1. CORPORATE INFORMATION

The principal place of business of the Company is located at 13th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

During the year, the Group was principally engaged in the following activities:

- property development
- property investment
- provision of property management and agency services
- provision of design, decoration services and electrical and mechanical works

There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, the Company's ultimate holding company is Junefield (Holdings) Limited ("JHL"), a company incorporated in Hong Kong.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS AND THE EARLY ADOPTION OF A NEW HONG KONG ACCOUNTING STANDARD

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKASs"), herein collectively referred to as the "New HKFRSs", which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted the New HKFRSs in the financial statements for the year ended 31 December 2004, except for HKAS 40 "Investment property" as further explained below. The Group has already commenced an assessment of the impact of the other new HKFRSs but is not yet in a position to state whether the New HKFRSs would have a significant impact on its results of operations and financial position.

HKAS 40 has been early adopted in these financial statements as permitted by the HKICPA. HKAS 40 prescribes the accounting and disclosure requirements for investment properties. The adoption of the new HKAS 40 has had no effect on the opening balances as at 1 January 2004. The comparative information has not been restated. Further details of the impact of this change in accounting policy on the financial statements are set out in notes 4 and 14 to the financial statements.

3. BASIS OF PRESENTATION

The Group recorded a net loss of HK$10,680,000 during the year ended 31 December 2004 and had net current liabilities and deficiency in assets of approximately HK$29,551,000 and HK$36,651,000, respectively, at the balance sheet date. Notwithstanding that, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern for the foreseeable future.

In order to improve the financial position, immediate liquidity and cash flow position of the Group, the directors have implemented the following measures:

(a) Subsequent to the balance sheet date, on 26 April 2005, the Group entered into a provisional underwriting agreement with a related company, whereby the related company has undertaken to sell, on behalf of the Group, certain investment properties of the Group for an aggregate cash consideration of approximately HK$25 million to be received prior to 31 December 2005. In addition, on the same day, the Group entered into a provisional agreement with another related company for the purchase of certain properties located in the People's Republic of China ("the PRC") at a consideration of approximately HK$26 million, which will not be payable by the Group prior to 31 December 2005. The above proposed disposal and acquisition, when completed, will significantly improve the working capital and cash flow position of the Group.

(b) The directors of the Company are in active negotiations with the Group's lender of an other loan to seek their ongoing support to the Group. Subsequent to the balance sheet date, on 26 February 2005, the Group entered into an agreement with the lender of an other loan to roll over the loan of HK$20 million (note 28) granted to the Group (which was originally due for repayment on 8 April 2005), and to obtain an additional loan facility of HK$15 million. The total loan of HK$35 million is repayable in August 2005 (note 40(a)) and the lender has further agreed to consider to roll over the loan upon maturity in August 2005, for another six months up to February 2006.

(c) The directors have taken action to tighten cost controls over various general and administrative expenses.

(d) The Group's capital commitment was kept at a minimal level.

In the opinion of the directors, in light of the various measures/arrangements implemented to date and the ongoing support from the Group's ultimate holding company and creditors, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial position and tight liquidity as at 31 December 2004.

3. BASIS OF PRESENTATION (continued)

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies (continued)

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, with other venturers over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's share or registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's share or registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over the following estimated useful lives:

Leasehold land	Over the remaining unexpired lease terms
Buildings	25 years
Leasehold improvements	The shorter of the lease terms and 6 years
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	3 to 6 years

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are properties which are held to earn rentals and/or for capital appreciation. Such properties are not depreciated and are stated at their fair values on the basis of annual professional valuations performed at the end of each financial year.

In prior years, changes in the values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged. On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations was released to the profit and loss account. As at 31 December 2003, the Group did not have any investment property revaluation reserve.

During the year, the Group early adopted the new HKAS 40. In accordance with the revised accounting policy due to the adoption of HKAS 40, any gains or losses arising from changes in fair values of investment properties are recognised in the profit and loss account. As a result of the adoption of the revised accounting policy, the Group’s loss for the year and its accumulated losses as at 31 December 2004 have been reduced by HK$10,311,000.

Investment securities

Investment securities are non-trading investments which are intended to be held on a continuing strategic basis and are stated at cost less any impairment losses, on an individual investment basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment securities (continued)

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Long term investments

Long term Investments are non-trading investments in unlisted securities intended to be held on a long term basis, which are stated at their estimated fair values, on an individual basis.

Properties contracted/held for sale

Properties contracted/held for sale are stated at the lower of cost and net realisable value. Net realisable value is based on the prevailing market value less further selling expenses expected to be incurred.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contract or certification by customers. Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Impairment of assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

On consolidation, the financial statements of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Employee benefits

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contributed a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

(i) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(ii) from the sale of properties, when a legally binding unconditional sale and purchase agreement has been executed;

(iii) rental income, on a time proportion basis over the lease terms;

(iv) from the rendering of property management and agency services, when such services are rendered;

(v) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(vi) dividend income, when the shareholders' right to receive payment has been established.

