1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's ultimate holding company is Top Synergy Associates Limited, a company which is incorporated in the British Virgin Islands.

The principal activities of the Group are manufacture, sales and installation of autoclaved aerated lightweight concrete blocks and panels ("ALC products") and properties investment.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the current and future liquidity of the Group in the light of its net current liabilities of approximately HK$137,873,000 as at 31st December, 2003, and taking into account the Group's obligations to repay bank and other borrowings as disclosed in note 24. Negotiations have been entered into with the other lenders regarding the possibility of extending the repayment terms of loans in the sum of HK$115,391,000. The directors are confident as to the satisfactory conclusion of the re-financing negotiations in the near future and, on this basis, are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the Statement of Standard Accounting Practice ("SSAP") No. 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. Details of this revised accounting policy are set out in note 4. In the absence of any specific requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the opening balance on accumulated losses at 1st January, 2002 has been decreased by HK$2,016,000 representing the cumulative effect of the change in accounting policy on the results prior to 1st January, 2002. The profit for the year ended 31st December, 2003 has been decreased by HK$3,810,000 (2002: HK$2,073,000).

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified by revaluation of investment properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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 have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life of 10 years. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions after 1st January, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue recognition

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Others

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at each balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the decrease previously charged.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to the property disposed is credited in the income statement.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

Property, plant and equipment

Property, plant and equipment, other than assets under installation, are stated at cost less accumulated depreciation and any impairment loss, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment other than assets under installation over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the terms of the leases
Industrial buildings	Over the shorter of the terms of the leases, or 20 to 25 years
Leasehold improvements	Over the shorter of the terms of the leases or 10 years
Furniture and fixtures	10% – $33^1/_3$%
Motor vehicles	20% – $33^1/_3$%
Plant and machinery and equipment	5% – 50%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group or, where shorter, the term of the relevant lease.

No provision for depreciation is made on assets under installation until such time as the relevant assets are completed and put into use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceed and the carrying amount of the asset and is recognised in the income statement.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the dates of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories of ALC products comprises direct materials and, where applicable, direct labour costs and those production overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method.

The cost of piles, metal products and welded wire mesh, which comprises cost of purchases and, where applicable, direct labour costs, sub-contractors' costs and those production overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method.

Net realisable value represents the expected selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet as advances received. Amounts billed for work performed but not yet paid by the customers, are included in the balance sheet within trade and other receivables.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plan/the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions – construction work contracting and sales of concrete products, and properties investment.

In July 2003, the Group discontinued to sell steel products and manufacture and sell metal products. The net segment profit of HK$3,438,000 represented the results of the subsidiaries disposed of during the period from 1st January, 2003 to 30th June, 2003.

Segment information about these businesses is presented below.

2003

	Continuing operations		Discontinuing operations			
	Construction work contracting and sales of concrete products	Properties investment	Sales of steel products	Manufacture and sales of metal products	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	84,025	33,500	145	34,442	–	152,112
Inter-segment sales	–	–	–	2,687	(2,687)	–
Total revenue	84,025	33,500	145	37,129	(2,687)	152,112

Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.

SEGMENT RESULT	11,453	32,824	(37)	3,475	–	47,715
Gain (loss) on disposal of interest in subsidiaries	505	–	(856)	(7,967)	–	(8,318)
Amortisation of goodwill	–	(463)	–	–	–	(463)
Unallocated corporate expenses						(2,827)
Profit from operations						36,107
Finance costs	(173)	(11,111)	–	(113)	–	(11,397)
Profit before taxation						24,710
Taxation						(3,879)
Net profit for the year						20,831

5. SEGMENT INFORMATION *(Continued)*

BALANCE SHEET

	Continuing operations		Discontinuing operations		
	Construction work contracting and sales of concrete products	Properties investment	Sales of steel products	Manufacture and sales of metal products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	82,705	544,470	–	–	627,175
Unallocated corporate assets					2,119
Consolidated total assets					629,294
LIABILITIES					
Segment liabilities	36,380	10,331	–	–	46,711
Unallocated corporate liabilities					380,846
Consolidated total liabilities					427,557

