



丹楓控股有限公司

DAN FORM HOLDINGS COMPANY LIMITED

DAN FORM
HOLDINGS
COMPANY LIMITED



Annual Report 2004

DAN FORM HOLDINGS COMPANY LIMITED

CONTENTS

Corporate Information	2
Chairman's Statement	4
Biographic Details of Directors and Senior Management	12
Report of the Directors	14
Report of the Auditors	23
Consolidated Profit and Loss Account	25
Consolidated Balance Sheet	26
Balance Sheet	27
Consolidated Statement of Changes in Equity	28
Consolidated Cash Flow Statement	29
Notes to the Financial Statements	30
Particulars of Principal Subsidiaries	65
Particulars of Principal Associated Companies and a Jointly Controlled Entity	66
Particulars of Major Properties	67
Summary of Financial Information	70

DIRECTORS : Dai Xiaoming (Chairman & Chief Executive)
Kenneth Hiu King Kon (Deputy Chief Executive)
Jesse Nai Chau Leung**
Xiang Bing**
Edward Shen**

*** Independent Non-Executive Directors*

AUDIT COMMITTEE : Jesse Nai Chau Leung
Xiang Bing
Edward Shen

SECRETARY : Fung Man Yuen

AUDITORS : PricewaterhouseCoopers

PRINCIPAL BANKERS : Bank of China
Standard Chartered Bank

SOLICITORS : Stephenson Harwood & Lo
Hampton, Winter & Glynn

REGISTRARS : Tengis Limited
G/F., Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

REGISTERED OFFICE : Room 901–903
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

WEBSITE : <http://www.danform.com.hk>



BOARD OF DIRECTORS OF DAN FORM HOLDINGS COMPANY LIMITED



Front Row (from left to right): Mr. Dai Xiaoming
(Chairman & Chief Executive),
Mr. Xiang Bing

Back Row (from left to right): Mr. Edward Shen, Mr. Kenneth Hiu King Kon,
Mr. Jesse Nai Chau Leung

RESULTS

The Group recorded a turnover of HK\$36,990,000 for the year ended 31st December, 2004, which represented a decrease of approximately HK\$20,780,000 or 36% as compared with last year. The decrease in turnover is mainly due to not receiving any interest income from an associated company in this year whereas the interest income of HK\$13,000,000 was received in the year 2003.

The Group's loss attributable to shareholders in this year was HK\$174,081,000, as compared to loss of HK\$292,935,000 in last year. The loss of this year was mainly due to the loss on a property sale and the provision for the carrying value of the properties of an associated company in total of HK\$160,489,000.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

Hong Kong Business

Property

The Group's residential properties situated at Red Hill Peninsula (33.33% owned) and South Horizons recorded average occupancy levels of approximately 48% and 100% respectively, while the commercial properties situated at Harbour Crystal Centre recorded an average occupancy level of approximately 89%. During the year, the Group's net rental income from property leasing was more or less the same when compared with that in the last year.

This year the Group appointed an independent firm of professional surveyors, DTZ Debenham Tie Leung Limited ("Debenham Tie Leung") in place of Vigers Hong Kong Limited to revalue the investment properties in Hong Kong as suggested by the bank to which the investment property of Harbour Crystal Centre (portion) has been mortgaged. The valuation of Harbour Crystal Centre (portion) was adjusted downwards by HK\$207,600,000, or about 40%, despite the fact that the overall property market was improving in Hong Kong. The rental income generated from Harbour Crystal Centre (portion) in 2004 was approximately HK\$17,467,000 while that in 2003 was HK\$17,118,000, which indicated a stable rental income being received. However, the average occupancy rate in 2004 was 89% while that in 2003 was 61%, indicating that the rental rate in 2004 actually decreased. Further, significant floor space in Harbour Crystal Centre has been leased to tenants under relatively long leases of up to 10 years and therefore limits the ability of the property to benefit from the improving economy. Taking these factors into consideration, management has accepted the valuation performed by Debenham Tie Leung. The Directors are of the view that the adoption of Debenham Tie Leung's valuation can reflect the current and future value of Harbour Crystal Centre (portion).



Mr. Dai Xiaoming
Chairman & Chief Executive



CHAIRMAN'S STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

REVIEW OF OPERATION (Cont'd)

Beijing Business

The Wangfujing Project

Lot F1 (61.1% owned)

On 26th April, 2004, the Group's wholly-owned subsidiary Turbo Dragon Limited ("Turbo Dragon") entered into a sale and purchase supplemental agreement with China Yintai Investment Company Limited ("China Yintai"). The sale and purchase supplemental agreement is supplemental to the sale and purchase agreement made between Turbo Dragon and China Yintai on 30th July, 2003 (collectively called "Sale and Purchase Agreement"), where Turbo Dragon agreed to sell its 61.1% interest in Beijing Lucky Building Company Limited ("Beijing Lucky") to China Yintai for a consideration of RMB134,070,000 (approximately HK\$126,481,000). On 9th May, 2004, the deposit of RMB25,000,000 (approximately HK\$23,585,000) was received from China Yintai.

The remaining balance of the consideration for the sale of the interest in the sum of RMB109,070,000 (approximately HK\$102,896,000), according to the Sale and Purchase Agreement, will be received by four installments before 7th November, 2006.

According to the Sale and Purchase Agreement, the Group's interest will be transferred to China Yintai in stages in proportion to the amount of consideration actually received. Among seven members of the board of directors of Beijing Lucky, currently two out of four seats representing the Group are recommended by China Yintai. In addition, China Yintai's staff are responsible to manage the business operations of Beijing Lucky and the Group only acts as a watchdog for that. Therefore the Directors are of the view that Beijing Lucky should be accounted for as a jointly controlled entity in this transitional period. Since 1st September, 2004, Beijing Lucky has not been dealt with in the consolidated financial statements as a subsidiary.

Dan Yao Building (85% owned)

In the year 2004, the rental income from Dan Yao Building was improved after improving the management of the building. The monthly rental income was approximately RMB280,000 (HK\$264,000). The total yearly rental income was approximately RMB3,400,000 (HK\$3,207,000).