Related parties

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

Cash and cash equivalents

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

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

5. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

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

(a) the property development segment engages in the development of properties for sale;

(b) the property investment segment engages in property leasing;

(c) the property management and agency services segment provides property management and agency services; and

(d) the construction segment engages in construction contract works as a main contractor or sub-contractor, primarily in respect of design, decoration, electrical and mechanical works.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Property development		Property investment		Property management and agency services		Construction		Eliminations		Consolidated	
	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000
Segment revenue:												
Sales to/revenue from external customers	–	–	2,005	7,892	7,310	7,037	34,853	15,561	–	–	44,168	30,490
Intersegment sales	–	–	–	1,298	–	–	–	–	–	(1,298)	–	–
Total	–	–	2,005	9,190	7,310	7,037	34,853	15,561	–	(1,298)	44,168	30,490
Segment results	–	(1,146)	19,919	(2,915)	1,213	1,453	(3,369)	(21,070)	–	–	17,763	(23,678)
Interest income											66	296
Other unallocated revenue											1,304	897
Unallocated expenses											(27,797)	(80,120)
Loss from operating activities											(8,664)	(102,605)
Finance costs											(11,669)	(23,402)
Share of profit of:												
Unallocated amount on a jointly-controlled entity											35,238	43,817
Profit/(loss) before tax											14,905	(82,190)
Tax											(27,071)	(14,229)
Loss before minority interests											(12,166)	(96,419)
Minority interests											1,486	4,840
Net loss from ordinary activities attributable to shareholders											(10,680)	(91,579)

5. SEGMENT INFORMATION (continued)

Business segments (continued)

Group

	Property development		Property investment		Property management and agency services		Construction		Eliminations		Consolidated	
	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000
Segment assets	–	58,434	38,679	253,058	–	633	17,654	10,830	–	–	56,333	322,955
Unallocated assets											2,577	51,851
Unallocated amount on interest in a jointly-controlled entity											(25,048)	(22,853)
Total assets											33,862	351,953
Segment liabilities	–	24,694	1,146	3,874	–	5,381	17,278	5,623	–	–	18,424	39,572
Unallocated liabilities											49,974	337,695
Total liabilities											68,398	377,267
Other segment information:												
Depreciation	–	–	–	–	39	47	81	162	–	–	120	209
Unallocated amounts											212	1,391
											332	1,600
Provision for doubtful debts and provision against other receivables	–	–	–	–	–	–	–	25,361	–	–	–	25,361
Unallocated amounts											111	41,649
											111	67,010
Loss on disposal of investment properties	–	–	–	3,155	–	–	–	–	–	–	–	3,155
Revaluation (surplus)/ deficit on investment properties	–	–	(18,072)	3,486	–	–	–	–	–	–	(18,072)	3,486
Impairment of properties contracted/held for sale	–	880	–	–	–	–	–	–	–	–	–	880
Gain on disposal of subsidiaries – unallocated											–	(739)
Net loss on reclassification of subsidiaries to long term investments – unallocated											3,352	–
Capital expenditure	–	–	–	–	60	41	–	–	–	–	60	41
Unallocated amounts											207	1,925
											267	1,966

6. TURNOVER AND REVENUE

An analysis of the turnover and other revenue of the Group is as follows:

	2004 HK$'000	2003 HK$'000
Turnover		
Construction contract revenue	34,853	15,561
Sale of properties	–	3,789
Gross rental income	2,005	4,103
Property management and agency fees	7,310	7,037
	44,168	30,490
Other revenue		
Interest income	66	296
Others	1,346	3,050
	1,412	3,346
	45,580	33,836

7. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	2004 HK$'000	2003 HK$'000
Staff costs (excluding directors' remuneration, note 8):		
Wages and salaries	6,334	7,387
Pension scheme contributions	54	29
	6,388	7,416
Depreciation	332	1,600
Amortisation of goodwill	–	250
Minimum lease payments under operating leases in respect of land and buildings	63	783
Auditors' remuneration:		
Current year provision	800	900
Overprovision in prior years	–	(100)
	800	800
Gain on disposal of fixed assets	(30)	(70)
Write-off of fixed assets	746	37
Write-off of investment properties	470	–
Loss on disposal of investment properties	–	3,155
Revaluation deficit/(surplus):		
Leasehold land and buildings	–	465
Investment properties (note 14)	(18,072)	3,486
Impairment of properties contracted/held for sale	–	880
Impairment of investment securities	–	178
Net loss on reclassification of subsidiaries to long term investments (note 22)	3,352	–
Gain on disposal of subsidiaries	–	(739)
Write-off of other receivables	111	–
Loss on disposal of other investments	–	318
Arrangement fee for debt settlement	–	13,738
Provision for doubtful debts	–	23,585
Provision against other receivables	–	43,425
Net rental income	(1,735)	(3,761)

8. REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2004 HK$'000	2003 HK$'000
Fees:		
Independent non-executive directors	272	140
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	692	1,075
Compensation for loss of office	–	962
Pension scheme contributions	35	23
	999	2,200

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2004	2003
Nil to HK$1,000,000	8	11
HK$1,000,001 to HK$1,500,000	–	1
	8	12

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

8. REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES (continued)

Five highest paid employees

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

	Group 2004 HK$'000	Group 2003 HK$'000
Salaries, allowances and benefits in kind	2,007	578
Pension scheme contributions	45	18
	2,052	596

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees 2004	Number of employees 2003
Nil to HK$1,000,000	4	2

During the year, 10,544,000 share options were granted to three of the non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above non-director, highest paid employees' remuneration disclosures.

9. FINANCE COSTS

	Group 2004 HK$'000	Group 2003 HK$'000
Interest on:		
Bank loans, overdrafts and other loans wholly repayable within five years	6,083	5,467
Loans from a jointly-controlled entity and a joint venturer	5,586	17,935
	11,669	23,402

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2004 HK$'000	2003 HK$'000
Group:		
Current tax charge for the year – Hong Kong	142	10
Current tax charge for the year – Elsewhere	785	217
Deferred tax charge (note 30)	7,761	–
	8,688	227
Share of tax attributable to a jointly-controlled entity	18,383	14,002
Total tax charge for the year	27,071	14,229

10. TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the countries in which the Company, its subsidiaries and a jointly-controlled entity are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2004