OTHER INFORMATION

	Continuing operations		Discontinuing operations		
	Construction work contracting and sales of concrete products	Properties investment	Sales of steel products	Manufacture and sales of metal products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	557	505,986	–	147	506,690
Depreciation	5,151	–	–	1,822	6,973
Loss on disposal of property, plant and equipment	106	–	–	–	106
Allowance for bad and doubtful debts	11	–	–	97	108
Write back of allowance for bad and doubtful debts	(682)	–	–	–	(682)
Amortisation of goodwill	–	(463)	–	–	(463)

5. SEGMENT INFORMATION *(Continued)*

2002

	Continuing operations		Discontinuing operations			
	Construction work contracting and sales of concrete products	Properties investment	Sales of steel products	Manufacture and sales of metal products	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
REVENUE						
External sales	69,388	–	23,803	65,443	–	158,634
Inter-segment sales	–	–	–	4,270	(4,270)	–
Total revenue	69,388	–	23,803	69,713	(4,270)	158,634

Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.

SEGMENT RESULT	15,214	–	947	5,463	–	21,624
Unallocated corporate revenue						1,514
Unallocated corporate expenses						(3,483)
Profit from operations						19,655
Finance costs	(484)	–	(116)	(408)	–	(1,008)
Profit before taxation						18,647
Taxation						(2,364)
Net profit for the year						16,283

5. **SEGMENT INFORMATION** *(Continued)*

BALANCE SHEET

	Continuing operations		Discontinuing operations		
	Construction work contracting and sales of concrete products	Properties investment	Sales of steel products	Manufacture and sales of metal products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
ASSETS					
Segment assets	155,393	–	1,422	72,112	228,927
Unallocated corporate assets					5,240
Consolidated total assets					234,167
LIABILITIES					
Segment liabilities	34,404	–	1,044	3,632	39,080
Unallocated corporate liabilities					19,235
Consolidated total liabilities					58,315

OTHER INFORMATION

	Continuing operations		Discontinuing operations			
	Construction work contracting and sales of concrete products	Properties investment	Sales of steel products	Manufacturing and sales of metal products	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	139	–	–	1,313	–	1,452
Depreciation	5,894	–	–	4,823	–	10,717
Loss (gain) on disposal of property, plant and equipment	316	–	–	(65)	–	251
Allowance for bad and doubtful debts	180	–	9	200	–	389
Write back of allowance for bad and doubtful debts	(3,052)	–	–	(12)	–	(3,064)
Trade and other payables written back	(716)	–	(299)	–	(1,093)	(2,108)

5. **SEGMENT INFORMATION** *(Continued)*

Geographical segments

More than 90% of the activities of the Group are based in Hong Kong and more than 90% of the Group's turnover and profit from operations are derived from Hong Kong.

More than 90% of the Group's assets are located in Hong Kong and more than 90% of additions to property, plant and equipment during the year are incurred in Hong Kong.

6. **OTHER OPERATING INCOME**

	2003	2002
	HK$'000	*HK$'000*
Claims received	**–**	176
Exchange gain, net	**–**	142
Interest income from		
– bank deposits	**139**	449
– loans receivable	**722**	630
Other service income	**18**	13
Property manager's remuneration	**192**	421
Sales of tools and materials	**480**	451
Sundry income	**38**	107
Trade and other payables written back	**–**	2,108
	1,589	4,497

7. PROFIT FROM OPERATIONS

	2003 *HK$'000*	2002 *HK$'000*
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	855	1,146
Depreciation		
Owned assets	6,426	9,400
Assets held under finance leases	547	1,317
Exchange losses, net	29	–
Loss on disposal of property, plant and equipment	106	251
Minimum lease payments for operating leases in respect of		
– land and buildings	285	17
– plant and machinery and equipment	–	57
Rental income net of outgoings of HK$676,000 (2002: nil)	(32,824)	–
Staff costs	31,165	47,151
Amount capitalised in contract work	(7,731)	(9,174)
	23,434	37,977

Minimum lease payments for operating leases in respect of a former director's accommodation amounting to approximately HK$303,000 (2002: HK$380,000) are included under staff costs.

