

## 1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- property investment
- provision of serviced apartment and property management services
- trading of steel
- manufacturing and trading of electronic products

In the opinion of the directors, the ultimate holding company is Power Resources Holdings Limited, a company incorporated in the British Virgin Islands.

## 2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the “new HKFRSs”), which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. These new HKFRSs may result in changes in the future as to how the Group’s financial performance and financial position are prepared and presented.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and short term investments, as further explained below.

### Basis of consolidation

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

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

### Subsidiaries

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Associates**

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

#### **Goodwill**

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 5 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

#### **Negative goodwill**

Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Negative goodwill** *(continued)*

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

#### **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### **Impairment of assets**

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

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

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

#### **Fixed assets and depreciation**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Fixed assets and depreciation** *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	4% or over the lease terms, if shorter
Leasehold improvements	Over the lease terms
Furniture, fixtures and office equipment	20% - 33 $\frac{1}{3}$ %
Motor vehicles	20% - 33 $\frac{1}{3}$ %
Plant and machinery	10% - 20%
Vessels	30%

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

**Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

**Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, capitalised interest during the period of development and other direct costs attributable to such properties. Net realisable value is calculated as the estimated selling price less all costs to completion, if applicable, and costs of marketing and selling.

**Operating leases**

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Long term investments**

Long term investments in listed and unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses, on an individual investment basis.

Dated debt securities that the Group has the ability and intention to hold to maturity are classified as held-to-maturity securities and are stated in the balance sheet at amortised cost less any impairment losses.

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

The fair values of such listed securities are their quoted market prices at the balance sheet date. The fair values of such unlisted securities are estimated by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases of the securities, or comparison of price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

#### **Short term investments**

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

#### **Cash and cash equivalents**

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. For the purpose of the balance sheet, cash and bank balances and time deposits represent assets which are not restricted as to use.

#### **Income tax**

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Income tax** *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

**Revenue recognition**

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income from property letting, in the period in which the properties are let and on a straight-line basis over the lease terms;
- (c) income from the provision of serviced apartments and property management services, and project management, in the period in which such services are rendered;

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Revenue recognition** *(continued)*

- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (e) dividend income, when the shareholders' right to receive payment has been established; and
- (f) from the sale of listed securities, on the trade date.

**Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

**Translation of foreign currencies**

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

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Employee benefits***Retirement benefits scheme*

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

As stipulated by the regulations of the PRC government, each of the Group's subsidiaries in the PRC participates in the central pension scheme operated by the local municipal government for all of their staff. These PRC subsidiaries are required to contribute a certain percentage of their covered payroll to the scheme to fund the benefits. The only obligation of the Group with respect to the scheme is to pay the ongoing required contributions under the scheme. Contributions under the scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

*Share option scheme*

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

*Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of probable future long service payments based on the best estimate of the probable future outflow of resources which has been earned by the employees from their service to the Group at the balance sheet date.



#### 4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

The Group's operating businesses are structured and managed separately, according to the location of assets and customers. Each of the Group's geographical segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of other geographical segments. Summary details of the geographical segments are as follows:

- (a) Hong Kong;
- (b) elsewhere in the People's Republic of China ("PRC"); and
- (c) Thailand

In determining the Group's business segments, revenues and results are attributed to the segments based on the nature of their operations and the services they provide.

There were no intersegment sales and transfer during the year (2003: Nil).

**4. SEGMENT INFORMATION** (continued)**(a) Geographical segments**

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments.

Group	Hong Kong		Elsewhere in the PRC		Thailand		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue:								
Sales to external customers	41,075	38,460	134,654	101,614	525,737	194,178	701,466	334,252
Other revenue	705	841	4,124	5,396	—	—	4,829	6,237
Total	<b>41,780</b>	39,301	<b>138,778</b>	107,010	<b>525,737</b>	194,178	<b>706,295</b>	340,489
Segment results	<b>2,174</b>	12,047	<b>98,551</b>	70,165	<b>2,280</b>	2,005	<b>103,005</b>	84,217
Interest and dividend income and unallocated gains							32,042	23,304
Unallocated expenses							(915)	(2,833)
Profit from operating activities							134,132	104,688
Finance costs							(13,070)	(24,340)
Share of profits and losses of associates							—	(621)
Negative goodwill on acquisition of interest in an associate recognised as income							—	633
Profit before tax							121,062	80,360
Tax							(7,537)	1,521
Profit before minority interests							113,525	81,881
Minority interests							(32,274)	(27,151)
Net profit from ordinary activities attributable to shareholders							<b>81,251</b>	54,730

## 4. SEGMENT INFORMATION (continued)

## (a) Geographical segments (continued)

Group	Hong Kong		Elsewhere in the PRC		Thailand		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment assets	783,511	727,422	2,178,882	1,934,065	1	75,579	2,962,394	2,737,066
Long term investment	15,930	330	—	—	—	—	15,930	330
Negative goodwill	(67,189)	(70,100)	(21,993)	(24,177)	—	—	(89,182)	(94,277)
Unallocated assets							91,810	138,684
Total assets							2,980,952	2,781,803
Segment liabilities	28,960	31,475	61,046	55,518	—	53,450	90,006	140,443
Unallocated liabilities							1,222,707	1,359,479
Total liabilities							1,312,713	1,499,922
Other segment information:								
Depreciation and amortisation	1,864	1,739	2,909	2,695	—	—	4,773	4,434
Surplus on revaluation of investment properties	(22,481)	(8,703)	(145,907)	(21,164)	—	—	(168,388)	(29,867)
Capital expenditure	1,123	20,141	2,940	25,960	—	—	4,063	46,101

