1. CORPORATE INFORMATION

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

- trading and manufacturing of plastic and chemical products
- distribution and installation of building supplies, electrical and mechanical products
- wholesaling of electrical appliances, engineering contracting business in the air-conditioning industry and the provision of maintenance services
- investment holding

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, which includes Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets and equity 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 arising from the acquisition of associates, which was not previously eliminated against the consolidated reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interest in an associate is treated as a long term asset and is stated at cost less any impairment losses.

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 not more than 20 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.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries and 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. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or its net selling price.

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

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 are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance costs, 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 an asset, the expenditure is capitalised as an additional cost of that asset.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (Continued)

Depreciation is provided using either the straight-line or the reducing balance method in order to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Medium term leasehold land	Over the lease terms
Buildings	2%-4.5%
Leasehold improvements	Over the lease terms or 20%-33⅓%
Furniture, fixtures and equipment	10%-33⅓%
Motor vehicles	15%-25%

The gain or loss on disposal 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.

Operating leases

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

Other assets

Other assets held on a long term basis are stated at cost less any impairment losses.

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 classified as investment securities and are stated at cost less any impairment losses, on an individual investment basis.

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 amounts of the security is reduced to their fair values, 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 in the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amount previously charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short term investments

Short term investments are investments in equity securities held for trading purposes and are classified as other investments. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their fair values estimated by the directors having regard to information known to them and to market conditions existing at the balance sheet date, on an individual 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 for the period in which they arise.

Properties held for resale

Properties held for resale, consisting of completed properties, are classified under current assets and are stated at the lower of cost and net realisable value. Cost consists of all expenditure directly attributable to the acquisition and development of the properties plus other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out or the weighted average basis and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Construction contracts

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

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the year plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

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

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

(c) from the rendering of services, on completion of the transactions;

(d) rental income, on the straight-line basis over the lease terms;

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

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

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.

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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 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 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.

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 profit and loss account 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)

Related parties

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

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

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 Employment Ordinance.

A provision is recognised in respect of probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date, net of employer's contributions and accrued benefits derived therefrom under the Group's pension schemes.

Pension schemes

The Group operates defined contribution Mandatory Provident Fund retirement benefits schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Schemes. 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 Schemes. The Group's employer contributions vest fully with the employees when contributed into the MPF Schemes, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Schemes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Pension schemes (Continued)

Prior to the MPF Schemes becoming effective, the Group operated defined contribution provident fund schemes (the "Provident Funds") under the Occupational Retirement Schemes Ordinance for those employees who were eligible to participate. The Provident Funds operated in a similar way to the MPF Schemes, except that when an employee left the Provident Funds prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. Upon implementation of the MPF Schemes, the Provident Funds have been frozen and no further contributions have been made by the Group or the eligible employees after that date. The eligible employees are entitled to receive their funds in accordance with the rules of the Provident Funds when they leave the Group.

The assets of both types of scheme are held separately from those of the Group in independently administered funds.

Share option scheme

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

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 cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4. SEGMENT INFORMATION

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

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

- the plastic and chemical products segment consists of importing, marketing and distributing plastic and chemical products;

- the building supplies, electrical and mechanical products segment consists of importing, marketing, distributing and installing building supplies, electrical and mechanical products;

- the electrical appliances and air-conditioning business segment consists of importing, marketing, distributing and installing electrical appliances and air-conditioning products; and

- the property and investment holding segment consists of investments in properties and listed and unlisted securities for their investment potential.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