8. FINANCE COSTS

	2003 *HK$'000*	2002 *HK$'000*
Interest on bank and other loans wholly repayable within five years	5,581	407
Interest on bank and other loans repayable after five years	5,614	–
Interest on finance leases	202	601
	11,397	1,008

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2003 *HK$'000*	2002 *HK$'000*
Fees:		
Executive	–	–
Non-executive	72	120
Independent non-executive	316	360
	388	480
Other emoluments:		
Executive		
Salaries and other benefits	1,734	3,506
Contributions to retirement benefits scheme	50	81
Compensation for loss of office	450	–
	2,234	3,587
	2,622	4,067

The directors' emoluments were within the following bands:

	2003 Number of directors	2002 Number of directors
Nil to HK$1,000,000	16	8
HK$1,000,001 – HK$1,500,000	–	1
HK$1,500,001 – HK$2,000,000	1	–
HK$2,000,001 – HK$2,500,000	–	1
	17	10

No director waived any emoluments for the two years ended 31st December, 2003.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals included two directors (2002: two directors), details of whose emoluments are set out above. The emoluments of the remaining three individuals (2002: three individuals), are as follows:

	2003	2002
	HK$'000	*HK$'000*
Salaries and other benefits	**1,843**	2,984
Contributions to retirement benefits scheme	**86**	96
	1,929	3,080

Their emoluments were within the following bands:

	2003	2002
	Number of employees	Number of employees
Nil to HK$1,000,000	**3**	2
HK$1,000,001 – HK$1,500,000	**–**	1
	3	3

10. DISCONTINUING OPERATIONS

On 15th May, 2003, the Group entered into an agreement with Worldlight Group Limited ("WGL"), a wholly-owned subsidiary of Golik Holdings Limited, the former ultimate holding company of the Company, to dispose of the entire interest in certain subsidiaries, which carried out the businesses of sales of steel products, and manufacture and sales of metal products, for a cash consideration of HK$100,500,000. The disposal was effected in order to generate cash flow for the expansion of the Group's other businesses. Details of the transaction had been included in the announcement and circular of the Company dated 23rd May, 2003 and 13th June, 2003 respectively. The transaction was completed on 9th July, 2003.

The results of the discontinuing operations for the period from 1st January, 2003 to 30th June, 2003, which have been included in the consolidated financial statements, were as follows:

	1.1.2003 to 30.6.2003 *HK$'000*	1.1.2002 to 31.12.2002 *HK$'000*
Turnover	**37,274**	93,516
Cost of sales	**(31,381)**	(81,943)
Gross profit	**5,893**	11,573
Other operating income	**31**	1,972
Selling and distribution costs	**(177)**	(2,803)
Administrative expenses	**(2,309)**	(8,340)
Profit from operations	**3,438**	2,402
Finance costs	**(113)**	(563)
Profit before taxation	**3,325**	1,839
Taxation	**(66)**	(291)
Profit from ordinary activities after taxation	**3,259**	1,548

The carrying amounts of the assets and liabilities of the discontinuing operations at 30th June, 2003 amounted to HK$69,476,000 and HK$18,278,000 (31.12.2002: HK$62,129,000 and HK$14,220,000) respectively.

During the period from 1st January, 2003 to 30th June, 2003, the subsidiaries disposed of comprising the discontinuing operations contributed HK$3,512,000 (2002: utilised HK$729,000) to the Group's net operating cash flows, utilised HK$138,000 (2002: HK$242,000) in respect of investing activities and raised HK$3,247,000 (2002: utilised HK$10,382,000) in respect of financing activities.

11. TAXATION

	2003 *HK$'000*	2002 *HK$'000* (Restated)
The charge comprises:		
Hong Kong Profits Tax		
Current year	66	–
Underprovision in respect of prior years	3	291
	69	291
Deferred tax *(Note 29)*		
Current year	3,547	2,073
Attributable to a change in tax rate in Hong Kong	263	–
	3,810	2,073
	3,879	2,364

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit before taxation per the consolidated income statements as follows:

	2003 *HK$'000*	2002 *HK$'000*
Profit before taxation	24,710	18,647
Tax at the Hong Kong Profits Tax rate of 17.5% (2002: 16%)	4,324	2,984
Tax effect of expenses not deductible for tax purpose	1,572	364
Tax effect of income not taxable for tax purpose	(138)	(807)
Increase in opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	263	–
Tax effect of tax losses not recognised	1,409	24
Utilisation of tax losses previously not recognised	(3,103)	–
Underprovision for prior years	3	291
Effect of different tax rates of subsidiaries operating in other jurisdictions	(38)	40
Others	(413)	(532)
Taxation charge for the year	3,879	2,364

12. DIVIDEND

The directors do not recommend the payment of a dividend for the year.