The Company and Beijing Dan Yao Property Co., Ltd. ("Dan Yao") were recently notified by the Second Intermediate People's Court of Beijing Municipality (the "PRC Court") that the PRC Court has accepted the Company's application to liquidate Dan Yao, a major subsidiary of the Company, on 10th March, 2005. According to the advice of the Company's PRC legal advisers, the PRC Court will commence review and hearing of the liquidation from the date it accepts the application and it will take at least four months before the PRC Court makes a decision on whether or not to grant an order for liquidation. Parties may apply to the PRC Court for settlement before the assets are distributed in the liquidation.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)**REVIEW OF OPERATION (Cont'd)****Beijing Business (Cont'd)***The Wangfujing Project (Cont'd)***Dan Yao Building (85% owned) (Cont'd)**

As disclosed in the Company's 2003 Annual Report, due to no fault of Dan Yao, Dan Yao was unable to obtain the property title certificate for Dan Yao Building for a long time. This has resulted in legal proceedings issued against Dan Yao for breach of contract as a result of the failure in obtaining the relevant property title certificate for the pre-sold property units in a timely manner. At the same time, most of the completed property units could not be sold as a result of the long term inability to obtain the relevant property title certificate, and the bank loans and project sums were unable to be paid in time. As a result of this, the Company has made advances to Dan Yao in the aggregate sum (including accrued interest) of approximately HK\$61,420,000. The Company has written to consult the relevant parties on this matter on many occasions, with a view that the above abnormal circumstances could be improved gradually with the lapse of time.

Although the relevant government department in Beijing in charge has investigated into this matter and has subsequently issued the property title certificate on 14th March, 2005, certain creditors have, by reason of the loss of Dan Yao in the legal proceedings, applied for preservation of most of the assets of Dan Yao to secure their debts. To protect the legal and proper interest of the Group in Dan Yao, and to enable that the interest of all creditors of Dan Yao can be dealt with fairly, openly and in accordance with law and that Dan Yao Building could be operated in a normal manner, the Company applied to the PRC Court for the liquidation of Dan Yao on 23rd December, 2004. Since the acceptance of the application by the PRC Court on 10th March, 2005, Dan Yao has ceased paying its debts in accordance with PRC law.

As the Company has made a full provision for the Group's investment in and advances to Dan Yao in the audited financial statements of the Group for the year ended 31st December, 2003, the Directors therefore consider that, irrespective of whether Dan Yao is liquidated or not and irrespective of whether the Company is able to obtain repayment for its advances to Dan Yao or not, the application for liquidation will not have financial impact on the Group.

The Company will make further announcement if there is progress on the application for liquidation.



CHAIRMAN'S STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

REVIEW OF OPERATION (Cont'd)

Beijing Business (Cont'd)

The Wangfujing Project (Cont'd)

The Xidan Project (29.4% owned)

In 2004, significant loss was shared by the Group in relation to the Xidan Project. During the year, the sale of Lot No. 4 recorded a loss. Management has made a provision for the Xidan Project over the carrying value of the remaining land lots (excluding the underground shopping mall) to the estimated recoverable amount.

In respect of the development of the underground shopping mall, Beijing Jing Yuan Property Development Co., Ltd ("Jing Yuan") needs co-operations with the property owners and the business operators of those properties located along both sides of Xidan North Avenue, and also huge funds raising arrangements are needed before development of the project can be made. As the conditions for its development cannot be fulfilled in the near future, the Group has made a provision for the remaining investment cost of the underground shopping mall.

As at the end of the year 2004, the building located at Lot No. 1 has been made suitable to accommodate China Telecom Group Beijing Company Limited. The accumulated sum of the sale proceeds of RMB391,669,000 (approximately HK\$369,499,000) was received. During the year 2004, an amount of RMB20,000,000 (approximately HK\$18,868,000) was received. The building located at Lot No. 2 has been checked and delivered. The construction works for the building located at Lot No. 4 have been carried out since April 2004 and that a sale and purchase agreement has been entered with Beijing New O Property Development Company Limited ("New O"), under the umbrella of China Management Group on 15th October, 2004 for the sale of the property for a consideration of RMB1,220,000,000 (approximately HK\$1,150,943,000). The sale of the property recorded a loss. In the year 2004, a deposit of RMB50,000,000 (approximately HK\$47,170,000) was received from New O. In respect of the Lot No. 5 project, the dispute with Beijing Tai Yun Plaza Co., Ltd. in respect of the allocation of the property area have been resolved by China International Economic Arbitration Committee on 4th March, 2005 that all the property area in dispute is in favour to Jing Yuan.

It is expected that in the year 2005, the remaining balance of the sale proceeds of RMB87,504,000 (approximately HK\$82,551,000) from the building located at Lot No. 1 will be received. The construction works for the building located at Lot No. 2 have been completed. The project located at Lot No. 4 will be transferred and the amount as specified in the sale and purchase agreement will be received. The allocation of property area in respect of the building located at Lot No. 5 has been basically resolved and it is planned that the remaining balance of the sale proceeds of RMB69,244,000 (approximately HK\$65,325,000) will be received from China United Telecommunication Corporation. The building located at Lot No. 9 will be completed and will start to be sold out.

GROUP ASSETS POSITION AND CHARGE ON GROUP ASSETS

The total assets of the Group, as a result of the re-classification of the assets of Beijing Lucky where the sale and purchase agreement for the transfer of interest in this subsidiary has been signed and a downward revaluation of properties, have decreased from HK\$2,159,224,000 in last year to HK\$1,827,869,000 in this year. The net assets of the Group have also decreased from HK\$1,570,653,000 to HK\$1,495,387,000. The amount of the Group's bank borrowings where the property assets are pledged has decreased from HK\$308,659,000 in last year to HK\$98,935,000 in the current year.