## (b) Business segments

The following tables present revenue and certain asset, liability and expenditure information for the Group's business segments:

Group	Property investment		Provision of serviced apartment and property management services		Steel trading		Electronic products		Corporate and others		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue:												
Sales to external customers	156,201	127,014	7,090	6,345	525,737	194,178	12,438	6,715	—	—	701,466	334,252
Other segment information:												
Segment assets	2,853,881	2,597,019	3,913	3,505	1	75,229	5,274	4,237	99,325	57,076	2,962,394	2,737,066
Segment liabilities	(66,507)	(62,332)	(6,247)	(6,749)	—	(55,684)	(4,567)	(7,486)	(12,685)	(8,192)	(90,006)	(140,443)
Capital expenditure	2,221	19,576	829	75	—	—	24	192	989	26,258	4,063	46,101

**5. TURNOVER, OTHER REVENUE AND GAINS**

Turnover represents the aggregate of the invoiced value of goods sold, after allowances for returns and trade discounts, and the total amounts received and receivable from the provision of serviced apartment and property management services and rental income, net of PRC business taxes, from property letting, after elimination of all significant intra-group transactions.

An analysis of turnover, other revenue and gains is as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
<b>Turnover</b>		
Rental income from property letting	<b>156,201</b>	126,275
Serviced apartment and property management	<b>7,090</b>	7,084
Trading of steel	<b>525,737</b>	194,178
Manufacturing and trading of electronic products	<b>12,438</b>	6,715
	<b>701,466</b>	334,252
<b>Other revenue and gains</b>		
Interest income	<b>1,678</b>	888
Gain on disposal of long term investments	—	36
Gain on disposal of short term listed investments	<b>7,621</b>	4,361
Gain on disposal of fixed assets	<b>5,874</b>	22
Negative goodwill recognised as income	<b>15,780</b>	9,232
Dividend income from listed investments	<b>2,071</b>	287
Others	<b>8,990</b>	7,614
	<b>42,014</b>	22,440

**6. PROFIT FROM OPERATING ACTIVITIES**

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

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>521,750</b>	190,731
Cost of services provided	<b>28,889</b>	32,745
Depreciation	<b>3,858</b>	4,075
Amortisation of goodwill ( <i>Note (i)</i> )	<b>287</b>	359
Provision for impairment of goodwill ( <i>Note (i)</i> )	<b>628</b>	—
Minimum lease payments under operating leases for land and buildings	<b>1,667</b>	744
Auditors' remuneration	<b>619</b>	1,140
Provision for bad and doubtful debts	—	439
Write back of provision for bad and doubtful debts	—	(439)
Loss on disposal of fixed assets	<b>285</b>	32
Loss on disposal of investment properties	<b>8,617</b>	2,817
Staff costs (including directors' remuneration ( <i>note 8</i> ))		
Wages and salaries	<b>10,886</b>	8,513
Pension scheme contributions ( <i>Note (ii)</i> )	<b>356</b>	268
	<b>11,242</b>	8,781
Gross rental income	<b>(156,201)</b>	(126,275)
Less: Outgoings	<b>9,735</b>	6,829
Net rental income	<b>(146,466)</b>	(119,446)
Exchange losses, net	<b>126</b>	136
Unrealised loss/(gain) on listed investments	<b>5,143</b>	(4,630)

*Notes:*

- (i) The amortisation of goodwill and provision for impairment of goodwill for the year are included in "Other operating expenses" on the face of the consolidated profit and loss account.
- (ii) As at 31 December 2004, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2003: Nil).

**7. FINANCE COSTS**

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	11,062	11,345
Interest on bank loans wholly repayable after five years	2,008	12,995
	<u>13,070</u>	<u>24,340</u>

**8. DIRECTORS' REMUNERATION**

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-executive directors		
Fees	180	180
Executive directors		
Salaries	980	467
Pension scheme contributions	12	19
	<u>1,172</u>	<u>666</u>

The remuneration of all of the directors fell within the band of Nil to HK\$1,000,000 for the years ended 31 December 2003 and 2004.

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

**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees of the Group included one (2003: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2003: four) non-director, highest paid employees for the year are as follows:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Salaries	<b>1,861</b>	1,769
Pension scheme contributions	<b>48</b>	48
	<hr/> <b>1,909</b> <hr/>	<hr/> 1,817 <hr/>

The remuneration of each of these four (2003: four) non-director, highest paid employees fell within the band of Nil to HK\$1,000,000.