4. SEGMENT INFORMATION (Continued)

(a) Business segments

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

Group

	Plastic and chemical products		Building supplies, electrical and mechanical products		Electrical appliances and air-conditioning business		Property and investment holding		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**862,649**	643,108	**116,012**	127,223	**94,442**	80,298	**–**	2,093	**–**	–	**1,073,103**	852,722
Intersegment sales	**–**	172	**–**	–	**–**	–	**–**	–	**–**	(172)	**–**	–
Other revenue	**1,533**	1,633	**1,404**	242	**25**	57	**–**	–	**–**	–	**2,962**	1,932
Total revenue	**864,182**	644,913	**117,416**	127,465	**94,467**	80,355	**–**	2,093	**–**	(172)	**1,076,065**	854,654
Segment results:												
Operating profit/(loss)	**39,104**	21,358	**(7,149)**	(9,058)	**1,088**	707	**–**	551	**–**	–	**33,043**	13,558
Surplus arising from revaluation of land and buildings	**2,218**	–	**3,380**	–	**228**	–	**–**	–	**–**	–	**5,826**	–
Unrealised holding (losses)/gains on other investments	**–**	–	**–**	–	**–**	–	**(1,352)**	3,536	**–**	–	**(1,352)**	3,536
Gain on disposal of subsidiaries	**–**	–	**–**	–	**–**	–	**–**	2,246	**–**	–	**–**	2,246
Write-back of impairment in values of properties held for resale	**–**	–	**–**	1,286	**–**	–	**–**	–	**–**	–	**–**	1,286
	41,322	21,358	**(3,769)**	(7,772)	**1,316**	707	**(1,352)**	6,333	**–**	–	**37,517**	20,626
Interest income and unallocated gains											**1,817**	1,934
Unallocated expenses											**(9,178)**	(10,244)
Provision for impairment of goodwill											**(1,634)**	(18,722)
Provision for impairment of interest in an associate											**(1,400)**	(5,800)
Provision for advances to an associate											**–**	(1,518)
Profit/(loss) from operating activities											**27,122**	(13,724)
Finance costs											**(6,621)**	(6,753)
Share of losses of associates	**–**	–	**–**	–	**–**	–	**(3,542)**	(3,991)	**–**	–	**(3,542)**	(3,991)
Profit/(loss) before tax											**16,959**	(24,468)
Tax											**(4,019)**	(2,932)
Profit/(loss) before minority interests											**12,940**	(27,400)
Minority interests											**(220)**	(418)
Net profit/(loss) attributable to shareholders											**12,720**	(27,818)

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Group

	Plastic and chemical products		Building supplies, electrical and mechanical products		Electrical appliances and air-conditioning business		Property and investment holding		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**363,601**	271,620	**24,157**	34,448	**51,040**	38,613	**65,375**	47,202	**(49,650)**	(34,170)	**454,523**	357,713
Interests in associates	**–**	–	**–**	–	**–**	–	**28,279**	34,299	**–**	–	**28,279**	34,299
Unallocated assets											**1,404**	1,497
Bank overdrafts included in segment assets	**–**	–	**31,082**	28,840	**3,878**	5,852	**–**	–	**–**	–	**34,960**	34,692
Total assets											**519,166**	428,201
Segment liabilities	**83,417**	72,404	**58,429**	58,005	**28,155**	24,036	**4,622**	3,452	**(49,650)**	(34,166)	**124,973**	123,731
Unallocated liabilities											**204,960**	143,152
Bank overdrafts included in segment assets	**–**	–	**31,082**	28,840	**3,878**	5,852	**–**	–	**–**	–	**34,960**	34,692
Total liabilities											**364,893**	301,575
Other segment information:												
Capital expenditure	**52**	18	**187**	116	**45**	26	**11**	7	**–**	–	**295**	167
Amortisation of goodwill	**–**	–	**–**	–	**–**	–	**125**	386	**–**	–	**125**	386
Depreciation	**1,285**	1,406	**647**	1,140	**322**	365	**48**	55	**–**	–	**2,302**	2,966
Other non-cash (income)/expenses:												
Surplus arising from revaluation of land and buildings	**(2,218)**	–	**(3,380)**	–	**(228)**	–	**–**	–	**–**	–	**(5,826)**	–
Provision for impairment of goodwill	**–**	–	**–**	–	**–**	–	**1,634**	18,722	**–**	–	**1,634**	18,722
Provision for impairment of interest in an associate	**–**	–	**–**	–	**–**	–	**1,400**	5,800	**–**	–	**1,400**	5,800
Provision for advances to an associate	**–**	–	**–**	–	**–**	–	**–**	1,518	**–**	–	**–**	1,518
Unrealised holding losses/(gains) on other investments	**–**	–	**–**	–	**–**	–	**1,352**	(3,536)	**–**	–	**1,352**	(3,536)
Write-back of impairment in values of properties held for resale	**–**	–	**–**	(1,286)	**–**	–	**–**	–	**–**	–	**–**	(1,286)

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table presents revenue and certain assets and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**1,009,897**	784,093	**63,206**	68,629	**1,073,103**	852,722
Other revenue	**2,962**	1,932	**–**	–	**2,962**	1,932
Total revenue	**1,012,859**	786,025	**63,206**	68,629	**1,076,065**	854,654
Other segment information:						
Segment assets	**454,117**	366,832	**30,089**	26,677	**484,206**	393,509
Bank overdrafts included in segment assets	**34,960**	34,692	**–**	–	**34,960**	34,692
					519,166	428,201
Capital expenditure	**272**	119	**23**	48	**295**	167

5. TURNOVER, REVENUE AND GAINS

Turnover represents the net invoiced value of services rendered and goods sold, after allowances for returns and trade discounts, an appropriate proportion of contract revenue of construction contracts and gross rental income received and receivable during the year.