GROUP FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The total liabilities (including minority interests) of the Group have decreased from HK\$588,571,000 as at 31st December, 2003 to HK\$332,482,000 as at 31st December, 2004. The Group had cash at banks and in hand of HK\$17,154,000 as at 31st December, 2004 (2003: HK\$8,328,000). The ratio of total liabilities to total assets was approximately 18% (2003: 27%). As at 31st December, 2004, the aggregate amount of bank loans and bank overdrafts was HK\$98,935,000 (2003: HK\$308,659,000) and the amount of shareholders' funds was HK\$1,495,387,000 (2003: HK\$1,570,653,000), and therefore the capital gearing ratio was 7% (2003: 20%). As from 20th April, 2004, the bank overdraft facilities have been reduced from HK\$100,000,000 to HK\$75,000,000 and as from 12th January, 2005 to HK\$60,000,000, of which HK\$49,030,000 has been utilised as at 31st December, 2004. Of the total borrowings, HK\$8,962,000 is repayable within one year and HK\$89,973,000 is repayable on demand.

As at 31st December, 2004, the Group's current liabilities, amounting to HK\$293,274,000, exceeded its current assets by HK\$67,415,000. Given that Dan Yao has been in liquidation as disclosed above and no further payments except for a small amount of liquidation expenses are required for Dan Yao, the other operations of the Group can generate sufficient cash flows to enable the settlement of its remaining liabilities as and when they fall due. The Directors are of a view that no further provision is necessary.

For the year ended 31st December, 2004, the Group has no exposure to fluctuation in exchange rates and related hedges and there were no contingent liabilities.

EMPLOYEES

As at 31st December, 2004, the Group, excluding associated companies, employed 51 people of which 39 were employed in Hong Kong.

In addition to basic salaries and the provision of mandatory provident fund scheme, employees are provided with medical insurance and some of them are included under a defined contribution provident fund scheme.



CHAIRMAN'S STATEMENT

PROSPECTS

Within the next two years, the political and economic environments in the world and in Hong Kong are still going to be uncertain. In these few years, the Group has adjusted the mode of its operation so as to make it continue to operate, that is, from expanding its operations by investing in property development in Beijing, to retreating the property development projects in Beijing in order to improve the liquidity and safety in operations of the Group. The Group is actively seeking risk averse investments when opportunities arise and is also upgrading its corporate governance as a foundation, so as to bring the Group to enter into the economy which is informative, global and highly technological.

Finally, I would like to take this opportunity to express my sincere thanks to my fellow Directors for their guidance and support and to all members of the staff for their loyalty and dedication during the year.

Dai Xiaoming

Chairman

Hong Kong, 19th April, 2005

XIDAN AND WANGFUJING PROJECTS



Jing Yuen International Mansion erected on Lot No. 9 of the Xidan Project



Danyao building erected on Lot No. B3 of the Wangfujing Project



The Red Hill,
Tai Tam, Hong Kong



Harbour Crystal Centre,
Tsimshatsui East Kowloon



Oceanic Industrial Centre,
Ap Lei Chau, Hong Kong



Harbour Industrial Centre,
Ap Lei Chau, Hong Kong



BIOGRAPHIC DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Dai Xiaoming, *Chairman and Chief Executive*

Aged 58. Appointed as a Director in October, 1994. Graduated from China University of Science and Technology with a Master's Degree in Engineering. He was involved for the past nineteen years in property development and investment in the PRC and Hong Kong and has over nineteen years' experience in property investment and corporate management. Currently, he is also the Managing Director of Fabulous Investments Limited ("Fabulous"), the Managing Director of Dan Form International Limited, which is the ultimate holding company of Fabulous. He has been an Associate Professor of China University of Science and Technology and a member of the Advisory Council of Asia-Australia Institute of the University of New South Wales, Australia since 1996.

Mr. Kenneth Hiu King Kon, *Deputy Chief Executive*

Aged 43. Appointed as a Director in October, 1994. Mr. Kon graduated from Middlesex University in the United Kingdom with a Bachelor's Degree in Business Studies. He has been involved in the planning of many large-scale investment and development projects in the PRC and Hong Kong and has over eighteen years' experience in investment and management in manufacturing industries and property development. He also has extensive experience in securities trading, corporate finance, mergers and acquisitions and corporate restructuring. He is the Deputy Managing Director of Dan Form Group Limited, an associate of Dan Form International Limited. He is also the General Manager of Dan Form (Hong Kong) Limited, a wholly-owned subsidiary of the Company.

Mr. Jesse Nai Chau Leung, *Independent Non-Executive Director*

Aged 54. Appointed as a Director in May, 1993. Mr. Leung holds a Master's Degree in Business Administration. He is a fellow of the Institute of Chartered Accountants in England and Wales as well as the Hong Kong Institute of Certified Public Accountants. He has extensive experience in public practice, finance and commerce. He is a director of Hongkong Chinese Ltd and a member of Supervisory Board of The Macau Chinese Bank.

Mr. Xiang Bing, *Independent Non-Executive Director*

Aged 42. Appointed as a Director in May, 1995. Dr. Xiang graduated with a University Golden Medal from Xi'an Jiaotong University, the People's Republic of China, in 1983 and obtained his Ph.D. in Management from the University of Alberta, Canada in 1991. Dr. Xiang is currently the founding dean of Cheung Kong Graduate School of Business and a professor at Guanghua School of Management, Beijing University. Before joining the Beijing University, Dr. Xiang has visited the University of Columbia and the Chinese University of Hong Kong and has served as professor at the Hong Kong University of Science and Technology and the China Europe International Business School in Shanghai. Dr. Xiang is a well-known management expert, especially in finance, and he is very familiar with management theories and practice in the East and West. He has extensive experience in executive training and has conducted seminars for several leading executive programs. He has worked with many Chinese and multinational corporations on executive training, merger and acquisition strategies and managerial control systems. He has also been consulted by the China's government organizations responsible for formulating and implementing state enterprise reform in China.



BIOGRAPHIC DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (Cont'd)

Mr. Edward Shen, *Independent Non-Executive Director*

Aged 54. Appointed as a Director in October, 1995. Mr. Shen graduated from Washington State University in the United States with a Bachelor's Degree in Science in Architectural Studies as well as Bachelor's Degree in Architecture. He is a member of the Royal Architectural Institute of Canada, the Ontario Association of Architects, the Royal Institute of British Architects and the Chartered Institute of Arbitrators. He is also a fellow of the Hong Kong Institute of Architects and the Architects Regional Council of Asia. He has been registered as an authorised person under the Buildings Ordinance and a professional architect under the Architects Ordinance since 1982 and 1990 respectively. He is also a member of Hong Kong General Chamber of Commerce. He was elected as President of the Hong Kong Institute of Architects in 2004.