**10. TAX**

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

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Provision for the year:		
Current – Hong Kong	<b>1,382</b>	2,228
Current – Elsewhere in the PRC	<b>6,485</b>	4,011
Deferred ( <i>note 27</i> )	<b>—</b>	1,571
	<hr/> <b>7,867</b> <hr/>	<hr/> 7,810 <hr/>
Overprovision in prior years	<b>(330)</b>	(9,331)
	<hr/> <b>7,537</b> <hr/>	<hr/> (1,521) <hr/>
Total tax charge/(credit) for the year		

**10. TAX** (continued)

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

**Group - 2004**

	Hong Kong		Elsewhere in the PRC		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>28,342</u>		<u>92,720</u>		<u>121,062</u>	
Tax at the statutory tax rate	4,960	17.5	30,598	33.0	35,558	29.4
Adjustments in respect of current tax of previous periods	(330)	(1.2)	—	—	(330)	(0.3)
Income not subject to tax	(4,378)	(15.4)	(26,133)	(28.2)	(30,511)	(25.2)
Expenses not deductible for tax	3,767	13.3	10,361	11.2	14,128	11.7
Tax losses not recognised	663	2.3	100	0.1	763	0.6
Tax losses utilised from previous periods	(2,174)	(7.7)	(8,381)	(9.0)	(10,555)	(8.7)
Others	<u>(1,456)</u>	<u>(5.1)</u>	<u>(60)</u>	<u>(0.1)</u>	<u>(1,516)</u>	<u>(1.3)</u>
Tax charge at the Group's effective rate	<u>1,052</u>	<u>3.7</u>	<u>6,485</u>	<u>7.0</u>	<u>7,537</u>	<u>6.2</u>

**Group - 2003**

	Hong Kong		Elsewhere in the PRC		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>16,939</u>		<u>63,421</u>		<u>80,360</u>	
Tax at the statutory tax rate	2,964	17.5	20,929	33.0	23,893	29.7
Adjustments in respect of current tax of previous periods	(9,331)	(55.1)	—	—	(9,331)	(11.6)
Income not subject to tax	(1,314)	(7.8)	(13,554)	(21.3)	(14,868)	(18.5)
Expenses not deductible for tax	1,218	7.2	29	—	1,247	1.6
Tax losses not recognised	1,153	6.8	159	0.2	1,312	1.6
Tax losses utilised from previous periods	(823)	(4.9)	(3,552)	(5.6)	(4,375)	(5.4)
Others	<u>601</u>	<u>3.6</u>	<u>—</u>	<u>—</u>	<u>601</u>	<u>0.7</u>
Tax charge/(credit) at the Group's effective rate	<u>(5,532)</u>	<u>(32.7)</u>	<u>4,011</u>	<u>6.3</u>	<u>(1,521)</u>	<u>(1.9)</u>



**11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company, is HK\$240,000 (2003: net profit from ordinary activities attributable to shareholders of HK\$214,000).

**12. DIVIDENDS**

	<b>Group and Company</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Interim dividend of 0.15 HK cents (2003: 0.15 HK cents) per ordinary share	<b>6,270</b>	6,001
Proposed final dividend of 0.325 HK cents (2003: 0.30 HK cents) per ordinary share	<b>13,586</b>	12,002
	<b>19,856</b>	18,003

The proposed final dividend for the year ended 31 December 2004 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

**13. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$81,251,000 (2003: HK\$54,730,000) and the weighted average number of 4,043,276,309 (2003: 4,000,526,323) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2003 and 2004 have not been disclosed as no diluting events existed during either year.

**14. INTERESTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>656,622</b>	656,622
Due from subsidiaries	<b>257,904</b>	235,458
Due to subsidiaries	<b>(1,800)</b>	(1,800)
	<b>912,726</b>	890,280

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

**14. INTERESTS IN SUBSIDIARIES** (continued)

Particulars of the principal subsidiaries as at 31 December 2004 are as follows:

<b>Name</b>	<b>Place of incorporation/ registration and operations</b>	<b>Nominal value of issued share capital/ registered capital</b>	<b>Percentage of equity interest attributable to the Company</b>	<b>Principal activities</b>
Alphatronics Limited	Hong Kong	HK\$6,000,000	42.47 (Note (i))	Trading of electronic products
Alphatronics Electronic (Shenzhen) Co., Ltd. (Note (vi))	PRC	US\$3,310,000	42.47 (Note (i))	Manufacture of electronic components
Call Rich Investments Limited	British Virgin Islands	US\$50,000	59.18 (Note (ii))	Investment holding
Charter Million Investment Limited	Hong Kong/ PRC	HK\$2	62.83	Property investment
East Winner Limited	British Virgin Islands	US\$1	56.62	Investment holding
Ever Ford Development Limited	Hong Kong/ PRC	HK\$10,000	61.19 (Note (iv))	Property investment
Fexlink Limited (Note (vii))	Hong Kong	HK\$100	100	Property investment
Forever Richland Limited	British Virgin Islands	US\$50,000	75	Investment holding
Fortune Text Holdings Limited	Hong Kong/ PRC	HK\$2	62.83	Property investment
Godfrey Investments Limited	British Virgin Islands	US\$1	100	Investment holding
Good Connection Investments Limited	British Virgin Islands/PRC	US\$50,000	45.5 (Notes (i) & (iii))	Property investment
Grandfield Nominees Limited	Hong Kong	HK\$1,000,000	100	Property investment
Head Wonder International Limited	British Virgin Islands	US\$10,000	62.83	Investment holding

**14. INTERESTS IN SUBSIDIARIES** *(continued)*Particulars of the principal subsidiaries as at 31 December 2004 *(continued)*:

<b>Name</b>	<b>Place of incorporation/ registration and operations</b>	<b>Nominal value of issued share capital/ registered capital</b>	<b>Percentage of equity interest attributable to the Company</b>	<b>Principal activities</b>
Inter China Limited	British Virgin Islands	US\$100	32.27 <i>(Note (i))</i>	Investment holding
Kiuson Development Limited	Hong Kong	HK\$100	45.5 <i>(Note (i) &amp; (iii))</i>	Investment holding
Kiuson Development (Shanghai) Ltd. <i>(Note (vi))</i>	PRC	US\$10,000,000	100	Property investment
Lau & Partners Consultants Limited	Hong Kong/ PRC	HK\$10,000	100	Property investment
Limitless Investment Limited	British Virgin Islands	US\$2	100	Investment holding
Linkful Electronics Limited	British Virgin Islands	US\$1	56.62	Investment holding
Linkful (Holdings) Limited	Hong Kong	Ordinary HK\$1,000 Non-voting Deferred HK\$20,000,000	56.62	Investment holding
Linkful (PRC) Investments Limited	Hong Kong	HK\$2	56.62	Investment holding
Linkful Management Services Limited	Hong Kong	HK\$2	56.62	Provision of management services
Linkful Metals Trading Limited	British Virgin Islands/ Thailand	US\$1	56.62	Metal trading
Linkful Properties Company Limited	Hong Kong/ PRC	HK\$2	56.62	Investment and property holding
Linkful Strategic Investment Limited	British Virgin Islands	US\$1	56.62	Investment holding
Lucky River Limited	British Virgin Islands	US\$1	100	Investment holding

**14. INTERESTS IN SUBSIDIARIES** *(continued)*Particulars of the principal subsidiaries as at 31 December 2004 *(continued)*:

<b>Name</b>	<b>Place of incorporation/ registration and operations</b>	<b>Nominal value of issued share capital/ registered capital</b>	<b>Percentage of equity interest attributable to the Company</b>	<b>Principal activities</b>
Maxlord Limited	Hong Kong	HK\$10,000	100	Property Investment
Million Growth Investment Limited	Hong Kong	HK\$10,000	100	Provision of recreational services
Multifield (Holdings) Limited	Hong Kong	HK\$1,000,000	100	Investment holding, provision of management services and agency services
Multifield Hotel Serviced Apartment Management (Shanghai) Ltd. <i>(Note (vi))</i>	PRC	US\$200,000	100	Provision of property management and administration services
Multifield International Hotel Management Limited	Hong Kong	HK\$10,000	100	Provision of property management and administration services
Multifield Investment (HK) Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Investment (PRC) Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Management Services Limited	British Virgin Islands	US\$2	100	Investment holding
Multifield Properties Holdings Limited	British Virgin Islands	US\$1	100	Investment holding

**14. INTERESTS IN SUBSIDIARIES** *(continued)*Particulars of the principal subsidiaries as at 31 December 2004 *(continued)*:

<b>Name</b>	<b>Place of incorporation/ registration and operations</b>	<b>Nominal value of issued share capital/ registered capital</b>	<b>Percentage of equity interest attributable to the Company</b>	<b>Principal activities</b>
Multifield Properties Limited	Hong Kong	HK\$9,000	100	Investment holding
Multifield Property Agency Limited	Hong Kong	HK\$2	100	Provision of property agency services
Multifield Property Management Limited	Hong Kong	HK\$2	100	Provision of property management services
Multifield International Holdings (B.V.I.) Limited	British Virgin Islands	US\$40	100	Investment holding
Nichiyu Consultants Limited	British Virgin Islands	US\$2	100	Investment holding
Oriental Explorer Holdings Limited	Bermuda	HK\$18,000,000	56.62	Investment holding
Prince Properties Limited	Hong Kong	HK\$10,000	78.31 <i>(Note (v))</i>	Investment holding
Quick Profits Limited	British Virgin Islands	US\$2	100	Investment holding
Quick Returns Group Limited	British Virgin Islands	US\$1	100	Investment holding
Rich Returns Limited	British Virgin Islands	US\$100	61.19 <i>(Note (iv))</i>	Investment holding
Richwell Properties Limited <i>(Note (vii))</i>	Hong Kong	Ordinary HK\$110,000 Non-voting deferred HK\$10,000	100	Property investment
Snowdon Worldwide Limited	British Virgin Islands	US\$1	56.62	Investment holding

**14. INTERESTS IN SUBSIDIARIES** *(continued)*Particulars of the principal subsidiaries as at 31 December 2004 *(continued)*:

<b>Name</b>	<b>Place of incorporation/ registration and operations</b>	<b>Nominal value of issued share capital/ registered capital</b>	<b>Percentage of equity interest attributable to the Company</b>	<b>Principal activities</b>
Silver Nominees Limited	Hong Kong	HK\$2	100	Property investment
Sino Yield Investments Limited	British Virgin Islands	US\$3	66.7	Investment holding
Skilful Investments Limited	British Virgin Islands/PRC	US\$50,000	45.5 <i>(Notes (i) &amp; (iii))</i>	Property letting
Tellink Development Limited	Hong Kong/ PRC	HK\$100	100	Property investment
Triple Luck Investments Limited <i>(Note (vii))</i>	British Virgin Islands	US\$50,000	100	Investment holding
Verywell Properties Limited	British Virgin Islands/Hong Kong	US\$1	100	Property investment
Win Channel Enterprises Limited	Hong Kong	HK\$2	66.7	Property investment
Windsor Properties (Shanghai) Co., Ltd. <i>(Note (vi))</i>	PRC	US\$5,000,000	100	Property investment
Windsor Property Management (Shanghai) Co., Ltd. <i>(Note (vi))</i>	PRC	US\$200,000	100	Provision of property management services
Windsor Renaissance Hotel Property Management (Shanghai) Ltd. <i>(Note (vi))</i>	PRC	US\$140,000	100	Provision of property management services
Winner Strong Limited <i>(Note (vii))</i>	Hong Kong	HK\$100	100	Property investment
Wise Chance Limited	Hong Kong	HK\$100	100	Property investment
Wise Success Limited <i>(Note (vii))</i>	Hong Kong	HK\$100	100	Property investment