On 16th June, 2003, a dividend of HK$0.003 per share was paid to shareholders as the final dividend in respect of 2002.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2003 ***HK$'000***	2002 *HK$'000* (Restated)
Earnings for the purposes of basic and diluted earnings per share	**20,831**	16,283
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,000,000,000**	3,000,000,000
Effect of dilutive potential ordinary shares in respect of share options	**–**	2,447,781
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,000,000,000**	3,002,447,781

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options up to the date of expiry on 16th May, 2003 as the exercise price of the options is higher than the average market prices of shares during the period from 1st January, 2003 to 16th May, 2003.

14. INVESTMENT PROPERTIES

	HK$'000
THE GROUP	
VALUATION	
Additions on acquisition of subsidiaries	505,986
Surplus on revaluation	3,014
At 31st December, 2003	509,000

All the investment properties of the Group are situated in Hong Kong, held under medium-term leases, and are rented out under operating leases.

The investment properties of the Group were revalued on 31st December, 2003 by Messrs. Vigers Hong Kong Limited, an independent firm of professional property valuers, on an open market value basis. The surplus arising on revaluation of HK$3,014,000 is credited to the investment properties revaluation reserve.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Industrial buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Assets under installation HK$'000	Total HK$'000
THE GROUP								
COST								
At 1st January, 2003	52,212	144,991	20,110	5,006	3,423	202,240	146	428,128
Additions	–	–	–	34	247	423	–	704
Disposals	–	–	(974)	(585)	(712)	(1,196)	(10)	(3,477)
Disposal of subsidiaries	(20,797)	(73,880)	(19,136)	(3,341)	(2,506)	(69,658)	–	(189,318)
Reclassification	–	–	–	–	–	136	(136)	–
At 31st December, 2003	31,415	71,111	–	1,114	452	131,945	–	236,037
DEPRECIATION								
At 1st January, 2003	42,997	125,560	14,096	4,781	2,685	118,671	–	308,790
Provided for the year	179	939	415	50	193	5,197	–	6,973
Eliminated on disposals	–	–	(974)	(577)	(630)	(1,071)	–	(3,252)
Disposal of subsidiaries	(16,528)	(62,882)	(13,537)	(3,171)	(1,870)	(18,999)	–	(116,987)
At 31st December, 2003	26,648	63,617	–	1,083	378	103,798	–	195,524
NET BOOK VALUES								
At 31st December, 2003	4,767	7,494	–	31	74	28,147	–	40,513
At 31st December, 2002	9,215	19,431	6,014	225	738	83,569	146	119,338

The leasehold land and industrial buildings of the Group are situated in Hong Kong and are held under medium-term leases.

At 31st December, 2002, the net book values of plant and machinery and equipment of the Group included HK$19,923,000 in respect of assets held under finance leases.

16. GOODWILL

	HK$'000
THE GROUP	
COST	
Arising on acquisition of subsidiaries and balance at 31st December, 2003	5,552
AMORTISATION	
Charge for the year and balance at 31st December, 2003	(463)
CARRYING AMOUNT	
At 31st December, 2003	5,089

Goodwill is amortised using the straight-line method over its estimated useful life of 10 years.

17. INVESTMENTS IN SUBSIDIARIES

	2003 *HK$'000*	2002 *HK$'000*
Unlisted shares, at cost	**123,239**	123,431

Particulars of the principal subsidiaries at 31st December, 2003 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly	Indirectly	Principal activities
Daido (BVI) Limited	British Virgin Islands	US$2 Ordinary shares	100%	–	Investment holding
Brilliant Gain Investments Limited	Hong Kong	HK$2 Ordinary shares	–	100%	Property investment
Daido Building Materials Limited	Hong Kong	HK$20 Ordinary shares HK$10,000 Non-voting deferred shares *	–	100%	Manufacture and sales of ALC products

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Daido Home International Limited	Cayman Islands	HK$225,375,000 Ordinary shares HK$91,500,000 Convertible redeemable preference shares **	–	100%	Investment holding, sales and installation of ALC products and sales of building materials
Ultimate Profits Limited	Hong Kong	HK$2 Ordinary share	–	100%	Property investment
Ytong Hong Kong Limited	Hong Kong	HK$20 Ordinary shares HK$10,000 Non-voting deferred shares *	–	100%	Installation of ALC products

* The deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective company or to participate in any distribution on winding up.