An analysis of the Group's turnover, other revenue and gains is as follows:

	2004	2003
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**1,027,810**	809,487
Construction contracts	**45,293**	41,142
Gross rental income	**–**	2,093
	1,073,103	852,722
Other revenue and gains		
Interest income	**161**	408
Commission income	**2,962**	1,932
Others	**1,656**	1,526
	4,779	3,866
	1,077,882	856,588

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

		Group	
		2004	2003
	Notes	***HK$'000***	*HK$'000*
Auditors' remuneration:			
Current year provision		**1,121**	1,416
(Over)/underprovision in prior years		**(84)**	14
		1,037	1,430
Staff costs*:			
Wages and salaries		**49,435**	46,436
Pension scheme contributions		**2,784**	2,824
Less: Forfeited contributions		**(90)**	(257)
Net pension scheme contributions		**2,694**	2,567
		52,129	49,003
Amortisation of goodwill	*14*	**125**	386
Bad and doubtful debts		**5,245**	2,125
Cost of inventories sold		**908,228**	717,317
Cost of services rendered		**42,979**	39,067
Depreciation	*13*	**2,302**	2,966
Operating lease rentals in respect of land and buildings		**4,303**	5,839
(Write-back of)/provision for obsolete inventories included in cost of inventories sold		**(83)**	2,610
Provision for advances to an associate		**–**	1,518
Unrealised holding losses/(gains) on other investments		**1,352**	(3,536)
Write-back of impairment in values of properties held for resale	*19*	**–**	(1,286)
Foreign exchange gains, net		**(2,302)**	(1,436)
Gain on disposal of subsidiaries	*35*	**–**	(2,246)
Interest income from:			
Banks and financial institutions		**(161)**	(396)
Others		**–**	(12)
Net rental income		**(711)**	(1,008)

* The staff costs include directors' remuneration as further detailed in note 7 below. As at 31 December 2004, the Group had no forfeited pension scheme contributions available to offset against future contributions (2003: Nil).

7. 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	2003
	HK$'000	*HK$'000*
Fees to non-executive directors	**171**	110
Executive directors:		
Fees	**–**	–
Basic salaries, housing allowances and other benefits in kind	**4,164**	4,171
Bonuses paid and payable	**1,600**	900
Pension scheme contributions	**317**	317
	6,081	5,388
	6,252	5,498

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

	Number of directors	
	2004	2003
Nil – HK$1,000,000	**8**	8
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–
	10	10

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

During the year, no share options were granted to the directors in respect of their services to the Group. Further details of the share option scheme and the directors' options remaining outstanding under the scheme at the balance sheet date are set out in note 33 to the financial statements.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included two directors (2003: two), details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining three (2003: three) non-director, highest paid employees for the year are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Basic salaries, housing allowances and other benefits in kind	**2,667**	2,381
Bonuses paid and payable	**2,200**	1,100
Pension scheme contributions	**129**	129
	4,996	3,610

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

	Number of employees	
	2004	2003
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**–**	2
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**1**	–
	3	3

During the year, no share options were granted to the non-director, highest paid employees in respect of their services to the Group. Further details of the share option scheme and the employees' options remaining outstanding under the scheme at the balance sheet date are set out in note 33 to the financial statements.

9. FINANCE COSTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**6,621**	6,753

No interest was capitalised by the Group during the current or the prior year.