SENIOR MANAGEMENT

Mr. Albert Man Yuen Fung, *Financial Controller and Company Secretary*

Aged 56. Joined the Company in September, 1988. Mr. Fung is a holder of Master's Degree in International Accounting (City University of Hong Kong). He is an associate of the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Management Accountants, and a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has over twenty-eight years' experience in finance and accounting.

Mr. Ge Xiaoguo, *Assistant to Chairman & Chief Executive*

Aged 53. Joined the Company in May, 1996. He graduated from Beijing Foreign Studies University. He has been involved in the management of the computer technology development and operation for many years during which time he has worked in Germany for more than four years. He has over twenty years' experience in enterprises management.

Mr. Zhao Sheng Li, *Deputy General Manager*

Aged 58. Joined the Group in September, 1995. Mr. Zhao graduated from the Trade and Economics Faculty of the People's Republic University. Currently he is the Deputy General Manager of Dan Form (China) Limited, a wholly-owned subsidiary of the Company. He has around twenty-seven years' experience in enterprises management.



REPORT OF THE DIRECTORS

The Directors present herewith their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2004.

FINANCIAL RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated profit and loss account on page 25.

The Directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company and the principal activities of the Group are property investment and development, estate management and investment holding.

An analysis of the Group’s performance for the year by business and geographical segments is set out in note 2 to the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 70.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 20 to the financial statements.

PRINCIPAL PROPERTIES

Details of the Group’s major properties are set out on pages 67 to 69.

SUBSIDIARIES

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

ASSOCIATED COMPANIES

The particulars of the Group’s principal associated companies as at 31st December, 2004 are set out on page 66.



REPORT OF THE DIRECTORS

JOINTLY CONTROLLED ENTITY

The particulars of the Group's jointly controlled entity as at 31st December, 2004 are set out on page 66.

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 11 to the financial statements.

BANK LOANS AND OVERDRAFTS

Details of the bank loans and overdrafts of the Group as at 31st December, 2004 are set out in note 22 to the financial statements.

DIRECTORS

The Directors during the year were:

Mr DAI Xiaoming
Mr Kenneth Hiu King KON
Mr Jesse Nai Chau LEUNG*
Mr XIANG Bing*
Mr Edward SHEN*

* *Independent Non-executive Directors*

Mr Jesse Nai Chau Leung has been redesignated from Non-executive Director to Independent Non-executive Director with effect from 20th September, 2004.

In accordance with Article 102 of the Company's Articles of Association, Mr. Kenneth Hiu King Kon and Mr. Xiang Bing will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 12 to 13.



REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

The Group has entered into the following connected and continuing connected transactions, which are disclosed in accordance with Chapter 14A of the Listing Rules:

- (a) On 23rd November, 2002, Turbo Dragon Limited, a wholly-owned subsidiary, granted a loan to Beijing Lucky Building Company Limited ("Beijing Lucky"), a 61.1% owned subsidiary, for the purpose of financing Beijing Lucky's working capital. The loan is unsecured, interest bearing at a rate of 6.5% per annum and repayable on demand. The balance of the unpaid loan of HK\$5,280,000 and interest thereon was repaid by Beijing Lucky on 13th August, 2004.
- (b) On 21st November, 2000, Dan Yao entered into respective agreements (the "Agency Agreements") with Mr. Zhao Sheng Li and Mr. Hua Ming, being two connected persons of the Company, to act as their property management agent of the properties owned by them for a period from 1st July, 2001 to 30th June, 2009. Under the Agency Agreements, Dan Yao is entitled to all the net income arising from leasing the properties and in return, Dan Yao has undertaken the repayments of mortgage loans amounting to RMB5,090,000 (HK\$4,797,000) and the interest accrued thereon and provided corporate guarantees to the bank on the mortgage loans. On 5th and 14th January, 2004, each of Mr. Hua Ming and Mr. Zhao Sheng Li entered into two termination agreements with Dan Yao respectively for the termination of the Agency Agreements and the property pre-sale agreements. The balance of the mortgage loans amounting to RMB3,050,000 (HK\$2,877,000) was repaid to the bank on 31st August, 2004 by Dan Yao and the properties were returned from Mr. Hua Ming and Mr. Zhao Sheng Li to Dan Yao on the termination of the two property pre-sale agreements.
- (c) Enfort Company Limited ("Enfort"), a wholly-owned subsidiary, granted loans to Beijing Dan Yao Property Co. Ltd. ("Dan Yao"), an 85% owned subsidiary, for the purpose of financing Dan Yao's working capital. The loans were assigned by Enfort to Dan Form Holdings Company Limited on 30th April, 2003. The loans are unsecured, interest bearing at 6% per annum and repayable on demand. As at 31st December, 2004, the balance of the unpaid loan was HK\$51,455,000 (2003: HK\$60,900,000).

The independent non-executive directors of the Company have reviewed the continuing connected transaction relating to item (c) as stated above pursuant to rule 14A.37 of the Listing Rules and confirmed that the transaction has been entered into :

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (Cont'd)

The auditors of the Company have reviewed this continuing connected transaction pursuant to rule 14A.38 of the Listing Rules and advised the board of directors in writing with a copy provided to the Stock Exchange that :

- (1) the transaction has received the approval of the board of directors of the Company; and
- (2) the transaction has been entered into in accordance with the relevant agreements governing the transaction.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or controlling shareholder had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31st December, 2004, the interests and short positions of the each Director, Chief Executive and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which require notification pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is taken or deemed to have under such provisions of the SFO), or which are required to be entered into the register maintained by the Company under Section 352 of the Part XV of the SFO, or which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Ordinary shares of the Company at HK\$0.5 each

Name of Director	Number of ordinary shares beneficially held				Total Interest
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
DAI Xiaoming (Note)	23,000,000	—	388,720,881	—	411,720,881



REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Cont'd)

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations (Cont'd)

Note: Being the ultimate beneficial owner of shares representing 95% of the issued share capital of Dan Form International Limited ("DFIL"), the ultimate holding company of Fabulous Investments Limited ("Fabulous"), Mr. Dai Xiaoming ("Mr. Dai") is deemed to be interested in the 2,660,000 and 386,060,881 ordinary shares in the Company beneficially held by DFIL and Fabulous respectively.