** The convertible redeemable preference shares of Daido Home International Limited carry 2% dividend per annum and have the right to receive notice of, attend, speak and vote at meetings of members only for those circumstances as mentioned in its Articles of Association.

Except for the convertible redeemable preference shares of Daido Home International Limited, none of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excess length.

18. LONG-TERM RECEIVABLES

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Building mortgage loans *(note a)*	**–**	581
Other loans *(note b)*	**18,281**	15,000
Retention receivables *(note c)*	**6,115**	7,477
	24,396	23,058
Less: amounts due within one year included in		
– trade and other receivables	**(2,469)**	(4,619)
– loans receivable *(note b)*	**(4,875)**	(15,000)
Amounts due after one year	**17,052**	3,439

(a) The building mortgage loans bore interest at 3% to 4% above the Hong Kong Prime Rate per annum and were repayable by monthly instalments up to year 2009. At 31st December, 2003, the Group has no building mortgage loans upon the disposal of interest in subsidiaries during the year.

(b) The other loans to the tenant of the Group's investment properties for the purpose of upgrading the machinery and equipment in the cold storage warehouses are secured, bear interest at Hong Kong Prime Lending Rate per annum and repayable by 16 quarterly instalments commencing 19th December, 2003.

At 31st December, 2002, the other loan was secured, bore interest at 4% per annum and had been repaid during the year.

(c) The retention receivables were not yet due at the balance sheet date according to the provisions in the construction contracts and hence, no aged analysis is presented.

19. INVENTORIES

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Raw materials	**1,474**	7,242
Work in progress	**407**	899
Finished goods	**2,822**	9,324
Supplies	**447**	617
	5,150	18,082

Finished goods amounting to nil (2002: HK$1,144,000) are carried at net realisable value.

20. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 15 to 45 days to its customers.

Included in trade and other receivables are trade receivables of HK$30,672,000 (2002: HK$26,072,000) with an aged analysis as follows:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
0 – 30 days	**14,786**	15,839
31 – 60 days	**7,565**	5,207
61 – 90 days	**4,666**	2,176
91 – 120 days	**1,780**	1,033
More than 120 days	**1,875**	1,817
	30,672	26,072

21. LOANS RECEIVABLE

Included in loans receivable is an amount of HK$3,000,000 (2002: nil) which is unsecured, bears interest at Hong Kong Prime Lending Rate plus 3% per annum and repayable in August 2004.

22. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Contracts in progress at the balance sheet date:		
Contract costs incurred to date plus attributable profits less recognised losses	**126,981**	158,139
Progress payments received and receivable	**(141,846)**	(180,021)
	(14,865)	(21,882)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**2**	79
Amounts due to customers for contract work	**(14,867)**	(21,961)
	(14,865)	(21,882)

23. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$5,879,000 (2002: HK$4,979,000) with an aged analysis as follows:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
0 – 30 days	**2,577**	3,509
31 – 60 days	**2,609**	1,168
61 – 90 days	**549**	215
91 – 120 days	**80**	–
More than 120 days	**64**	87
	5,879	4,979

24. BORROWINGS

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Bank loans *(Note 1)*	**254,531**	–
Other loans *(Note 2)*	**115,391**	–
	369,922	–
The borrowings are repayable as follows:		
On demand or within one year	**147,266**	–
In the second year	**35,475**	–
In the third to fifth years inclusive	**111,131**	–
After five years	**76,050**	–
	369,922	–
Less: Amount due for settlement within one year shown under current liabilities	**147,266**	–
Amount due for settlement after one year	**222,656**	–

Notes:

1. The bank loans are secured by the Group's investment properties, an assignment of rental over the investment properties and the shares of certain of subsidiaries, bear interest at prevailing market rate and repayable by instalments. The last instalments of bank loans of HK$18,281,000 and HK$236,250,000 are repayable in September 2007 and June 2009 respectively.

2. The other loans are secured by the shares of certain of subsidiaries, bear interest at Hong Kong Prime Lending Rate minus 2% per annum and repayable within one year. The loans are advanced from independent third parties.