10. TAX

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

	2004	2003
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong:		
Charge for the year	**4,201**	1,594
Overprovision in prior years	**(2,319)**	(681)
Current – Elsewhere	**1,078**	427
Deferred *(note 31)*	**(19)**	83
	2,941	1,423
Share of tax attributable to associates	**1,078**	1,509
Total tax charge for the year	**4,019**	2,932

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using the statutory rate to the tax expense for the year is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Profit/(loss) before tax	**16,959**	(24,468)
Tax at Hong Kong profits tax rate of 17.5% (2003: 17.5%)	**2,968**	(4,282)
Effect of different rates for companies operating in other jurisdictions	**189**	205
Effect on opening deferred tax of increase in rates	**–**	(142)
Overprovision in prior years	**(2,319)**	(681)
Income not subject to tax	**(1,113)**	(436)
Expenses not deductible for tax	**1,928**	5,979
Deferred tax (assets)/liabilities not (recognised)/provided for	**(609)**	432
Tax losses utilised from previous periods	**(534)**	(1,776)
Tax losses not recognised	**1,852**	1,528
Tax effect of share of results of associates	**1,698**	2,207
Others	**(41)**	(102)
Tax expense for the year	**4,019**	2,932

11. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was HK$5,541,000 (2003: net loss of HK$6,084,000 (note 34(b)).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of HK$12,720,000 (2003: net loss of HK$27,818,000) and on the weighted average of 3,830,378,546 shares (2003: 3,305,994,984 shares) in issue during the year.

There was no dilutive effect on the basic earnings per share for the year ended 31 December 2004 as the exercise prices of the outstanding share options were higher than the average market price of the Company's shares during the year.

Diluted loss per share for the year ended 31 December 2003 had not been disclosed as the share options outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

13. FIXED ASSETS

Group

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:					
At beginning of year	29,328	4,061	16,507	1,737	51,633
Additions	–	–	196	99	295
Revaluation	5,780	–	–	–	5,780
Disposals	–	–	(279)	(337)	(616)
At 31 December 2004	**35,108**	**4,061**	**16,424**	**1,499**	**57,092**
Accumulated depreciation:					
At beginning of year	1,338	3,195	14,758	1,404	20,695
Provided during the year	684	257	1,222	139	2,302
Written back on revaluation	(1,873)	–	–	–	(1,873)
Disposals	–	–	(272)	(305)	(577)
At 31 December 2004	**149**	**3,452**	**15,708**	**1,238**	**20,547**
Net book value:					
At 31 December 2004	**34,959**	**609**	**716**	**261**	**36,545**
At 31 December 2003	27,990	866	1,749	333	30,938

13. FIXED ASSETS (Continued)

The Group's land and buildings are stated at valuation, while the other fixed assets are stated at cost. The valuation of the land and buildings included above are held under the following terms:

	2004	2003
	HK$'000	*HK$'000*
Medium term leases:		
At 2001 valuation, Hong Kong	**–**	21,500
At 2004 valuation, Hong Kong	**24,280**	–
At 2001 valuation, elsewhere	**–**	7,000
At 2004 valuation, elsewhere	**10,000**	–
At carrying amount, elsewhere	**828**	828
	35,108	29,328

The Group's leasehold land and buildings, except for a property located outside Hong Kong with a net carrying value of HK$680,000 as at 31 December 2004, were revalued individually on 31 December 2004 by Knight Frank Hong Kong Limited, independent professionally qualified valuers, at an open market value of HK$34,280,000 based on their existing use. Revaluation surplus of HK$5,826,000 and HK$1,827,000, resulting from the above valuations, have been credited to the profit and loss account and the land and buildings revaluation reserve, respectively.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$48,281,000 (2003: HK$49,339,000).

The net carrying value of land and buildings pledged to secure banking facilities granted to the Group amounted to HK$24,280,000 (2003: HK$20,506,000) (see note 27).

13. FIXED ASSETS (Continued)

Company

	Furniture, fixtures and equipment *HK$'000*
Cost:	
At beginning of year	269
Additions	11
At 31 December 2004	**280**
Accumulated depreciation:	
At beginning of year	202
Provided during the year	48
At 31 December 2004	**250**
Net book value:	
At 31 December 2004	**30**
At 31 December 2003	67

14. GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

Group

	Goodwill *HK$'000*
Cost:	
At beginning of year and at 31 December 2004	2,498
Accumulated amortisation:	
At beginning of year	739
Provided during the year	125
Provision for impairment	1,634
At 31 December 2004	**2,498**
Net book value:	
At 31 December 2004	**–**
At 31 December 2003	1,759

As detailed in note 3 to the financial statements, on the adoption of SSAP 30 in 2001, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisitions of subsidiaries which occurred prior to the adoption of the SSAP, to remain eliminated against consolidated reserves.