Save as disclosed above, none of the Chief Executive, Directors or their respective associates had any interests, whether beneficial or non-beneficial, in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Chief Executive, Directors or their respective associates had short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations.

At no time during the year was the Company, its subsidiaries, its associated companies its fellow subsidiaries or its holding companies a party to any arrangements to enable the Chief Executive or Directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Chief Executive, Directors or their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

1. Aggregate long position in the shares and underlying shares of the Company

As at 31st December, 2004, so far as is known to the Chief Executive and Directors of the Company, the interests of the substantial shareholders, being holders of 5% or more of the Company's issued share capital, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Note	Number of ordinary shares held	Percentage of the issued share capital of the Company
DAI Xiaoming	(1)	411,720,881	36.26
Harlesden Limited	(2)	388,720,881	34.23
DFIL	(2)	388,720,881	34.23
Value Plus Holdings Limited	(2)	386,060,881	34.00
Fathom Limited	(2)	386,060,881	34.00
Fabulous	(2)	386,060,881	34.00
Nina KUNG	(3)	261,808,697	23.05
Greenwood International Limited	(3)	245,094,197	21.58
China National Foreign Trade Transportation (Group) Corporation	(4)	94,836,971	8.35
Focus-Asia Holdings Limited	(4)	94,836,971	8.35

Notes:

- (1) Mr. Dai was beneficially interested in a total of 411,720,881 ordinary shares in the Company, including the interests held through various companies under his control (see note (2) below). These interests are the same as those disclosed under "Directors' and Chief Executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above.
- (2) By virtue of SFO, Harlesden Limited, DFIL, Value Plus Holdings Limited and Fathom Limited, being holding companies of Fabulous, are deemed to be interested in the 386,060,881 ordinary shares in the Company beneficially held by Fabulous. Harlesden Limited, being the holding company of DFIL, is also deemed to be interested in the 2,660,000 ordinary shares in the Company beneficially held by DFIL. Mr. Dai has a controlling interest in each of the aforesaid companies.
- (3) Greenwood International Limited ("Greenwood") was beneficially interested in approximately 21.58% of the issued share capital of the Company. Ms. Nina Kung (Mrs. Nina T.H. Wang) was beneficially interested in a total of 261,808,697 ordinary shares in the Company, through shareholdings in companies (including Greenwood) controlled by her, representing approximately 23.05% of the issued share capital of the Company.
- (4) Focus-Asia Holdings Limited ("Focus-Asia") was beneficially interested in a total of 94,836,971 ordinary shares in the Company. China National Foreign Trade Transportation (Group) Corporation, being a holding company of Focus-Asia, is deemed to be interested in the 94,836,971 ordinary shares in the Company beneficially held by Focus-Asia.



REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Cont'd)

2. Aggregate short position in the shares and underlying shares of the Company

As at 31st December, 2004, the Company had not been notified of any short position being held by any substantial shareholders or other persons in the shares or underlying shares of the Company.

Save as disclosed above, as at 31st December, 2004, the Company has not been notified of any interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

ADVANCES TO ENTITIES

In accordance with Rule 13.20 of the Listing Rules, the Directors of the Company reported on details of advances made by the Group for the benefit of the following entities as at 31st December, 2004, which for each of the following entities exceeded 8% of market capitalization of the Company and which for Zeta exceeded 8% of the total assets of the Group as at 31st December, 2004 as follows:

Name of entity	Date of advance	Percentage of equity held by the Group	Remaining balance of the advance HK\$'000	Notes
Zeta Estates Limited ("Zeta")	1/7/1998	33 $\frac{1}{3}$ %	276,683	1
Beijing Jing Yuan Property Development Co., Ltd. ("BJYPD")	1/12/1998	29.4%	106,543	2

Notes:

- (1) The advance is unsecured, interest-free as from 1st January, 2004 but interest bearing ranging from prime rate less 3% to prime rate per annum prior to 1st January, 2004 and has no fixed terms of repayment. Repayment of the advance has been made by Zeta on monthly basis as from 1st January, 2004.
- (2) BJYPD is engaged in property development business in Beijing. The advance was made to BJYPD to finance its property development project in which the Group has 29.4% interest. The advance is unsecured, interest-free and has no fixed terms of repayment. The advance will be repaid by BJYPD upon the sale of relevant properties now under development. The completion of sale of properties is expected to take place in 2010.



REPORT OF THE DIRECTORS

PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANIES

Proforma combined balance sheet of the affiliated companies of the Group mentioned above and the interest attributable to the Group as at 31st December, 2004 (the latest practicable date) are as follows:

Description	Combined Total HK\$'000	Interest attributable to the Group HK\$'000
Investment properties	3,169,795	1,056,598
Properties held under development for sale	447,174	131,469
Fixed assets	4,673	1,375
Long term receivables	88,427	26,021
Current assets	1,355,101	399,994
Current liabilities	(977,468)	(321,511)
Long-term liabilities	(1,701,243)	(500,165)
Shareholders' funds	<u>2,386,459</u>	<u>793,781</u>

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the largest and the five largest customers accounted for 12% and 38% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for 36% and 61% respectively of the total purchases of the Group for the year.

None of the Directors, their associates or those shareholders who, to the knowledge of the Directors, own more than 5% of the Company's share capital, had interest in any of the five largest customers or suppliers.



REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company established an Audit Committee on 15th September, 1998. The terms of reference of the Audit Committee have been established with reference to "A Guide for the Effective Audit Committees" issued by Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) in February, 2002. In order to comply with the Rules Governing the Listing Securities (the "Listing Rules") on the Stock Exchange, the number of Audit Committee member has increased from two to three, which comprises of three independent non-executive Directors. Mr Jesse Nai Chau Leung has been re-designated from non-executive director to independent non-executive director of the Company with effect from 20th September, 2004 and Mr Xiang Bing and Mr Edward Shen are still independent non-executive directors. During the year, the Audit Committee held two meetings on 15th April, 2004 and 14th September, 2004 and have discussed the financial reporting matters with management, including the review of the Group's financial reporting process, the adequacy and effectiveness of the Group's systems of internal control, and the interim and annual financial statements of the Group.

The Group's annual results for the year ended 31st December, 2004 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

In the opinion of the Directors, except that the non-executive Directors were not appointed for a specific term (but are subject to retirement by rotation and re-election at annual general meetings in accordance with Article 102 of the Articles of Association of the Company), the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the year ended 31st December, 2004.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Director's securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code during the year ended 31st December, 2004 and all Directors confirmed that they have complied with the Model Code.

The Company has received from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors are independent.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

DAI XIAOMING
Chairman

Hong Kong, 19th April, 2005



REPORT OF THE AUDITORS



羅兵咸永道會計師事務所

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
DAN FORM HOLDINGS COMPANY LIMITED**
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements set out on pages 25 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the Directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.



REPORT OF THE AUDITORS

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19th April, 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December, 2004

	Note	2004 HK\$'000	2003 HK\$'000
Turnover	2	36,990	57,770
Cost of sales		<u>(11,705)</u>	<u>(21,228)</u>
Gross profit		25,285	36,542
Other income		177	123
Administrative expenses		(20,437)	(24,274)
Other operating income/(expense)		4,772	(1,479)
Write back of provision/(provision) in respect of properties held under development		8,269	(214,995)
Write back of provision/(provision) in respect of properties held for sale		1,974	(46,559)
Provision in respect of civil actions against a subsidiary of the Group		<u>(6,367)</u>	<u>(28,816)</u>
Operating profit/(loss)	3	13,673	(279,458)
Finance costs	4	(20,469)	(14,321)
Share of results of			
— a jointly controlled entity		—	—
— associated companies		<u>(157,984)</u>	<u>(66,209)</u>
Loss before taxation		(164,780)	(359,988)
Taxation	5	<u>(9,385)</u>	<u>(491)</u>
Loss after taxation		(174,165)	(360,479)
Minority interests		84	67,544
Loss attributable to shareholders	6	<u>(174,081)</u>	<u>(292,935)</u>
Basic loss per share	7	<u>(15.33) cents</u>	<u>(25.80) cents</u>

CONSOLIDATED BALANCE SHEET

As at 31st December, 2004

	Note	2004 HK\$'000	2003 HK\$'000
Fixed assets	11	355,205	799,664
Interest in a jointly controlled entity	13	—	—
Interests in associated companies	14	1,229,575	1,133,953
Investment securities	15	15,825	13,793
Other assets	16	1,405	2,218
Current assets			
Properties held for sale		194,904	188,695
Trade receivables	18	3,808	5,733
Other receivables, prepayments and deposits		7,135	3,918
Tax recoverable		2,858	2,922
Bank balances and cash		17,154	8,328
		225,859	209,596
Current liabilities			
Trade payables	19	47,473	77,798
Other payables and accrued charges		146,866	123,372
Other short term loan		—	3,171
Short term bank loans — secured	22	8,962	197,926
Current portion of long term bank loans — secured	22	40,943	60,905
Bank overdrafts	22	49,030	49,828
		293,274	513,000
Net current liabilities		(67,415)	(303,404)
Total assets less current liabilities		1,534,595	1,646,224
Financed by:			
Share capital	20	567,803	567,803
Reserves	21	927,584	1,002,850
Shareholders' funds		1,495,387	1,570,653
Minority interests		—	129
Deferred tax liabilities	23	39,208	75,442
		1,534,595	1,646,224

On behalf of the Board

Dai Xiaoming
Director

Kenneth Hiu King Kon
Director

BALANCE SHEET

As at 31st December, 2004

	Note	2004 HK\$'000	2003 HK\$'000
Fixed assets	11	317	649
Interests in subsidiaries	12	496,940	878,222
Other assets	16	1,405	1,405
Deferred tax assets	23	—	1,298
Current assets			
Other receivables, prepayments and deposits		1,346	807
Loan to a subsidiary, net of provision	17	6,658	—
Bank balances and cash		15,285	288
		23,289	1,095
Current liabilities			
Other payables and accrued charges		25,666	1,971
Current portion of long term bank loans — secured	22	—	20,000
Bank overdrafts	22	49,030	49,828
		74,696	71,799
Net current liabilities		(51,407)	(70,704)
Total assets less current liabilities		447,255	810,870
Financed by:			
Share capital	20	567,803	567,803
Reserves	21	(120,690)	243,067
Shareholders' funds		447,113	810,870
Deferred tax liabilities	23	142	—
		447,255	810,870

On behalf of the Board

Dai Xiaoming
Director

Kenneth Hiu King Kon
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2004

	Note	2004 HK\$'000	2003 HK\$'000
Total equity as at 1st January		1,570,653	1,938,483
Deficit arising from revaluation of the Group's investment properties	21	(171,248)	(54,303)
Surplus/(deficit) arising from revaluation of the Group's interests in associated companies based on the market value of their underlying properties	21	268,385	(16,997)
Exchange differences arising on translation of the financial statements of foreign subsidiaries and an associated company	21	568	—
Exchange differences shared by minority interests	21	(61)	—
Transfer of a subsidiary to a jointly controlled entity	21	(197)	—
Net gain/(loss) not recognised in the consolidated profit and loss account		97,447	(71,300)
Loss attributable to shareholders for the year	21	(174,081)	(292,935)
Revaluation deficit realised upon disposal of the Group's investment properties	21	2,063	—
Revaluation surplus realised upon disposal of properties of an associated company	21	(695)	(3,595)
		(172,713)	(296,530)
Total equity as at 31st December		1,495,387	1,570,653