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
THE GROUP				
Within one year	–	4,482	–	4,080
In the second to fifth year inclusive	–	5,358	–	5,084
	–	9,840	–	9,164
Less: future finance charges	–	(676)	–	–
Present value of lease obligations	–	9,164	–	9,164
Less: Amount due for settlement within one year shown under current liabilities			–	(4,080)
Amount due for settlement after one year			–	5,084

It was the Group's policy to lease certain of its motor vehicles, and plant and machinery and equipment under finance leases. The average lease term was three years. For the year ended 31st December, 2002, the average effective borrowing rates were ranging from 2.5% to 5.75% or 2% over HIBOR. Interest rates were fixed at the contract date. All leases were on a fixed repayment basis and no arrangement had been entered into for contingent rental payments. The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

At 31st December, 2003, the Group had no finance lease obligations upon the disposal of interest in subsidiaries during the year.

26. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31st December, 2002 and 2003	5,000,000,000	50,000
Issued and fully paid:		
At 31st December, 2002 and 2003	3,000,000,000	30,000

27. SHARE OPTION SCHEME

Pursuant to the Share Option Scheme (the "Option Scheme") of the Company adopted on 29th August, 2000 which became effective on 10th November, 2000 for the primary purpose of providing incentive to directors and eligible employees, and which will expire 10 years after the date of adoption, the directors of the Company may grant options to executive directors or full time employees of the Group to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the Company's shares on the five trading days immediately preceding the offer of the options or the nominal value of the shares, whichever is the greater. The maximum number of shares in respect of which options may be granted under the Option Scheme may not exceed 10% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the Option Scheme. No employee may be granted options which would enable him or her to subscribe for an aggregate of more than 25% of the aggregate number of shares under the Option Scheme. Upon acceptance of option, the grantee shall pay HK$1 to the Company as consideration.

The directors noted that an announcement was issued by the Stock Exchange on 23rd August, 2001 to introduce certain amendments to Chapter 17 (Equity Securities – Share Schemes) of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and that such amendments became effective on 1st September, 2001.

Prior to 1st September, 2001, the exercise price is determined by the directors of the Company at a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options or the nominal value of the shares, whichever is the higher. With effect from 1st September, 2001, the exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing prices of the shares for the five business days immediately preceding the date of grant.

As the existing Scheme no longer complies with the amended rules in the Listing Rules governing share schemes, no further option can be granted under the Scheme from 1st September, 2001 unless the grant complies with the amended Chapter 17 of the Listing Rules. Nevertheless, options previously granted under the Scheme will continue to be exercisable in accordance with the Scheme.

Details of movements during the year in the Company's share options held by employees (including directors) are as follows:

Date granted	Exercisable period (Both dates inclusive)	Exercise price	Number of share options at 1.1.2003	Lapsed during the year	Number of share options at 31.12.2003
		HK$			
16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	135,000,000	(135,000,000)	–

No share option was granted or exercised during the year. The share options granted have been lapsed on 16th May, 2003.

28. RESERVES

	Contributed surplus *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
THE COMPANY			
As 1st January, 2002	93,239	986	94,225
Net profit for the year	–	8,963	8,963
Dividend paid	–	(9,000)	(9,000)
At 31st December, 2002	93,239	949	94,188
Net profit for the year	–	7,225	7,225
Dividend paid	(9,000)	–	(9,000)
At 31st December, 2003	84,239	8,174	92,413

Note:

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	2003 *HK$'000*	2002 *HK$'000*
Contributed surplus	**84,239**	93,239
Retained profits	**8,174**	949
	92,413	94,188

29. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years.

	Tax losses HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January, 2002			
– as previously stated	–	(1,149)	(1,149)
– adjustment on adoption of SSAP 12 (Revised)	6,393	(4,377)	2,016
– as restated	6,393	(5,526)	867
Charge for the year	(2,073)	–	(2,073)
At 31st December, 2002	4,320	(5,526)	(1,206)
Addition on acquisition of subsidiaries	–	(7,123)	(7,123)
Disposal of subsidiaries	–	5,526	5,526
Charge for the year	(3,253)	(294)	(3,547)
Effect on change in tax rate	405	(668)	(263)
At 31st December, 2003	1,472	(8,085)	(6,613)

	2003 HK$'000	2002 HK$'000
Deferred tax assets	**1,472**	4,320
Deferred tax liabilities	**(8,085)**	(5,526)
	(6,613)	(1,206)

At the balance sheet date, the Group has unused tax losses of approximately HK$152,700,000 (2002: HK$563,600,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$8,400,000 (2002: HK$27,000,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$144,300,000 (2002: HK$536,600,000) due to the unpredictability of future profit streams.