In the opinion of directors, the acquired subsidiaries are facing a difficult operating environment. In view of this, the Group made a full provision against the unamortised goodwill as at 31 December 2004.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**185,600**	185,600
Due from subsidiaries	**786,495**	819,917
Due to subsidiaries	**(1,529)**	(5,568)
	970,566	999,949
Provision for impairment	**(870,580)**	(920,186)
	99,986	79,763

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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

Name	Place of incorporation or registration/ and operation	Nominal value of issued/ registered capital	Percentage of equity interest attributable to the Group *Direct*	*Indirect*	Principal activities
Best Treasure Limited	British Virgin Islands	Ordinary US$1	–	100%	Investment holding
Chinney Alliance Corporate Treasury Limited	Hong Kong	Ordinary HK$2	–	100%	Treasury function
Chinney Alliance Engineering Limited	Hong Kong	Ordinary HK$10,000	–	100%	Distribution and installation of mechanical, electrical and building supplies products
Chinney Alliance Trading (BVI) Limited	British Virgin Islands	Ordinary HK$360,001	100%	–	Investment holding
DMT-Jacobson Holdings Limited	British Virgin Islands	Ordinary US$2,000,000	–	100%	Investment holding

15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/ and operation	Nominal value of issued/ registered capital	Percentage of equity interest attributable to the Group *Direct*	*Indirect*	Principal activities
DMT International Hong Kong Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$5,156,700	–	100%	Agency trading of industrial materials
Gina Enterprises Limited	Hong Kong	Ordinary HK$2	–	100%	Property holding
Jackson Mercantile Trading Company Limited	Hong Kong	Ordinary HK$2,000 Non-voting deferred HK$5,000,000	–	100%	Investment holding and wholesaling of electrical appliances
Jacobson van den Berg (China) Limited*	Hong Kong	Ordinary HK$1,000,000	–	100%	Trading of electrical and mechanical products
Jacobson van den Berg (Hong Kong) Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$35,486,600	–	100%	Investment holding and agency trading of industrial products
Lei Kee Development Company Limited	Hong Kong	Ordinary HK$2	–	100%	Property holding
Tegan Holdings Limited	Hong Kong	Ordinary HK$2	–	100%	Property holding
Westco Chinney Limited*	Hong Kong	Ordinary HK$3,000,000	–	100%	Sales and installation of air-conditioning system
Dongguan Dharmala PVC Compounding Limited *# 東莞大馬膠粒有限公司	People's Republic of China ("PRC")	HK$8,000,000	–	70%	Manufacture of industrial products

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

\# The subsidiary is a wholly-foreign owned enterprise with a duration of business of 12 years which commenced from 7 June 1995. This subsidiary is indirectly held by the Company through a 70% owned subsidiary.

15. INTERESTS IN SUBSIDIARIES (Continued)

In the prior year, the Group disposed its entire equity interest in China Parking (BVI) Limited, a wholly-owned subsidiary of the Group, to a wholly-owned subsidiary of Hon Kwok Land Investment Company Limited ("Hon Kwok") for a consideration of HK$15,000,000. The details are set out in note 36 to the financial statements.

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.

16. INTERESTS IN ASSOCIATES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed shares, at cost	**–**	–	**87,723**	87,723
Share of net assets	**35,479**	40,099	**–**	–
Provision for impairment	**(7,200)**	(5,800)	**(61,475)**	(57,525)
	28,279	34,299	**26,248**	30,198
Goodwill on acquisition, at cost	**2,704**	2,704	**–**	–
Accumulated amortisation	**(406)**	(406)	**–**	–
Provision for impairment of goodwill	**(2,298)**	(2,298)	**–**	–
	–	–	**–**	–
	28,279	34,299	**26,248**	30,198

The market value of the shares of a listed associate of the Group held at 31 December 2004 was HK$7,633,000 (2003: HK$11,936,000).

16. INTERESTS IN ASSOCIATES (Continued)

Particulars of the associates at the balance sheet date are as follows:

Name	Place of incorporation or registration/ and operation	Nominal value of issued/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Jiangxi Kaitong New Materials Company Limited*# 江西省凱通新材料科技有限公司 ("Jiangxi Kaitong")	PRC	RMB50,000,000	24.9%	Manufacture of stainless steel and plastic compound pipes
Shun Cheong Holdings Limited ("Shun Cheong")	Bermuda/ Hong Kong	Ordinary HK$1,159,304	29.9%	Investment holding and provision of multi-disciplinary building services

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

\# This associate is a Sino-foreign joint venture with a duration of business of 15 years which commenced from 11 October 2000.