	Hong Kong		**Mainland China**		**Total**	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(20,985)		35,890		14,905	
Tax at the statutory tax rate	(3,672)	17.5	11,844	33.0	8,172	54.8
Income not subject to tax	(30)	0.1	(10,938)	(30.5)	(10,968)	(73.6)
Expenses not deductible for tax	154	(0.7)	20,266	56.5	20,420	137.0
Tax losses not recognised	3,548	(16.9)	5,757	16.0	9,305	62.4
Others	142	(0.7)	–	–	142	1.0
Tax charge at the Group's effective rate	142	(0.7)	26,929	75.0	27,071	181.6

Group – 2003

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(82,275)		85		(82,190)	
Tax at the statutory tax rate	(14,398)	17.5	28	33.0	(14,370)	17.5
Income not subject to tax	(185)	0.2	(122)	(143.5)	(307)	0.4
Expenses not deductible for tax	14,593	(17.7)	14,313	16,838.8	28,906	(35.2)
Tax charge at the Group's effective rate	10	–	14,219	16,728.3	14,229	(17.3)

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company, was HK$12,347,000 (2003: HK$91,455,000) (note 33).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$10,680,000 (2003: HK$91,579,000), and the weighted average of 415,840,184 (2003: 355,530,604) ordinary shares in issue during the year.

A diluted loss per share amount for the year ended 31 December 2004 has not been disclosed, as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share during the year.

A diluted loss per share amount for the year ended 31 December 2003 has not been disclosed as no diluting events existed during that year.

13. FIXED ASSETS

Group

	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation:						
At beginning of year	7,570	2,729	1,446	3,427	519	15,691
Additions	–	–	18	156	93	267
Disposals	–	–	–	(360)	–	(360)
Write-off	–	(2,444)	(1,282)	(1,960)	–	(5,686)
Transfer for settlement of a loan (note 22)	(7,570)	–	–	–	–	(7,570)
Reclassification of subsidiaries to long term investments (note 22)	–	–	(182)	(1,058)	–	(1,240)
At 31 December 2004	–	285	–	205	612	1,102
Accumulated depreciation:						
At beginning of year	–	2,412	1,329	2,499	178	6,418
Provided during the year	151	–	8	126	47	332
Disposals	–	–	–	(30)	–	(30)
Write-off	–	(2,127)	(1,186)	(1,627)	–	(4,940)
Transfer for settlement of a loan (note 22)	(151)	–	–	–	–	(151)
Reclassification of subsidiaries to long term investments (note 22)	–	–	(151)	(863)	–	(1,014)
At 31 December 2004	–	285	–	105	225	615
Net book value:						
At 31 December 2004	–	–	–	100	387	487
At 31 December 2003	7,570	317	117	928	341	9,273

The Group's fixed assets are all carried at cost less accumulated depreciation as at 31 December 2004.

13. FIXED ASSETS (continued)

Company

	Office equipment HK$'000
Cost:	
At beginning of year	–
Additions	21
At 31 December 2004	21
Accumulated depreciation:	
At beginning of year	–
Provided during the year	4
At 31 December 2004	4
Net book value:	
At 31 December 2004	17
At 31 December 2003	–

14. INVESTMENT PROPERTIES

	Group HK$'000
Wuhan properties	
At beginning of year	250,436
Additions	658
Write-off	(470)
Transfer for settlement of loan (note 22)	(249,966)
Reclassification of subsidiaries to long term investments (note 22)	(658)
At 31 December 2004	–
Beijing properties	
At beginning of year	–
Additions	20,607
Revaluation surplus recognised in the profit and loss account	18,072
At 31 December 2004	38,679

14. INVESTMENT PROPERTIES (continued)

The Group's investment properties as at 31 December 2004 are situated in Beijing, the PRC and are held under medium term leases. The Group is currently in the process of obtaining the real estate ownership certificate. According to the opinion of a PRC legal advisor, there is no legal barrier for the Group to obtain the real estate ownership certificate.

The Group's investment properties were revalued on 31 December 2004 by RHL Appraisal Limited, independent professionally qualified valuers, at HK$38,679,000 on an open market, existing use basis. A revaluation surplus of HK$18,072,000 arising therefrom has been credited to the profit and loss account (note 7) in accordance with the Group's revised accounting policy as a result of the early adoption of HKAS 40.

The investment properties were pledged to secure a loan facility granted to the Group (note 28(b)).

Further particulars of the Group's investment properties are included on page 70.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2004 HK$'000	2003 HK$'000
Unlisted investments, at cost	182,079	182,079
Due to a subsidiary	(4,275)	–
	177,804	182,079
Provision for impairment	(171,405)	(171,405)
	6,399	10,674

The amount due to a subsidiary is unsecured, interest-free and is not repayable within one year.

15. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Huaxia Group Limited	British Virgin Islands/ Hong Kong	US$50,000	100	Investment holding
Indirectly held				
Beijing Urban Construction Hudson Decoration Engineering Co., Ltd. (note (a))	PRC	RMB8,000,000	51	Provision of decoration services and electrical and mechanical works
Huaxia Construction Limited	Hong Kong	HK$13,000,000	100	Investment holding
Huaxia Development Worldwide Limited	Hong Kong	HK$100	100	Investment holding
Hudson Development (H.K.) Limited ("HDHK") (note (c))	Hong Kong	HK$10 ordinary shares; HK$1,000,000 non-voting deferred shares (note (b))	100	Investment holding
Hudson Finance Company Limited	Hong Kong	HK$30,000,000	100	Provision of financial services
Hudson International Hong Kong Limited	Hong Kong	HK$2	100	Investment holding

15. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Huaxia Investment Worldwide Limited	Hong Kong	HK$100	100	Investment holding
International Management Company Limited ("IMC") (note (c))	Hong Kong	HK$1,500,000	100	Investment holding
Ever Park Development Limited ("EPD") (note (c))	Hong Kong	HK$2	100	Property investment

Notes:

(a) The subsidiary is registered as a contractual joint venture under the PRC law.