30. ACQUISITION OF SUBSIDIARIES

On 1st March, 2003, the Group acquired 100% of the issued share capital of Lubrano Properties Limited and its subsidiaries (the "Lubrano Group") for cash consideration of HK$75,635,000.

The effect of the acquisition is summarised as follows:

	2003 *HK$'000*	2002 *HK$'000*
Investment properties	505,986	–
Other receivables	967	–
Bank balances and cash	4	–
Borrowings	(426,640)	–
Other payables	(3,111)	–
Deferred tax liabilities	(7,123)	–
Net assets acquired	70,083	–
Goodwill arising on acquisition *(Note)*	5,552	–
Cash consideration	75,635	–
Net cash outflow arising on acquisition		
Cash consideration	75,635	–
Bank balances and cash acquired	(4)	–
	75,631	–

Lubrano Group generated HK$29,057,000 from operating activities, and used HK$18,120,000 and HK$10,141,000 in respect of investing and financing activities respectively.

Lubrano Group contributed HK$33,500,000 to the Group's turnover and HK$32,824,000 to Group's profit from operations during the year.

Note: An adjustment was made to the carrying amount of the assets and liabilities of the subsidiaries acquired in March 2003 by taken into account the deferred tax liabilities of HK$7,123,000, and consequently the goodwill arising on acquisition have been increased by an equivalent amount.

31. DISPOSAL OF SUBSIDIARIES

			2003 HK$'000	2002 HK$'000
Net assets disposed of:	**Continuing operations**	**Discontinuing operations**	**Total**	
Property, plant and equipment	38,554	33,777	**72,331**	–
Long-term receivables	466	–	**466**	–
Rental deposits and other assets	511	–	**511**	–
Inventories	1,383	17,366	**18,749**	–
Trade and other receivables	18,611	15,462	**34,073**	–
Amounts due from former fellow subsidiaries	27	1,217	**1,244**	–
Tax recoverable	–	372	**372**	–
Bank balances and cash	1,928	1,282	**3,210**	–
Trade and other payables	(10,567)	(3,079)	**(13,646)**	–
Trust receipt loans	–	(5,982)	**(5,982)**	–
Amounts due to former fellow subsidiaries	(176)	(2,872)	**(3,048)**	–
Deferred tax liabilities	–	(5,526)	**(5,526)**	–
Obligations under finance leases	(6,325)	(819)	**(7,144)**	–
Net assets disposed of	44,412	51,198	**95,610**	–
Release of goodwill	–	11,069	**11,069**	–
Release of negative goodwill	–	(29)	**(29)**	–
Gain (loss) on disposal of interest in subsidiaries	505	(8,823)	**(8,318)**	–
Net consideration	44,917	53,415	**98,332**	–
Satisfied by:				
Cash consideration			**100,500**	
Less: direct expenses			**(2,168)**	
Net consideration			**98,332**	–
Net cash inflow arising on disposal:				
Cash consideration			**98,332**	–
Bank balances and cash disposed of			**(3,210)**	–
			95,122	–

31. DISPOSAL OF SUBSIDIARIES *(Continued)*

The subsidiaries disposed of during the year used HK$23,804,000 in the Group's operating activities and generated HK$1,607,000 and HK$1,387,000 from the investing activities and financing activities respectively.

The subsidiaries disposed of during the year contributed HK$41,983,000 to the Group's turnover and a loss of HK$150,000 to the Group's profit from operations.

32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2002, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK$589,000.

33. PLEDGE OF ASSETS

At the balance sheet date, the Group has pledged its investment properties of HK$509,000,000 (2002: nil) as securities against bank loans granted to the Group.

In addition, the Group has pledged the shares of certain of its subsidiaries to a bank and other independent third parties as securities for bank and other loans granted for the Group (note 24).

34. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had the following contingent liabilities:

(i) Certain subsidiaries have been named as defendant in High Court actions in respect of injury claims from the workers with accidents occurred in 1999 and 2000 and the injury claims amounted to HK$11,000,000 (2002: Except for the amount of one of the injury claims which still not ascertained at the date of 2002 annual report, the injury claims for other cases amounted to approximately HK$8,000,000). The directors are of the opinion that the claims are to be indemnified by main contractors of the relevant projects or covered by insurance policy of the Group, accordingly no provision has been made in the financial statements.