The voting power held and the profit sharing arrangement in relation to the associates are both the same as the equity interest shown above.

The financial year end for Jiangxi Kaitong and Shun Cheong are 31 December and 31 March, respectively. The Group's financial statements have taken into account the results of Shun Cheong between 1 October 2003 to 30 September 2004. There were no material transactions between the Group and Shun Cheong during the period from 1 October 2004 to 31 December 2004.

16. INTERESTS IN ASSOCIATES (Continued)

Financial information as extracted from the most recent published financial statements of the Group's major associate is set out below:

Shun Cheong Holdings Limited

Consolidated profit and loss account

	Six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover	**249,407**	396,829
(Loss)/profit attributable to shareholders	**(12,446)**	2,558

Consolidated balance sheet

	As at	As at
	30 September	31 March
	2004	2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Non-current assets	**22,265**	24,403
Current assets	**314,118**	297,310
Current liabilities	**(220,541)**	(195,442)
Non-current liabilities	**(7,047)**	(7,047)
Minority interests	**(21,098)**	(19,081)
Net assets	**87,697**	100,143

17. LONG TERM INVESTMENTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Investment securities:		
Unlisted equity investments, at cost	**95,415**	95,415
Convertible loan notes	**89,148**	89,148
Provision for impairment	**(184,563)**	(184,563)
	–	–

At 31 December 2004, included in the unlisted equity investments was an interest in Dharmala Agrifood Asia Pte Limited ("DAAL"), a company incorporated in Singapore, stated at a carrying value of nil (2003: Nil) comprising the cost of the Group's equity investment of HK$95,415,000 (2003: HK$95,415,000), representing a 19.73% interest in DAAL and an interest in convertible loan notes of HK$89,148,000 (2003: HK$89,148,000), net of a provision of HK$184,563,000 (2003: HK$184,563,000). In the opinion of the directors, the above provision is required to cover the impairment in DAAL, as the major subsidiaries of DAAL have either been declared bankrupt by their creditors or have financial difficulties in repaying outstanding bank loans.

The convertible loan notes of DAAL are unsecured and carry interest at the rate of 5.5% per annum (2003: 5.5% per annum) with a right to be converted into ordinary shares of DAAL at a conversion price based on the net asset value per DAAL share according to the then latest annual audited consolidated financial statements of DAAL and its subsidiaries. Interest income on the convertible loan notes is only recognised by the Group when the receipt of such income is certain, and therefore no interest income has been recognised by the Group during the year (2003: Nil).

18. OTHER ASSETS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Club memberships	**1,220**	1,220	**1,220**	1,220
Retention monies receivable over one year	**2,816**	825	**–**	–
	4,036	2,045	**1,220**	1,220

19. PROPERTIES HELD FOR RESALE

	Group	
	2004	2003
	HK$'000	*HK$'000*
At beginning of year	**3,036**	32,500
Write-back of impairment	**–**	1,286
Disposal during the year	**–**	(2,212)
Disposal of subsidiaries *(note 35)*	**–**	(28,538)
At 31 December	**3,036**	3,036

Details of the completed properties of the Group held for resale as at 31 December 2004 are as follows:

Description	**Interest in property attributable to the Group**	**Gross floor area**	**Existing use**
Two villas in Shenzhen, the PRC 中國深圳市龍崗區植物園 綠色山莊兩幢別墅	100%	443 square metres	Vacant

At 31 December 2004, the properties held for resale were stated at their net carrying value at the time when they were reclassified from fixed assets in the prior years. There was no security created over the properties.

20. INVENTORIES

	Group	
	2004	2003
	HK$'000	*HK$'000*
Raw materials	**99,845**	76,932
Finished goods	**18,518**	29,380
	118,363	106,312

At 31 December 2004, the amount of inventories carried at net realisable value was HK$2,245,000 (2003: HK$1,787,000).