**14. INTERESTS IN SUBSIDIARIES** *(continued)*

Except for Multifield International Holdings (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

*Notes:*

- (i) These companies are subsidiaries of non wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over the entities.
- (ii) The Group holds a direct equity interest of 45% in this subsidiary, and an indirect equity interest of 14.18% by virtue of the Group's 56.62% interest in Oriental Explorer Holdings Limited, which holds a 25.04% equity interest in this subsidiary.
- (iii) The Group holds a direct equity interest of 37% in these subsidiaries, and an indirect equity interest of 8.5% by virtue of the Group's 56.62% interest in Oriental Explorer Holdings Limited, which holds 15.02% equity interest in these subsidiaries.
- (iv) The Group holds a direct equity interest of 51% in these subsidiaries, and an indirect equity interest of 10.19% by virtue of the Group's 56.62% interest in Oriental Explorer Holdings Limited, which holds 18% equity interest in these subsidiaries.
- (v) The Group holds a direct equity interest of 50% in this subsidiary, and an indirect equity interest of 28.31% by virtue of the Group's 56.62% interest in Oriental Explorer Holdings Limited, which holds a 50% equity interest in this subsidiary.
- (vi) These subsidiaries are registered as wholly-foreign owned enterprises under the PRC law.
- (vii) On 6 October 2004, the Group further acquired 42.5% equity interest in Triple Luck Investments Limited ("Triple Luck") for a consideration of HK\$40,914,685 which was satisfied by the allotment and issue of 179,844,769 ordinary shares of the Company at HK\$0.2275 per share. Triple Luck and its subsidiaries became wholly-owned subsidiaries of the Company thereafter.

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

## 15. FIXED ASSETS

## Group

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:							
As at 1 January 2004	10,630	4,922	18,891	3,869	794	3,969	43,075
Additions	—	793	2,020	1,226	24	—	4,063
Disposals	(308)	(2,538)	(1,372)	(360)	—	(1,703)	(6,281)
<b>As at 31 December 2004</b>	<b>10,322</b>	<b>3,177</b>	<b>19,539</b>	<b>4,735</b>	<b>818</b>	<b>2,266</b>	<b>40,857</b>
Accumulated depreciation:							
As at 1 January 2004	674	4,531	16,858	2,201	196	1,210	25,670
Provided during the year	256	70	1,585	541	345	1,061	3,858
Disposals	(124)	(2,178)	(1,277)	(81)	—	(1,337)	(4,997)
<b>As at 31 December 2004</b>	<b>806</b>	<b>2,423</b>	<b>17,166</b>	<b>2,661</b>	<b>541</b>	<b>934</b>	<b>24,531</b>
Net book value:							
<b>As at 31 December 2004</b>	<b>9,516</b>	<b>754</b>	<b>2,373</b>	<b>2,074</b>	<b>277</b>	<b>1,332</b>	<b>16,326</b>
As at 31 December 2003	9,956	391	2,033	1,668	598	2,759	17,405

The Group's leasehold land and buildings included above are held in the PRC under the following lease terms:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
At cost:		
Long term leases	822	1,623
Medium term leases	9,500	9,500
	<b>10,322</b>	<b>11,123</b>

Certain of the Group's land and buildings with a net book value of approximately HK\$8,788,000 (2003: HK\$8,977,500) were pledged to secure general banking facilities granted to the Group (*note 24*).



**16. INVESTMENT PROPERTIES**

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
At beginning of the year	<b>2,292,400</b>	1,334,900
Additions	—	36,233
Acquisition of interest in subsidiaries ( <i>note 30(b)</i> )	—	900,000
Disposals	<b>(17,322)</b>	(8,600)
Surplus on revaluation	<b>271,922</b>	29,867
	<hr/>	<hr/>
At end of the year	<b>2,547,000</b>	2,292,400
	<hr/>	<hr/>

The Group's investment properties as at 31 December 2004 are situated in Hong Kong and the PRC and are held under the following lease terms:

	<b>Hong Kong</b>	<b>Elsewhere</b>	<b>Total</b>
	HK\$'000	in the PRC HK\$'000	HK\$'000
Long term leases	266,200	2,156,600	2,422,800
Medium term leases	124,200	—	124,200
	<hr/>	<hr/>	<hr/>
	390,400	2,156,600	2,547,000
	<hr/>	<hr/>	<hr/>

The revaluation of the Group's investment properties as at 31 December 2004 was performed by B.I. Appraisals Limited, an independent firm of professional qualified valuers, on an open market value, existing use basis.

The investment properties held by the Group are leased to third parties under operating leases, further summary details of which are included in note 33 to the financial statements.

As at 31 December 2004, certain of the Group's investment properties with a value of HK\$1,401,200,000 (2003: HK\$1,323,080,000), were pledged to secure general banking facilities granted to the Group (*note 24*).

Further particulars of the Group's investment properties are included on pages 63 to 65.