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2004

	Note	2004 HK\$'000	2003 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	24(a)	30,162	39,964
Interest and incidental borrowing costs paid		(6,170)	(7,901)
Hong Kong profits tax paid		(145)	(20)
PRC tax paid		(281)	(331)
Net cash generated from operating activities		23,566	31,712
Cash flows from investing activities			
Proceeds from disposal of fixed assets		47	—
Transfer of a subsidiary to a jointly controlled entity	24(c)	801	—
Proceeds from disposal of investment properties		3,195	—
Additions to properties held under development, net of interest capitalised		(871)	(28,789)
Additions of fixed assets		(25)	(58)
Interest received		752	11,604
Repayments from associated companies		5,123	—
Dividends received from investment securities		371	371
Repayments from investee companies		309	253
Net cash generated from/(used in) investing activities		9,702	(16,619)
Cash flows from financing activities	24(b)		
Repayment of bank loans		(20,472)	(76,726)
Repayment of loan from a third party		(3,174)	(548)
Net cash used in financing		(23,646)	(77,274)
Increase/(decrease) in cash and cash equivalents		9,622	(62,181)
Cash and cash equivalents at 1st January		(41,500)	20,681
Change of foreign exchange rate		2	—
Cash and cash equivalents at 31st December	24(d)	(31,876)	(41,500)

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation and presentation

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

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

(b) Group accounting

(i) *Consolidation*

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

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

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

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

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

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

(ii) *Jointly controlled entity*

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Group accounting (Cont'd)

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

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

(iii) *Associated companies*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Group accounting (Cont'd)

(iv) *Gain or loss on disposal*

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

(c) Fixed assets

(i) *Investment properties*

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

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

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

(ii) *Properties held under development*

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(c) Fixed assets (Cont'd)

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

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

(iv) *Depreciation*

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(c) Fixed assets (Cont'd)

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

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

(d) Properties held for sale

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

(e) Investment securities

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

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

(f) Other assets

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

(g) Accounts receivable

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(h) Borrowing costs

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

(i) Employee benefits

(i) *Employee leave entitlements*

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

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

(ii) *Pension obligations*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(j) Deferred taxation

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

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

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

(k) Operating leases

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

(l) Translation of foreign currencies

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

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

(m) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(n) Contingent liabilities

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

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

(o) Provisions

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

(p) Segment reporting

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

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

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

(q) Revenue recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(q) Revenue recognition (Cont'd)

Estate management fees income is recognised on an accrual basis.

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

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

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Primary reporting — business segments

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

2004

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

NOTES TO THE FINANCIAL STATEMENTS

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

Primary reporting — business segments (Cont'd)

2003

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

NOTES TO THE FINANCIAL STATEMENTS

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

Secondary reporting — geographical segments

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. OPERATING PROFIT/(LOSS)

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

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

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCE COSTS

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

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

5. TAXATION

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5. TAXATION (Cont'd)

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

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

6. LOSS ATTRIBUTABLE TO SHAREHOLDERS

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

7. LOSS PER SHARE

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

NOTES TO THE FINANCIAL STATEMENTS

8. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

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

9. RETIREMENT BENEFIT COSTS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

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

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

The emoluments of the Directors fell within the following bands:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

11. FIXED ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS

11. FIXED ASSETS (Cont'd)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

11. FIXED ASSETS (Cont'd)

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

12. INTERESTS IN SUBSIDIARIES

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

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

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

13. INTEREST IN A JOINTLY CONTROLLED ENTITY

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

NOTES TO THE FINANCIAL STATEMENTS

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

Notes:

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

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

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

14. INTERESTS IN ASSOCIATED COMPANIES

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATED COMPANIES (Cont'd)

Information on material associated companies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN ASSOCIATED COMPANIES (Cont'd)

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

15. INVESTMENT SECURITIES

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

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

NOTES TO THE FINANCIAL STATEMENTS

16. OTHER ASSETS

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

17. LOAN TO A SUBSIDIARY

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

18. TRADE RECEIVABLES

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

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

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

19. TRADE PAYABLES

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

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

NOTES TO THE FINANCIAL STATEMENTS

20. SHARE CAPITAL

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

21. RESERVES

Group

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

NOTES TO THE FINANCIAL STATEMENTS

21. RESERVES (Cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS

21. RESERVES (Cont'd)

Company

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

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

22. BANK LOANS AND OVERDRAFTS

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

NOTES TO THE FINANCIAL STATEMENTS

22. BANK LOANS AND OVERDRAFTS (Cont'd)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

23. DEFERRED TAXATION

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Analysis of changes in financing during the year

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

(d) Analysis of cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

25. LEASE COMMITMENTS

(a) Commitments under operating leases

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

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

(b) Future minimum rental receivables

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

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

26. SUBSEQUENT EVENT

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

NOTES TO THE FINANCIAL STATEMENTS

27. RELATED PARTY TRANSACTION

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

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

28. ULTIMATE HOLDING COMPANY

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

29. APPROVAL OF FINANCIAL STATEMENTS

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

PARTICULARS OF PRINCIPAL SUBSIDIARIES

31st December, 2004

The following table includes the principal subsidiaries of the Group which, in the opinion of the Directors, were significant to the results of the Group or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

Name	Place of incorporation/ operation	Issued ordinary share capital	Percentage of equity attributable to the Company Group		Principal activities
AsiaSec Finance Limited	Hong Kong	HK\$10,000	—	100	Financing
Dan Form (Hong Kong) Limited	Hong Kong	HK\$1,000,000	100	100	Investment holding
AsiaSec Property Management Limited	Hong Kong	HK\$300,000	—	100	Property management
Dan Form (China) Limited	Hong Kong	HK\$2	100	100	Investment holding
Beijing Dan Yao Property Co., Ltd.	People's Republic of China ¹	US\$11,670,000 ²	—	85	Land and property development
Citigrand Investment Limited	Hong Kong	HK\$2	—	100	Property investment
Dawna Range Company Limited	Hong Kong	HK\$20	—	100	Investment holding
Diamond Property Management Company Limited	Hong Kong	HK\$10,000	—	100	Property management
Dun Man Enterprises Limited	Hong Kong	HK\$1,000,000	—	100	Property investment
Harcap Limited	Hong Kong	HK\$10,000	—	100	Property investment
Keen Safe Investment Limited	Hong Kong	HK\$1,010,000	—	100	Investment holding
Kirshman Limited	Hong Kong	HK\$2	100	100	Investment holding
Landfine Investment Limited	Hong Kong	HK\$2	—	100	Property investment
Oriental Dragon Investment Limited	British Virgin Islands	US\$1	—	100	Property investment
Top Power Development Limited	Hong Kong	HK\$2	—	100	Property investment
Winshine Properties Limited	British Virgin Islands	US\$1	—	100	Property investment

All the above companies operate in their place of incorporation except for Oriental Dragon Investment Limited and Winshine Properties Limited which operate in the People's Republic of China.