(b) The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of HDHK by virtue or in respect of their holdings of such non-voting deferred shares, except at a general meeting convened for any resolution varying or abrogating any of the rights or privileges of the said non-voting deferred shares, or when the resolution to be submitted at a general meeting directly affects the rights and privileges of such holders, or is for the purpose of reducing share capital. The holders of the non-voting deferred shares are not entitled to any dividends of HDHK unless the profit available for distribution for the financial year exceeds HK$100,000,000,000,000 and are not entitled to any participation in the profits or assets of HDHK. On a winding-up, the holders of the non-voting deferred shares are entitled, out of the surplus assets of HDHK, to a return of the capital paid-up on the non-voting deferred shares held by them after a total sum of HK$500,000,000,000,000 has been distributed in such winding-up in respect of the ordinary shares of HDHK.

(c) As at 31 December 2004, the entire issued share capital and the assets of HDHK, IMC and EPD were pledged for a loan of HK$20 million granted to the Group (note 28(b)).

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

16. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2004 HK$'000	Group 2003 HK$'000
Share of net assets	70,484	81,602
Loan from a jointly-controlled entity	(95,532)	(104,455)
	(25,048)	(22,853)

Particulars of the Group's jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Wuhan Plaza Management Co., Ltd. ("WPM")	Corporate	PRC	49	Operation and management of a department store

WPM is an equity joint venture company established by IMC, an indirectly held subsidiary of the Company, and the PRC Partner (as defined in note 22) for a period of 20 years commencing from 29 December 1993. The registered capital of WPM amounted to US$21,000,000.

The amount due from WPM of HK$195,000 included in "Due from a jointly-controlled entity" in current assets as at 31 December 2003 was unsecured, interest-free and was fully repaid during the year.

Pursuant to a debt settlement agreement on 13 February 2003, the loan from WPM was restructured into a term loan at an interest rate equivalent to that of a one-year term loan quoted by the People's Bank of China, and is repayable over five years through dividend distributions by WPM for the period up to December 2007.

16. INTEREST IN A JOINTLY-CONTROLLED ENTITY (continued)

Extracts of the results and financial position of WPM, which are based on WPM's unaudited management accounts prepared under accounting principles generally accepted in Hong Kong, are as follows:

	2004 HK$'000	2003 HK$'000
Turnover	310,184	273,248
Net profit for the year	26,398	60,846
Fixed assets	177,781	56,165
Other non-current assets	95,532	104,506
Current assets	197,704	233,989
Current liabilities	313,614	206,569

17. INVESTMENT SECURITIES

	Group	
	2004 HK$'000	2003 HK$'000
Unlisted equity investments, at cost	–	9,580

18. PROPERTIES CONTRACTED FOR SALE

	Group HK$'000
At beginning of year	43,590
Transfer for settlement of litigation (note 22(ii))	(21,714)
Transfer for settlement of loan (note 22)	(7,590)
Reclassification of subsidiaries to long term investments (note 22)	(14,286)
At 31 December 2004	–

19. PROPERTIES HELD FOR SALE

	Group HK$'000
At beginning of year	12,258
Transfer for settlement of loan (note 22)	(12,258)
At 31 December 2004	–

20. CONSTRUCTION CONTRACTS

	Group	
	2004	2003
	HK$'000	HK$'000
Gross amount due from/(to) contract customers	(3,484)	1,331
Contract costs incurred plus recognised profits less recognised losses to date	39,487	14,594
Less: Progress billings	(42,971)	(13,263)
	(3,484)	1,331

21. ACCOUNTS RECEIVABLE

An aged analysis of the Group's accounts receivable as at the balance sheet date, based on invoice date and net of any provisions, is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Less than one month	11,411	2,760
Two to three months	2	–
More than three months	2,042	4,287
	13,455	7,047

As at 31 December 2004, retentions held by customers for contract works amounted to approximately HK$988,000 (2003: HK$988,000).

Receivables from construction contracts and the sale of properties are predetermined in accordance with the provisions of relevant agreements and are contractually payable to the Group within a specified period.

22. LONG TERM INVESTMENTS

	Group	
	2004	2003
	HK$'000	HK$'000
Unlisted investments, at cost	–	–

The Group owns a 51% equity interest in each of Wuhan Huaxin Real-Estate Development Co., Ltd. ("WHRED") and Wuhan Huaxin Management Limited ("WHM"), which were accounted for as subsidiaries of the Company in prior years. WHRED and WHM, which are also owned as to 49% each by Wuhan Department Store Group Company Limited (the "PRC Partner"), are collectively referred to as the "Wuhan Companies".

As disclosed in the Group's financial statements for the year ended 31 December 2003, in October 2003, the Group informed the Wuhan Companies and the PRC Partner that the then existing directors nominated by the Group for the Wuhan Companies would be replaced by other persons nominated by the Group. However, as the request to nominate the directors had not been met, the Group accordingly commenced arbitration proceedings in Beijing, the PRC, in January 2004 against the PRC Partner relating to the above nomination of directors.

In addition, as disclosed in the Group's financial statements for the year ended 31 December 2003, on 19 December 2003, the Group received two arbitration awards issued by the Arbitration Commission of Wuhan (the "Arbitration Awards") from the PRC Partner. The PRC Partner also owns a 51% equity interest in WPM, a 49%-owned jointly-controlled entity of the Group. Based on the Arbitration Award made on 26 November 2003, WHRED was ordered to repay approximately HK$216 million together with the interest accrued and the relevant expenses (the "Loan") in respect of the arbitration to the PRC Partner, and WPM was found to be liable for certain amounts, under a guarantee agreement made by WPM in favour of the PRC Partner (the "Guarantee Agreement").