**17. INVESTMENTS**

Long term investments:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted equity investments, at cost	<b>330</b>	330
Held-to-maturity debt securities, at cost	<b>15,600</b>	—
	<u><b>15,930</b></u>	<u>330</u>

Short term investments:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Listed equity investments, at market value:		
Hong Kong	<b>54,054</b>	46,241
Elsewhere	<b>23,826</b>	—
	<u><b>77,880</b></u>	<u>46,241</u>

**18. GOODWILL AND NEGATIVE GOODWILL**

The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	<b>Group</b>	
	<b>Goodwill</b>	<b>Negative goodwill</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:		
At beginning of the year	2,334	(127,181)
Acquisition of subsidiaries ( <i>note 14(vii)</i> )	—	(9,770)
	<hr/>	<hr/>
<b>As at 31 December 2004</b>	<b>2,334</b>	<b>(136,951)</b>
	<hr/>	<hr/>
Accumulated amortisation (recognition as income):		
At beginning of the year	987	(31,557)
Amortisation provided/(recognised as income) during the year	287	(15,780)
Provision for impairment of goodwill	628	—
	<hr/>	<hr/>
<b>As at 31 December 2004</b>	<b>1,902</b>	<b>(47,337)</b>
	<hr/>	<hr/>
Net book value:		
<b>As at 31 December 2004</b>	<b>432</b>	<b>(89,614)</b>
	<hr/>	<hr/>
As at 31 December 2003	1,347	(95,624)
	<hr/>	<hr/>

**19. INTERESTS IN ASSOCIATES**

On 18 March 2003, the Group increased its equity interest in Rich Returns Limited ("Rich Returns") to 51% by acquiring an additional 3% equity interest from a shareholder of Rich Returns for a cash consideration of HK\$12,531,000. Rich Returns was previously held by the Group as an associate. As a result, Rich Returns was accounted for as a subsidiary of the Group thereafter.

On 27 June 2003, the Group increased its equity interest in Oriental Explorer Holdings Limited ("Oriental Explorer") to 56.56% by making a voluntary conditional cash offer to acquire an additional 26.80% equity interest from the public, for a cash consideration of HK\$25,434,000. Oriental Explorer was previously held by the Group as an associate. As a result, Oriental Explorer was accounted for as a subsidiary of the Group thereafter.

**20. PROPERTIES HELD FOR SALE**

The properties held for sale are stated at cost, and are held under medium term leases in Hong Kong and are pledged to the extent of HK\$104,875,000 to secure general banking facilities granted to the Group (*note 24*).

**21. TRADE AND BILLS RECEIVABLES**

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Trade receivables	8,117	59,594
Less: Provision for doubtful debts	(215)	(215)
	<u>7,902</u>	<u>59,379</u>
Bills receivables	—	22,041
	<u>7,902</u>	<u>81,420</u>

An aged analysis of trade receivables at the balance sheet date is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within three months	4,088	58,629
Four to six months	63	141
Over six months	3,751	609
	<u>7,902</u>	<u>59,379</u>

An aged analysis of bills receivables at the balance sheet date is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within three months	—	22,041

For the Group's property rental business, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rental in order to secure any default in their rental payments.

The Group's trading terms with steel customers are mainly on credit. Invoices are normally payable within two months of issuance, except for certain well established customers, where the terms are extended to three to six months in some cases, subject to the approval of senior management. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

**22. INVENTORIES**

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	<i>HK\$'000</i>
Raw materials	<b>1,538</b>	1,106
Work in progress	<b>10</b>	18
Finished goods	<b>1,192</b>	1,012
	<hr/> <b>2,740</b> <hr/>	<hr/> 2,136 <hr/>

As at 31 December 2004, no inventories were carried at net realisable value or pledged as security for any liability of the Group (2003: Nil).

**23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS**

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	<i>HK\$'000</i>
Cash and bank balances	<b>61,382</b>	118,054
Non-pledged time deposits	<b>22,086</b>	12,649
	<hr/> <b>83,468</b> <hr/>	<hr/> 130,703 <hr/>
Cash and cash equivalents		
Pledged deposits	<b>7,800</b>	7,800
	<hr/> <b>91,268</b> <hr/>	<hr/> 138,503 <hr/>

The time deposits of HK\$7,800,000 (2003: HK\$7,800,000) were pledged as security for banking facilities granted.

**24. BANK LOANS, SECURED**

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Bank loans are repayable:		
Within one year	<b>130,069</b>	93,843
In the second year	<b>99,242</b>	290,699
In the third to fifth years, inclusive	<b>300,498</b>	215,827
Wholly repayable beyond five years	<b>71,796</b>	82,127
	<hr/> <b>601,605</b>	<hr/> 682,496
Less: Portion due within one year classified as current liabilities	<b>(130,069)</b>	(93,843)
	<hr/> <b>471,536</b>	<hr/> 588,653

The Group's banking facilities were secured by:

- (i) first legal charges over certain of the Group's investment properties, fixed assets and properties held for sale with an aggregate net book value of approximately HK\$1,515,000,000 at the balance sheet date;
- (ii) personal guarantees given by certain directors of the Company and its subsidiaries and the minority shareholders; and
- (iii) corporate guarantees issued by the Company.