(ii) At 27th September, 2002, a Dangerous Hillside Order was issued by the Buildings Department requiring necessary improvement works to be carried out on the hillside adjacent to the investment properties held by the Group. Final tender for the relevant improvement works is still not ascertained at the date of the report and accordingly, no provision has been made in the financial statements. In the opinion of the directors, the amount involved is insignificant.

(iii) The Company provided corporate guarantees to the extent of HK$270,000,000 (2002: HK$76,197,000) to banks to secure general banking facilities granted to certain subsidiaries. The total facilities utilised by the subsidiaries at 31st December, 2003 amounted to approximately HK$254,531,000 (2002: HK$2,289,000).

34. CONTINGENT LIABILITIES *(Continued)*

(iv) At 31st December, 2002, the Company provided corporate guarantees to the extent of HK$15,097,000 to finance institutions to secure finance lease facilities granted to its certain subsidiaries. The total facilities utilised by the subsidiaries at 31st December, 2002 amounted to approximately HK$8,967,000.

35. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the commitment in respect of the acquisition of plant and equipment contracted for but not provided in the financial statements amounting to HK$216,000 (2002: nil).

The Company did not have any capital commitment at the balance sheet date.

36. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**440**	324
In the second to fifth year inclusive	**–**	41
	440	365
Plant and machinery and equipment		
Within one year	**–**	52
In the second to fifth year inclusive	**–**	193
	–	245

Leases are negotiated for terms of one to two years with fixed rentals over the terms of the leases.

36. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

At the balance sheet date, the Group had contracted for the following future minimum lease payments:

	THE GROUP	
	2003	2002
	HK\$'000	*HK\$'000*
Within one year	**10,050**	–

Leases are negotiated for terms of three years and can be terminated by surrendering three months' notice from the landlord or the tenant after the first year lease. Monthly rental are recognised over the terms of the leases.

Contingent rent income were calculated based on the excess of certain amount of turnover of the relevant operation that occupied the properties over the pre-determined monthly rentals agreed by both parties.

The Company did not have any operating lease commitment at the balance sheet date.

37. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The original ORSO Scheme operated by the Group were cancelled accordingly except for the ORSO Scheme operated by a former subsidiary. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were switched to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

In addition to the mandatory contribution of 5% of the payroll costs, the Group voluntary contributes 1% to 5%, depends on the year of service of the employee, to the MPF Scheme.

Where there are employees who leave the ORSO Scheme and MPF Scheme prior to vesting fully in the contributions, the market value of the unvested portion will be refunded to the Group.

The total cost charged to the income statement of HK\$733,000 (2002: HK\$1,263,000) represents contributions payable to the MPF Scheme, after forfeited contributions utilised in the ORSO Scheme and MPF Scheme of HK\$491,000 (2002: HK\$594,000), by the Group in respect of the current accounting year.

38. RELATED PARTY TRANSACTIONS

During the year and at the balance sheet, the Group entered into the following transactions with related parties:

	Notes	**2003** *HK$'000*	2002 *HK$'000*
Purchases of goods from former fellow subsidiaries	*(a)*	**3,364**	2,158
Sales of goods to former fellow subsidiaries	*(a)*	**561**	4,662
Rent and infreight charges paid to a former fellow subsidiary	*(b)*	**1**	38
Office rent paid to a related company	*(c)*	**285**	–
Consultancy fee paid to ultimate holding company	*(c) and (e)*	**900**	–
Amount due to ultimate holding company	*(d)*	**900**	–
Amounts due from former fellow subsidiaries	*(d)*	**–**	791
Amounts due to former fellow subsidiaries	*(d)*	**–**	202

Notes:

(a) Purchases and sales of goods were carried out at cost plus a percentage profit mark up.

(b) Rent and infreight charges was charged at agreed price per ton.

(c) Office rent and consultancy fee were charged at terms agreed by the parties concerned.

(d) The amounts are unsecured, interest-free and with no fixed repayment terms.

(e) The related company is beneficially held by Mr. To Shu Fai, a director of the Company.

In addition, on 15th May, 2003, the Group entered into an agreement with WGL to dispose of the entire interest in certain subsidiaries to WGL for a cash consideration of HK$100,500,000, which resulted at a loss on disposal of subsidiaries of HK$8,318,000. The transaction was completed on 9th July, 2003. Details of the transaction had been included in the announcement and circular of the Company dated 23rd May, 2003 and 13th June, 2003 respectively.