A further arbitration award was made on 10 December 2003 whereby WHRED, pursuant to an indemnity agreement made by the PRC Partner in favour of WPM relating to the obligations of WPM under the Guarantee Agreement (the "Indemnity Agreement"), was ordered to transfer certain properties in Wuhan (the "Properties") to WPM in settlement of the amount ordered to be paid by WPM to the PRC Partner. The Properties were classified as "Fixed assets", "Investment properties", "Properties contracted for sale" and "Properties held for sale" in the financial statements and details are further analysed in the latter part of this note.

In the prior year, based on the legal opinion obtained from the Group's legal advisor, the directors considered the Guarantee Agreement, the Indemnity Agreement, and the related arbitrations to be invalid and accordingly took legal action to reverse the Arbitration Awards.

22. LONG TERM INVESTMENTS (continued)

During the year, as the Loan was repaid by WPM on behalf of WHRED, WPM applied to the court for enforcement of the transfer of the Properties to WPM for settlement of the outstanding balance thus arising. The court granted an order to WHRED during the year enforcing the transfer. In order to avoid any unnecessary costs in updating the title certificates, which the directors of WPM and WHRED consider would be very substantial, legal titles of the Properties were not transferred to WPM. Instead, WPM and WHRED mutually agreed to enter into an agreement (the "Settlement Agreement") to freeze the Properties. According to the Settlement Agreement, any sales proceeds and rental income arising from the Properties would be used to settle the amount due to WPM. In order to speed up the repayment process, WHRED further entered into underwriting agreements with an independent third party who has undertaken to sell, on behalf of WHRED, substantially all of its properties within a short period of time. In the opinion of the directors, according to the above arrangements, the Properties were in substance transferred to WPM as the risks and rewards of ownership of the Properties have been transferred.

In addition, during the year, without informing the Group, WHRED settled the claims from its buyers, whereby certain properties were compensated to the claimants. Further details are set out in the latter part of this note.

In December 2004, the representatives nominated by the Group were successfully appointed as directors of the Wuhan Companies, at which time the directors first became aware of the above arrangements, whereby most of the assets of the Wuhan Companies had been seized by their management and the PRC Partner for settlement of liabilities, and/or the management and the PRC Partner were acting in concert so that the Wuhan Companies were operating for all practical purposes in a management deadlock situation. The directors consider that, although the Group's representatives have been appointed to the respective boards of directors of the Wuhan Companies, owing to the recent changes in operating circumstances, the Group has lost its control over the Wuhan Companies. The directors of the Company do not intend to pursue further to resume control in, nor would the Group provide further financial assistance to these companies. Since the Wuhan Companies have lost their status as subsidiaries of the Company in the current year, the investments were reclassified to long term investments accordingly and their results were consolidated up to the date of reclassification. The management of the Company also considered that these investments were fully impaired and, accordingly, no value has been ascribed to these investments.

22. LONG TERM INVESTMENTS (continued)

The financial effects arising from the various events in relation to the lost of control over the subsidiaries as aforesaid are analysed as follows:

	Settlement of the Loan (the Properties) and litigation HK$'000	Reclassification of subsidiaries to long term investments HK$'000	Notes
Fixed assets (note 13)	7,419		
Investment properties (note 14)	249,966		
Properties contracted for sale (note 18)	7,590		
Properties held for sale (note 19)	12,258		
	277,233		
Amount of loan settled (note 23)	(216,912)		
Deemed loss on transfer of the Properties	60,321		(i)
Expenses in relation to the transfer of the Properties	11,684		(i)
Loss and compensation on settlement of litigation	15,975		(ii)
Provision for corporate guarantee crystallised	4,918		(iii)
Gain on waiver of a loan from a joint venturer	(22,972)		(iv)
	69,926	69,926	(v)
Assets/(liabilities) deconsolidated:			
Fixed assets (note 13)		226	
Investment properties (note 14)		658	
Properties contracted for sale (note 18)		14,286	
Investment securities		9,580	
Accounts receivable		3,626	
Tax recoverable		10,914	
Prepayments, deposits and other receivables		316	
Due from a joint venturer		312	
Restricted bank balance		1,402	
Cash and bank balances (note 34(a)(i))		12,318	
Tax payable		(617)	
Accounts payable		(4,166)	
Accruals and other payables		(45,013)	
Customer deposits received		(7,000)	
Loan from a jointly-controlled entity		(27,745)	
Loan from a joint venturer		(30,968)	
		(61,871)	
Exchange fluctuation reserve (note 33)		(4,703)	
		3,352	
Reclassified as:			
Long term investments		–	
Net loss on reclassification of subsidiaries to long term investments		3,352	

22. LONG TERM INVESTMENTS (continued)

Notes:

(i) In respect of the transfer of the Properties for settlement of a loan, as the carrying value of the Properties was in excess of the amount of the loan settled, the directors consider that a loss of approximately HK$60 million and other expenses in relation to the transfer should be recorded by the Group.

(ii) During 1997, buyers of certain pre-sold units of WHRED's properties under development alleged that WHRED had breached certain terms of the relevant property sale and purchase agreements and, as a result, claimed against WHRED for, inter alia, a refund of the pre-sale deposits paid, legal expenses incurred and any other resulting financial loss. Based on the legal advice from the Group's lawyer, the directors were then of the opinion that such claims were unfounded and the Group had strong grounds for defending the claims and had thus proceeded to defend them vigorously.

In prior years, the plaintiffs had filed applications to appeal to courts at different levels. During the year, judgements have been awarded by the Final Court in Beijing in favour of certain buyers. Accordingly, WHRED has settled the cases with those buyers as well as other buyers with potential claims against it, whereby essentially both parties agreed that the deposits paid in prior years would not be refunded and WHRED would transfer its properties to the buyers as compensation. As a result, properties of HK$21,714,000 were transferred to the buyers (note 18), and customer deposits received of HK$10,307,000 were recognised (note 26), resulting in a net loss of HK$11,407,000. In addition, additional compensation of HK$4,568,000 was made to the buyers.