1 Sino-foreign joint venture companies

2 Paid-up registered capital

PARTICULARS OF PRINCIPAL ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY

31st December, 2004

- (a) The following table includes the principal associated companies of the Group which, in the opinion of the Directors, were significant to the results of the Group or formed a substantial portion of the net assets of the Group. To give details of other associated companies would result in particulars of excessive length.

Name	Place of incorporation/ establishment	Issued ordinary share capital	Percentage of equity attributable to the Company	Group	Principal activities
Ho Pok Investment Company Limited	Hong Kong	HK\$10,000	—	50	Investment
Kin Tong Land Investment Company	Hong Kong	HK\$10,000,000	—	50	Property investment
Zeta Estates Limited	Hong Kong	HK\$990,000	—	33 $\frac{1}{3}$	Property investment
Beijing Jing Yuan Property Development Co., Ltd.	People's Republic of China ¹	US\$61,220,000 ²	—	29.4	Land and property development

- (b) Details of a jointly controlled entity as at 31st December, 2004 were as follows:

Name	Place of incorporation/ establishment	Issued ordinary share capital	Percentage of equity attributable to the Company	Group	Principal activities
Beijing Lucky Building Company Limited	People's Republic of China ¹	US\$30,140,000 ²	—	61.1	Land and property development

1 Sino-foreign joint venture companies

2 Paid-up registered capital

PARTICULARS OF MAJOR PROPERTIES

31st December, 2004

(1) PROPERTIES HELD FOR SALE

Location	Lot No.	Use	Total gross floor area (sq. ft.)	Car parking spaces	Percentage owned
People's Republic of China					
Dan Yao Building (portion) South of Dongan Market north of Shuaifuyuan Lane Wangfujing Avenue Dongcheng District	B3	Commercial/ Residential	337,705	85	85

(2) INVESTMENT PROPERTIES

Location	Lot No.	Use	Total gross floor area (sq. ft.)	Car parking spaces	Percentage owned
Hong Kong					
Harbour Crystal Centre (portion) 100 Granville Road Tsimshatsui East Kowloon	K.I.L.10600	Commercial	138,459 8,881	— — 30	80 40 100
South Horizons Ap Lei Chau Aberdeen Hong Kong	A.I.L. 121	Residential	6,356	—	100

PARTICULARS OF MAJOR PROPERTIES

31st December, 2004

(3) PROPERTY HELD THROUGH A JOINTLY CONTROLLED ENTITY

Location	Lot No.	Use	Total gross floor area (sq. ft.)	Percentage	Estimated completion date	Stage of development as at 31st December, 2004
People's Republic of China						
North side and western section Jinyu Lane Wangfujing Avenue Dongcheng District	F1	Commercial Shopping Mall	645,840	61.1	2006	Resettlement completed

(4) PROPERTIES HELD THROUGH ASSOCIATED COMPANIES

Location	Lot No.	Use	Total gross floor area (sq. ft.)	Car parking spaces	Percentage owned
Hong Kong					
Harbour Industrial Centre (portion) Ap Lei Chau Aberdeen Hong Kong	A.I.L.116	Industrial/ Godown	266,315	59	33 $\frac{1}{3}$
Oceanic Industrial Centre (portion) Ap Lei Chau Aberdeen Hong Kong	A.I.L.116	Industrial/ Godown	741,703	74	33 $\frac{1}{3}$
Queen's Centre (portion) 58-64 Queen's Road East Wanchai, Hong Kong	I.L.2243R.P.	Commercial/ Offices	27,457	—	50
Red Hill, Phase 1 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	11,001	—	33 $\frac{1}{3}$
Red Hill, Phase 2 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	100,819	—	33 $\frac{1}{3}$
Red Hill, Phase 3 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	181,698	—	33 $\frac{1}{3}$
Red Hill, Phase 4 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	220,195	271	33 $\frac{1}{3}$
Wah Shun Industrial Centre (portion) 4 Cho Yuen Street Yau Tong, Kowloon	Y.T.I.L.29	Industrial	134,236	10	50

PARTICULARS OF MAJOR PROPERTIES

31st December, 2004

(4) PROPERTIES HELD THROUGH ASSOCIATED COMPANIES (Cont'd)

Location	Lot No.	Use	Total gross floor area (sq.ft.)	Percentage owned	Estimated completion date	Stage of development as at 31st December, 2004
People's Republic of China						
Jing Yuan International Mansion South-west corner of the intersection of Da Mu Cang Hu Tong and the proposed Da Mu Cang Nan Lane	9	Commercial/ Residential	330,736	29.4	2005	Facilities installation and decoration in progress
2-level underground shopping mall (Levels 1 and 2) to be built beneath Xidan North Avenue	N/A	Shopping Mall/ Carpark	527,436 underground	29.4	2007	Design plan being prepared

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
(Loss)/profit attributable to shareholders	<u>(174,081)</u>	<u>(292,935)</u>	<u>1,019</u>	<u>6,681</u>	<u>(28,272)</u>
Total assets	1,827,869	2,159,224	2,548,120	2,659,570	4,506,292
Total liabilities	<u>(332,482)</u>	<u>(588,571)</u>	<u>(609,637)</u>	<u>(608,019)</u>	<u>(2,355,534)</u>
Net assets	<u>1,495,387</u>	<u>1,570,653</u>	<u>1,938,483</u>	<u>2,051,551</u>	<u>2,150,758</u>