**25. TRADE AND BILLS PAYABLES**

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Trade payables	4,526	10,509
Bills payables	—	53,450
	<u>4,526</u>	<u>63,959</u>

An aged analysis of trade payables at the balance sheet date is as follows:

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within three months	2,210	7,995
Four to six months	918	463
Over six months	1,398	2,051
	<u>4,526</u>	<u>10,509</u>

An aged analysis of bills payables at the balance sheet date is as follows:

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within three months	—	53,450

**26. DUE TO A DIRECTOR/MINORITY SHAREHOLDER**

The amount due to a director is unsecured, interest-free and is not repayable within one year. The amount due to a minority shareholder is unsecured, interest-free and has no fixed terms of repayment.

**27. DEFERRED TAX**

Details of deferred tax liabilities are as follows:

**Group**

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Revaluation of properties</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 1 January 2003	—	130,178	31,131	161,309
Deferred tax charged to the profit and loss account during the year ( <i>note 10</i> )	1,571	—	—	1,571
Acquisition of subsidiaries ( <i>note 30(b)</i> )	—	209,717	—	209,717
Deferred tax charged to revaluation reserves, including a charge of HK\$2,915,000 due to the effect of a change in tax rates	—	13,533	2,915	16,448
<b>As at 31 December 2003 and 31 December 2004</b>	<b><u>1,571</u></b>	<b><u>353,428</u></b>	<b><u>34,046</u></b>	<b><u>389,045</u></b>

As at 31 December 2004, the Group has tax losses arising in Hong Kong of HK\$18,464,000, which is calculated at the rate of 17.5% on the cumulative timing differences at the balance sheet date. The Group's tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.



**28. SHARE CAPITAL****Shares**

	Number of shares		Value	
	2004	2003	2004 HK\$'000	2003 HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	<b>50,000,000,000</b>	50,000,000,000	<b>500,000</b>	500,000
<i>Issued and fully paid:</i>				
At beginning of the year	<b>4,000,526,323</b>	4,000,526,323	<b>40,005</b>	40,005
Issue of shares on 6 October 2004	<b>179,844,769</b>	—	<b>1,799</b>	—
At end of the year	<b>4,180,371,092</b>	4,000,526,323	<b>41,804</b>	40,005

On 6 October 2004, the Company allotted and issued 179,844,769 ordinary shares of HK\$0.01 each at HK\$0.2275 per share as consideration for the acquisition of 42.5% equity interest in Triple Luck, further details of which are set out in note 14(vii) to the financial statements.

**Share options**

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, other employees, adviser, consultant, agent, contractor, client or customer, or supplier of any member of the Group. The Scheme became effective on 27 June 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of securities available for issue under the Scheme is 400,052,632, which is equivalent to 10% of the issued share capital of the Company as at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's share at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

**28. SHARE CAPITAL** (continued)

The offer of a grant of share options may be accepted within 5 days from the date of the offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the board of directors, but may not be less than the higher of (i) the nominal value of the shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

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

No share options have been granted, exercised, lapsed or cancelled since the establishment of the Scheme.

The following share options of Oriental Explorer Holdings Limited, a subsidiary of the Company, were outstanding during the year:

Name Category of participant	Date of grant of share options	Exercise price of share options HK\$	Number of share options		Exercise period of share options
			As at 1 January 2004 and 31 December 2004		
<b>Director</b>					
Lau Chi Yung, Kenneth	7 February 1998	0.112	19,500,000		7 February 1998 to 6 February 2008
<b>Others</b>					
Tsang Pak Chung, Eddy	7 February 1998	0.112	19,500,000		7 February 1998 to 6 February 2008
Leung Wei San, Saskia	7 February 1998	0.112	19,500,000		7 February 1998 to 6 February 2008
			58,500,000		

No share options of Oriental Explorer Holdings Limited were granted, exercised, cancelled or lapsed during the year.

**29. RESERVES****Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 20 to 21 of the financial statements.

**Company**

	<i>Notes</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Contributed surplus</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 1 January 2003		—	802,254	54,383	856,637
Net profit for the year		—	—	214	214
Interim 2003 dividend	12	—	—	(6,001)	(6,001)
Proposed final 2003 dividend	12	—	—	(12,002)	(12,002)
<hr/>					
As at 31 December 2003 and 1 January 2004		—	802,254	36,594	838,848
Issue of shares		39,116	—	—	39,116
Net loss for the year		—	—	(240)	(240)
Interim 2004 dividend	12	—	—	(6,270)	(6,270)
Proposed final 2004 dividend	12	—	—	(13,586)	(13,586)
<hr/>					
<b>As at 31 December 2004</b>		<b>39,116</b>	<b>802,254</b>	<b>16,498</b>	<b>857,868</b>

The contributed surplus of the Company originally arose as a result of the Group reorganisation in preparation for the public listing of the Company's shares and warrants on the Stock Exchange in 1998 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus may be distributed to the Company's shareholders under certain circumstances.