(iii) Guarantees were given by WHRED to Industrial and Commercial Bank of China ("ICBC") for mortgage loan facilities granted by ICBC to the buyers of properties developed by WHRED. Due to the default in payments by certain buyers, ICBC commenced legal action against WHRED requesting WHRED to pay the guaranteed principal amounts and overdue interest. During the year, court judgements were awarded in favour of ICBC. According to the judgements, WHRED should bear the amount of approximately HK$18.9 million owed to ICBC by the buyers. Based on the legal opinion from a PRC lawyer, the amount payable by the Group would be limited to the outstanding loans after the sales proceeds from the mortgaged properties. Accordingly, a provision for a corporate guarantee of HK$4,918,000 has been charged to the profit and loss account during the year, representing the excess of the claimed amounts over the expected net realisable values of the subject mortgaged properties and any attributable unrecognised deposits included in "Customer deposits received" in the consolidated balance sheet.

(iv) Following the transfer of the Properties to settle the Loan, the PRC Partner agreed to waive the remaining balance due to it to the extent of approximately HK$22,972,000.

(v) The directors consider that the reclassification of subsidiaries to long term investments and the various transactions in (i) to (iv) above are arose from the same event, and there would be no net effect on the Group's profit and loss. Accordingly, in the opinion of the directors, separate disclosure of such gains and losses in (i) to (iv) above on the Group's profit and loss account is not appropriate.

22. LONG TERM INVESTMENTS (continued)

Particulars of the subsidiaries reclassified to long term investments are as follows:

Name	Place of registration and operations	Paid-up capital	Percentage of equity attributable to the Company	Principal activities
WHM	PRC	RMB3,000,000	51	Property management
WHRED	PRC	US$8,000,000	51	Property development and investment

23. BALANCES WITH JOINT VENTURERS

The loan from a joint venturer as at 31 December 2003 was unsecured of which an amount of HK$54,687,000 was interest-free and the balance of HK$216,912,000 (note 22) bore interest at the interest rate applicable to one-year term loans quoted by the People's Bank of China.

All other balances with joint venturers were unsecured, interest-free and had no fixed terms of repayment.

24. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable as at the balance sheet date, based on invoice date, is as follows:

	2004 HK$'000	2003 HK$'000
Less than one month	7,237	2,069
Two to three months	362	–
More than three months	1,281	5,935
	8,880	8,004

25. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000
Other payables	3,659	24,286	813	5,723
Deposit received and deferred income	743	5,183	–	–
Accruals	3,453	4,923	3,249	3,136
Business tax payable	3,235	3,906	–	–
	11,090	38,298	4,062	8,859

26. CUSTOMER DEPOSITS RECEIVED

Customer deposits received represent deposits received on properties pre-sold in prior years which were the subject of legal disputes as at 31 December 2003. During the year, following the settlement with certain buyers, an amount of HK$10,307,000 of the deposits has been recognised to settle the litigation (note 22(ii)).

27. DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000
Bank loans repayable within one year:				
Unsecured	–	9,903	–	–
Other loans repayable within one year or on demand:				
Secured	20,000	20,000	20,000	20,000
Unsecured	4,630	4,630	4,630	4,630
	24,630	24,630	24,630	24,630
	24,630	34,533	24,630	24,630

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

As at 31 December 2004, details of the Group's banking facilities were as follows:

(a) The Company's and the Group's unsecured other loan bears interest at a rate of 9.5% per annum.

(b) The Company's and the Group's other loan of HK$20,000,000 bears interest at the highest of (i) 2% per month; (ii) the aggregate of the annual rate announced or applied by the Hongkong and Shanghai Banking Corporation Limited as its prime rate of interest in Hong Kong for lending of Hong Kong dollar(s) to its prime corporate customers plus 19% per annum; and (iii) 3-month HIBOR plus 23.7824% per annum, and is secured by:

(i) a debenture incorporating a floating charge on all assets of the Company and a first legal charge on the entire issued capital of IMC and HDHK, subsidiaries of the Company;

(ii) a debenture incorporating a floating charge on all assets of IMC and a first legal charge on its 49% shareholding in WPM;

(iii) a first legal charge on the 49% joint venture rights in WPM including all cash, dividends, distribution, bonuses, interests or other monies derived from the rights in WPM;

(iv) a debenture incorporating a floating charge on all assets of HDHK and a first legal charge on its 51% shareholding in WHRED;

(v) a first legal charge on the 51% joint venture rights in WHRED, including all cash, dividends, distribution, bonuses, interests on other monies derived from the rights in WHRED;

(vi) a share mortgage in respect of the two issued ordinary shares of EPD, a subsidiary of the Company;

(vii) a debenture incorporating a first floating charge over the undertaking, properties (note 14) and assets of EPD; and

(viii) a deed of guarantee signed by Mr. Zhou Chu Jian He, Chairman of the Company (note 39(b)).

The other loan of HK$20,000,000 was due for repayment on 8 April 2005. Subsequent to the balance sheet date, the Company signed a supplementary loan agreement on 26 February 2005 to increase the loan facility from HK$20,000,000 to HK$35,000,000 and to extend the repayment date to August 2005 (note 40(a)).

29. DUE TO THE ULTIMATE HOLDING COMPANY

The amount due to the ultimate company is unsecured and interest-free. The ultimate holding company has undertaken not to demand repayment from the Group prior to 31 December 2005 and unless the Group has sufficient working capital in excess of its normal operational requirements.

