year	**3,130**	5,555	**–**	–
At 31 December	**17,954**	14,824	**891**	891
Investment property revaluation reserve:				
At 1 January	**10,927**	8,080	**–**	–
Revaluation surplus	**8,649**	2,847	**–**	–
At 31 December	**19,576**	10,927	**–**	–
Investment revaluation reserve:				
At 1 January	**212**	188	**212**	188
Revaluation surplus	**14**	24	**14**	24
At 31 December	**226**	212	**226**	212
Retained profits:				
At 1 January	**804,782**	775,324	**427,386**	380,419
Profit for the year	**89,835**	32,860	**51,374**	50,369
Dividends paid in respect of the current year	**(8,505)**	(3,402)	**(8,505)**	(3,402)
At 31 December	**886,112**	804,782	**470,255**	427,386
	1,094,731	1,001,608	**629,477**	586,594

25. RESERVES (Continued)

Profit for the year is retained as follows:

	2004	2003
	HK$'000	*HK$'000*
By the Company and its subsidiaries	**75,008**	20,016
By associates	**14,827**	12,844
	89,835	32,860

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 2004 amounted to HK$470,255,000 (2003: HK$427,386,000).

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 HK$20,000.

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 2004, the Group had commitments in respect of development expenditure not provided for in the financial statements as follows:

	2004	2003
	HK$'000	*HK$'000*
Contracted for	**47,579**	29,890
Authorised but not contracted for	**1,004**	–
	48,583	29,890

At 31 December 2004, the total future minimum lease payments under non-cancellable operating leases are as follows:

	2004	2003
	HK$'000	*HK$'000*
Leases on premises expiring		
– within one year	**192**	180

28. CONTINGENT LIABILITIES

(a) At 31 December 2004, 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 HK$6,311,000 (2003: HK$6,311,000).

(b) At 31 December 2004, there were guarantees given by a subsidiary to banks on behalf of purchasers of flats amounting to HK$Nil (2003: HK$37,379,000).

(c) At 31 December 2004, guarantees given by the Company to banks to secure banking facilities made available to certain subsidiaries and associates amounted to HK$134,451,000 (2003: HK$182,312,000) and HK$66,680,000 (2003: HK$61,980,000) respectively.

(d) At 31 December 2004, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to an associate amounted to HK$32,275,000 (CA$5,000,000) (2003: HK$37,500,000 (CA$6,250,000)).

(e) 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 2004, the guarantee granted by the subsidiary amounted to HK$62,120,000 (US$8,000,000) (2003: HK$62,024,000 (US$8,000,000)).

28. CONTINGENT LIABILITIES (Continued)

(f) 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 HK$4,854 for each day of delay up to a limit of 90 days and thereafter the fine may be increased up to HK$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.

29. RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants 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 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 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.

The Group will be continuing with the assessment of the impact of these new HKFRSs and significant changes may be identified as a result.

30. 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 held 28% of the issued shares of the Company at 31 December 2004:

(a) Interest bearing current accounts with Goodland

(i) A current account was maintained between Goodland and a subsidiary of the Company and interest was charged on the outstanding balance at market rates. At 31 December 2004, the balance due by the subsidiary on this account amounted to HK$77,000 (2003: HK$60,995,000). The interest charge for the year ended 31 December 2004 amounted to HK$62,000 (2003: HK$885,000).

(ii) Goodland maintained interest bearing current account with a subsidiary. At 31 December 2004, the balance due by the subsidiary amounted to HK$1,154,000 (2003: HK$92,000). The interest charge for the year ended 31 December 2004 payable by the subsidiary was HK$5,000 (2003: HK$5,000).

(b) At 31 December 2004, the balances due to Goodland by certain subsidiaries on non-interest bearing accounts amounted to HK$76,624,000 (2003: HK$44,255,000).

(c) Loans from minority shareholders include amounts due to Goodland of HK$74,027,000 (2003: HK$141,660,000) which are unsecured, non-interest bearing, and have no fixed terms of repayment except for HK$Nil (2003: HK$64,754,000) which is repayable on 30 April 2005.

(d) A subsidiary rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to HK$1,011,000 for the year ended 31 December 2004 (2003: HK$1,011,000).

(e) Certain subsidiaries paid to Goodland management fees amounting to HK$6,280,000 (2003: HK$6,158,000) for the year ended 31 December 2004.

(f) A subsidiary incurred building construction costs payable to Goodland in respect of the construction of certain development projects of the Ocean Gardens amounting to HK$16,500,000 for the year ended 31 December 2004 (2003: HK$72,498,000).

Provision of construction costs amounting to HK$16,866,000 was released from the amount due to Goodland upon completion of certain units of a development project of the Ocean Gardens during the year ended 31 December 2004 (see Note 4(c)).

30. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(g) 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.

A term loan facility of up to an aggregate principal amount of US$3,800,000 (approximately HK$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 the subsidiary 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 the subsidiary's option. It is intended that the subsidiary will choose whichever is the lower interest rate on an interest payment date.

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong each had 1/3 indirect interest in Goodland (while Messrs Ho Kian Guan and Ho Kian Hock are also directors of Goodland) and they are deemed to be interested in the aforesaid transactions.

31. POST BALANCE SHEET EVENTS

On 15 February 2005, the Company entered into an agreement (the "Option to Purchase") with Ms Alexia Ho Wen Tsi, a daughter of Mr Ho Kian Guan, the Executive Chairman of the Company, and an independent third party (the "Purchasers"), in relation to the disposal of a residential property, which was vacant at 31 December 2004 and located in 530 East Coast Road, Ocean Park, Singapore. The consideration is SGD1,200,000 (equivalent to approximately HK$5,694,000) payable by way of cash of 1% of the purchase price as a deposit upon signing of the Option to Purchase, a cash sum amounting to 10% of the purchase price less the deposit upon exercise of the Option of Purchase and the remaining balance to be paid upon completion. The consideration was arrived at after arm's length negotiations between the Company and the Purchasers on normal commercial terms with reference to a property valuation report conducted on 9 November 2004 by an independent professional surveyors, CKS Property Consultants Pte Ltd at an open market value of SGD1,200,000. There were no recent transaction records for similar properties. The book value of the property as at 31 December 2004 was HK$2,255,000.

It is common practice in Singapore for options to purchase to be entered into prior to the completion of sale and purchase of properties. The Option to Purchase was entered into in the ordinary course of the business and on normal commercial terms. All the directors of the Company consider that the Option to Purchase was entered into in the ordinary course of business of the Company on normal commercial terms and was in the best interest of the Company.

The sale of property was completed on 12 April 2005.