**30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities:

	<i>Notes</i>	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Profit before tax		<b>121,062</b>	80,360
Adjustments for:			
Finance costs	7	<b>13,070</b>	24,340
Share of profits and losses of associates		—	621
Interest income	5	<b>(1,678)</b>	(888)
Dividend income from short term investments	5	<b>(2,071)</b>	(287)
Gain on disposal of fixed assets	5	<b>(5,874)</b>	—
Depreciation	6	<b>3,858</b>	4,075
Amortisation of goodwill	6	<b>287</b>	359
Provision for impairment of goodwill	6	<b>628</b>	—
Negative goodwill recognised as income		<b>(15,780)</b>	(9,865)
Gain on disposal of short term investments	5	<b>(7,621)</b>	(4,361)
Gain on disposal of long term investments	5	—	(36)
Gain on disposal of a deconsolidated subsidiary		<b>(4,162)</b>	—
Unrealised loss/(gain) on short term investments	6	<b>5,143</b>	(4,630)
Loss on disposal of investment properties	6	<b>8,617</b>	2,817
Loss on disposal of fixed assets	6	<b>285</b>	32
PRC indirect taxes		<b>10,567</b>	10,739
Operating profit before working capital changes		<b>126,331</b>	103,276
Increase in inventories		<b>(604)</b>	(166)
Decrease/(increase) in trade and bills receivables		<b>73,518</b>	(6,717)
(Increase)/decrease in prepayments, deposits and other receivables		<b>(13,082)</b>	1,570
Decrease in trade and bills payable		<b>(59,433)</b>	(30,155)
(Decrease)/increase in accrued expenses and other payables		<b>(6,772)</b>	10,114
Increase in deposits received		<b>15,768</b>	1,421
Cash generated from operations		<b>135,726</b>	79,343
Hong Kong profits tax paid		<b>(1,613)</b>	(175)
Hong Kong profits tax refunded		<b>587</b>	495
PRC taxes paid		<b>(12,028)</b>	(11,051)
Net cash inflow from operating activities		<b>122,672</b>	68,612

**30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** *(continued)*

## (b) Acquisition of subsidiaries

The details of acquisition of subsidiaries during the year ended 31 December 2003 are set out in note 19 to the financial statements.

	<i>Notes</i>	2003 <i>HK\$'000</i>
Net assets acquired:		
Investment properties	16	900,000
Fixed assets		4,070
Interests in associates		47,431
Long term investments		89,753
Negative goodwill		(54,407)
Investment in deconsolidated subsidiaries		3,415
Cash and bank balances		85,174
Time deposits		8,091
Trade and bills receivables		70,812
Short term investments		41,447
Inventories		1,970
Prepayments, deposits and other receivables		11,876
Trade and bills payables		(91,200)
Accrued expenses and other payables		(14,954)
Deposits received		(3,229)
Due to related companies		(591)
Tax payable		(8,420)
Deferred tax	27	(209,717)
Due to shareholders		(181,316)
Minority interests		(326,603)
		<hr/>
		373,602
Goodwill on acquisition		539
Negative goodwill on acquisition		(92,824)
		<hr/>
		281,317
		<hr/>
Satisfied by:		
Cash		34,965
Reclassification to interests in subsidiaries from interests in associates		243,352
Deposit paid for acquisition of additional interest in an associate		3,000
		<hr/>
		281,317
		<hr/>

**30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** (continued)

## (b) Acquisition of subsidiaries (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the above subsidiaries is as follows:

	2003 HK\$'000
Cash consideration	(34,965)
Cash and bank balances acquired	85,174
	<hr/>
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	50,209
	<hr/>

The subsidiaries acquired during the year ended 31 December 2003 contributed HK\$200,893,145 to the Group's turnover and HK\$10,719,938 to the consolidated profit after tax and before minority interests for the year ended 31 December 2003. In the case of the associate which was reclassified to a subsidiary, these turnover and profit after tax amounts exclude the former associate's contribution to the results prior to its becoming a subsidiary.

## (c) Major non-cash transactions

During the year ended 31 December 2004, on 6 October 2004, the Group further acquired 42.5% equity interest in Triple Luck for a consideration of HK\$40,914,685 which was satisfied by the allotment and issue of 179,844,769 ordinary shares of the Company at HK\$0.2275 per share, further details of which are set out in note 14 (vii) to the financial statements.

**31. CAPITAL COMMITMENTS**

	Group	
	2004 HK\$'000	2003 HK\$'000
Contracted, but not provided for:		
Renovation of properties	356	2,965
Authorised, but not contracted for:		
Renovation of properties	—	420
	<hr/>	<hr/>
	<b>356</b>	3,385
	<hr/>	<hr/>

**32. CONTINGENT LIABILITIES**

The Company had guarantees amounting to HK\$556,859,000 (2003: HK\$524,694,000) given to banks for the banking facilities, which had been fully utilised at the balance sheet date, granted by the banks to certain subsidiaries.

Apart from the above, the Group and the Company did not have any material contingent liabilities at the balance sheet date.

**33. OPERATING LEASE ARRANGEMENTS**

The Group leases its investment properties and properties held for sale (notes 16 and 20 to the financial statements, respectively) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rental in order to secure any default in their rental payments.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>106,903</b>	123,904
In the second to fifth years, inclusive	<b>36,234</b>	49,977
	<b><u>143,137</u></b>	<u>173,881</u>

**34. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant related party transactions during the year:

- (a) The Group received rental income in the amount of HK\$115,000 (2003: HK\$115,000) from Alpha Japan Limited ("Alpha Japan"), the minority shareholder of a subsidiary of the Group. The rental income was charged based on open market rental.
- (b) A subsidiary sold finished goods of HK\$4,302,000 (2003: HK\$4,030,000) to and purchased equipment parts of HK\$1,236,000 (2003: HK\$610,000) from a related company of Alpha Japan. These transactions were based on published prices and conditions normally offered by the Group to third party customers in the ordinary course of business of the Group (in respect of the sales), and offered by a related company of Alpha Japan to its third party customers (in respect of the purchases).

**35. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 15 April 2005.