30. DEFERRED TAX LIABILITY

	Group	
	2004 HK$'000	2003 HK$'000
At beginning of year	–	50
Deferred tax charged to the profit and loss account during the year in respect of revaluation of investment properties – note 10	7,761	–
Disposal of subsidiaries	–	(50)
At 31 December	7,761	–

The Group has tax losses arising in Hong Kong of HK$6,674,000 (2003: HK$27,239,000) that are available indefinitely for offsetting against future profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 December 2004, there was no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and a jointly-controlled entity as the Group has no liability to additional tax should such amounts be remitted.

31. SHARE CAPITAL

Shares

	2004 HK$'000	2003 HK$'000
Authorised:		
25,000,000,000 ordinary shares of HK$0.10 each	2,500,000	2,500,000
Issued and fully paid:		
421,934,200 (2003: 358,208,200) ordinary shares of HK$0.10 each	42,193	35,821

31. SHARE CAPITAL (continued)

On 4 February 2004, 63,726,000 new shares of HK$0.10 in the Company were issued at a price of HK$0.12 per share, for the purpose of satisfying part of the consideration (the "Consideration") for the acquisition of certain investment properties situated in Beijing, the PRC (note 14). The excess of the Consideration over the nominal value of the shares issued, in the amount of HK$1,275,000, was credited to the share premium account (note 33).

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include full-time employees of the Company or any of its subsidiaries, including any executive directors of the Company or any of its subsidiaries. The Scheme became effective on 10 November 1999 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time.

The subscription price of the share options is determined by the directors and notified to each relevant director and employee. The subscription price should not be less than the greater of an amount equal to 80% of the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the option and the nominal value of the Company's shares.

No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Scheme exceeding 25% of the aggregate number of shares issued and issuable under the Scheme for the time being.

Share options do not confer rights on the holders either to dividends or to vote at shareholders' meetings.

32. SHARE OPTION SCHEME (continued)

The following share options were granted and remained outstanding under the Scheme during the year:

Name or category of participant	Number of share options: At 1 January 2004	Number of share options: Granted during the year	Number of share options: At 31 December 2004	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$	Price of the Company's shares at grant date of options*** HK$
Directors							
Mr. Zhou Chu Jian He	–	4,218,000	4,218,000	12 March 2004	12 September 2004 to 11 September 2006	0.13	0.13
Mr. Yiu Yu Keung, George	–	4,218,000	4,218,000	12 March 2004	12 September 2004 to 11 September 2006	0.13	0.13
Mr. Li Jong Tong, Timothy	–	4,218,000	4,218,000	12 March 2004	12 September 2004 to 11 September 2006	0.13	0.13
Mr. Zhang Xiao Bing, Adam	–	4,218,000	4,218,000	12 March 2004	12 September 2004 to 11 September 2006	0.13	0.13
	–	16,872,000	16,872,000				
Other employees in aggregate	–	10,544,000	10,544,000	12 March 2004	12 September 2004 to 11 September 2006	0.13	0.13
	–	27,416,000	27,416,000				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is The Stock Exchange of Hong Kong Limited's closing price on the trading day of the grant of the share options.

At the balance sheet date, the Company had 27,416,000 share options outstanding under the Scheme, which represented approximately 6.5% of the Company's shares in issue as at that date. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 27,416,000 additional ordinary shares of the Company and additional share capital of HK$2,741,600 and share premium of HK$822,480 (before issue expenses).

33. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004	41,149	230	26,731	–	4,724	(137,570)	(64,736)
Issue of shares – note 31	1,275	–	–	–	–	–	1,275
Net loss for the year	–	–	–	–	–	(10,680)	(10,680)
Release of reserves upon reclassification of subsidiaries to long term investments	–	–	(7,266)	–	(4,703)	7,266	(4,703)
At 31 December 2004	42,424	230	19,465	–	21	(140,984)	(78,844)
Reserves retained by:							
Company and subsidiaries	42,424	230	18,376	–	21	(140,929)	(79,878)
A jointly-controlled entity	–	–	1,089	–	–	(55)	1,034
	42,424	230	19,465	–	21	(140,984)	(78,844)

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003	35,455	230	28,521	757	4,786	(48,600)	21,149
Issue of shares	6,125	–	–	–	–	–	6,125
Share issue expenses	(431)	–	–	–	–	–	(431)
Net loss for the year	–	–	–	–	–	(91,579)	(91,579)
Release of reserves upon disposal of subsidiaries	–	–	(1,790)	(757)	(62)	2,609	–
At 31 December 2003	41,149	230	26,731	–	4,724	(137,570)	(64,736)
Reserves retained by:							
Company and subsidiaries	41,149	230	25,642	–	4,724	(148,633)	(76,888)
A jointly-controlled entity	–	–	1,089	–	–	11,063	12,152
	41,149	230	26,731	–	4,724	(137,570)	(64,736)

33. RESERVES (continued)

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003	35,455	178,927	(193,357)	21,025
Issue of shares	6,125	–	–	6,125
Share issue expenses	(431)	–	–	(431)
Net loss for the year	–	–	(91,455)	(91,455)
At 31 December 2003 and at 1 January 2004	41,149	178,927	(284,812)	(64,736)
Issue of shares – note 31	1,275	–	–	1,275
Net loss for the year	–	–	(12,347)	(12,347)
At 31 December 2004	42,424	178,927	(297,159)	(75,808)

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation on 10 November 1999, over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

(i) During the year, two subsidiaries of the Group were reclassified to long term investments. The assets/(liabilities) deconsolidated from the reclassification are set out in note 22 to the financial statements. An analysis of the net outflow of cash and cash equivalents in respect of the reclassification of subsidiaries to long term investments is as follows:

	2004 HK$'000	2003 HK$'000
Cash and bank balances disposed of (note 22)	(12,318)	–
Net outflow of cash and cash equivalents in respect of the reclassification of subsidiaries to long term investments	(12,318)	–

The subsidiaries reclassified to long term investments during the year ended 31 December 2004 contributed HK$9,315,000 to the Group's turnover and a net loss of HK$14,674,000 to the consolidated loss after tax for the year. The net loss on reclassification of subsidiaries to long term investments of HK$3,352,000 is included in the above-mentioned net loss.

(ii) During the year, the loan from WPM of HK$13,986,000 and the amount due to the ultimate holding company of HK$13,987,000 were settled by the dividend distribution from WPM.

(iii) During the year, the consideration for the Group's investment properties acquired during the year of HK$20,607,000 was settled by the transfer of other receivable balances and new issue of shares as to HK$11,979,000 and HK$7,647,000, respectively. In addition, other capitalised costs of HK$981,000 remained unpaid and were included in accruals and other payables as at 31 December 2004.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of subsidiaries in 2003

	HK$'000
Net assets disposed of:	
Fixed assets	12,815
Properties under development	9,454
Goodwill	1,770
Due from contract customers	550
Accounts receivable	9,780
Tax recoverable	21
Prepayments, deposits and other receivables	11,840
Cash and bank balances	144
Tax payable	(16,473)
Accounts payable	(2,673)
Accruals and other payables	(10,421)
Due to joint venturers	(374)
Interest-bearing bank and other borrowings	(9,553)
Deferred tax	(50)
Minority interests	(5,202)
	1,628
Gain on disposal of subsidiaries – note 7	739
	2,367
Satisfied by:	
Cash	47
Other receivables	5,521
Other payables	(3,201)
	2,367

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of subsidiaries in 2003 (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK$'000
Cash consideration	47
Cash and bank balances disposed of	(144)
Bank overdrafts disposed of	4,557
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	4,460

The subsidiaries disposed of during the year ended 31 December 2003 had no significant impact on the Group's consolidated turnover or profit after tax for that year.

35. OPERATING LEASE COMMITMENTS

The Group and the Company did not have any significant operating lease commitments at the balance sheet date (2003: Nil).

The Group's share of a jointly-controlled entity's own total future minimum lease payments under non-cancellable operating lease commitments, payable to the PRC Partner, is as follows:

	2004 HK$'000	2003 HK$'000
Within one year	29,972	28,793
In the second to fifth years, inclusive	31,152	61,124
	61,124	89,917

36. COMMITMENTS

The Group and the Company did not have any significant commitments at the balance sheet date (2003: Nil).

In addition to the operating lease commitments detailed in note 35 above, the Group's share of a jointly-controlled entity's own capital commitments is as follows:

	2004 HK$'000	2003 HK$'000
Authorised, but not contracted for	3,572	–

37. CONTINGENT LIABILITIES

WHRED has given corporate guarantees to a bank (the "Bank") for mortgage loans granted to the buyers of its properties.

During the year, in September 2004, due to the default payments by certain borrowers, the Bank commenced legal action against WHRED requesting WHRED to repay the guaranteed amount of approximately HK$1 million. Based on the legal opinion from a PRC lawyer in Wuhan, the amount payable by WHRED would be limited to the outstanding balances after the sales proceeds from the mortgaged properties. As at 31 December 2004, the subject mortgaged properties had a current market value of approximately HK$1 million. As WHRED was reclassified as a long term investment during the year, and the Group has not provided any financial guarantee to WHRED, the directors do not expect the above claims to have any impact on the Group.

38. PENDING LITIGATION

In December 2002, a former director of a subsidiary which was disposed of in a prior year commenced litigation in the PRC against the Group, and claimed that an alleged bonus of RMB19 million was due to him, according to a supplementary agreement attached to the employment contract entered into with the Group in 1995. Currently, the litigation is still in progress and no conclusion has been drawn on the litigation.

Based on the legal opinion from the Group's PRC lawyer, the directors are in the opinion that the court will ultimately decline such claim and, accordingly, no provision has been made.

39. RELATED PARTY TRANSACTIONS

(a) In addition to those disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the year:

	2004 HK$'000	2003 HK$'000
Interest expense paid to a jointly-controlled entity	5,586	6,255

Interest was paid to WPM, a jointly-controlled entity of the Group, in respect of the loan granted to a subsidiary of the Company. Further details of the loan, including the terms thereof, are set out in note 16 to the financial statements.

(b) The Group's other loan facilities were supported by a deed of guarantee executed by Mr. Zhou Chu Jian He, Chairman of the Company (note 28(b)(viii)).

40. POST BALANCE SHEET EVENTS

(a) Subsequent to the balance sheet date, on 26 February 2005, the Group entered into an agreement (the "Loan Agreement") with the lender to roll over the loan of HK$20,000,000 granted to the Group (note 28(b)), and to obtain an additional loan facility of HK$15,000,000. The total loan of HK$35,000,000 is repayable in August 2005. Pursuant to the Loan Agreement, the following additional securities are pledged:

(i) a debenture incorporating a first floating charge over the undertaking, property and assets of Prime Century Investments Limited ("Prime Century"), the immediate holding company of the Company; and

(ii) a share mortgage in respect of the issued ordinary share of US$1.00 in Prime Century.

(b) Subsequent to the balance sheet date, on 26 April 2005, the Group entered into a provisional underwriting agreement with a related company, whereby the related company has undertaken to sell, on behalf of the Group, certain investment properties of the Group for an aggregate cash consideration of approximately HK$25 million to be received prior to 31 December 2005. In addition, on the same day, the Group entered into a provisional agreement with another related company for the purchase of certain properties located in the PRC at a consideration of approximately HK$26 million, which will not be payable by the Group prior to 31 December 2005.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 April 2005.