21. CONSTRUCTION CONTRACTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Gross amount due from contract customers	**5,134**	5,081
Gross amount due to contract customers included in other payables and accruals *(note 30)*	**(4,209)**	(1,572)
	925	3,509
Contract costs incurred plus recognised profits less recognised losses to date	**113,840**	108,486
Less: Progress billings	**(112,915)**	(104,977)
	925	3,509

At 31 December 2004, retention monies held by customers for contract works included in other assets and trade and retention monies receivables amounted to approximately HK$2,816,000 (2003: HK$825,000) and HK$2,120,000 (2003: HK$4,428,000), respectively.

No advances were received from customers for contract works in both years.

22. TRADE AND RETENTION MONIES RECEIVABLES

	Group	
	2004	2003
	HK$'000	*HK$'000*
Trade receivables	**234,457**	171,201
Retention monies receivable within one year	**2,120**	4,428
	236,577	175,629

22. TRADE AND RETENTION MONIES RECEIVABLES (Continued)

The Group grants a credit period to its customers ranging from cash on delivery to 60 days. A longer credit period may be allowed to customers with a good business relationship. An aged analysis of the trade receivables as at the balance sheet date, based on payment due date, is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Current to 30 days	**169,093**	131,526
31 to 60 days	**31,161**	20,587
61 to 90 days	**16,549**	10,122
Over 90 days	**29,827**	22,028
	246,630	184,263
Provision	**(12,173)**	(13,062)
	234,457	171,201

23. BALANCES WITH RELATED COMPANIES

The balances with related companies are unsecured, interest-free, and have no fixed terms of repayment.

24. SHORT TERM INVESTMENTS

	Group and Company	
	2004	2003
	HK$'000	*HK$'000*
Other investments:		
Listed equity investments in Hong Kong, at market value	**11,986**	12,622
Unlisted equity investments, at fair value	**–**	716
	11,986	13,338

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**33,486**	16,427	**637**	964
Time deposits	**29,292**	25,293	**8,005**	400
Cash and cash equivalents	**62,778**	41,720	**8,642**	1,364

26. TRADE AND BILLS PAYABLES

	Group	
	2004	2003
	HK$'000	*HK$'000*
Trade payables	**57,077**	54,202
Bills payable	**24,345**	34,214
	81,422	88,416

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Current to 30 days	**52,183**	44,607
31 to 60 days	**1,408**	2,920
61 to 90 days	**384**	3,576
Over 90 days	**3,102**	3,099
	57,077	54,202

27. BANKING FACILITIES

At 31 December 2004, the Company and the Group had certain banking facilities which were secured by certain leasehold land and buildings with an aggregate carrying value of HK$24,280,000 (2003: HK$20,506,000) (note 13).

28. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank overdrafts, unsecured	**34,960**	34,692	**–**	–
Loans from banks, secured	**8,750**	5,487	**8,750**	4,500
	43,710	40,179	**8,750**	4,500

The maturity of the above bank loans and overdrafts is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank overdrafts repayable within one year or on demand	**34,960**	34,692	**–**	–
Bank loans repayable:				
Within one year or on demand	**5,000**	5,487	**5,000**	4,500
In the second year	**3,750**	–	**3,750**	–
	8,750	5,487	**8,750**	4,500
Portion classified as current liabilities	**(39,960)**	(40,179)	**(5,000)**	(4,500)
Long term portion	**3,750**	–	**3,750**	–

29. PROVISIONS

Group

	Corporate guarantee		Long service payment		Total	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year	**–**	16,000	**1,650**	1,797	**1,650**	17,797
Write-back of overprovision in the prior year	**–**	–	**–**	(173)	**–**	(173)
Provision for the year	**–**	–	**27**	165	**27**	165
Amounts utilised during the year	**–**	–	**(301)**	(139)	**(301)**	(139)
Disposal of subsidiaries	**–**	(16,000)	**–**	–	**–**	(16,000)
At 31 December	**–**	–	**1,376**	1,650	**1,376**	1,650
Portion classified as current liabilities	**–**	–	**–**	–	**–**	–
Long term portion	**–**	–	**1,376**	1,650	**1,376**	1,650

Company

	Corporate guarantee	
	2004	2003
	HK$'000	*HK$'000*
At beginning of year	**–**	16,000
Disposal of subsidiaries	**–**	(16,000)
At 31 December	**–**	–

30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Gross amount due to contract customers *(note 21)*	**4,209**	1,572	**–**	–
Other payables and accruals	**37,677**	31,148	**3,077**	3,211
	41,886	32,720	**3,077**	3,211

31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year were as follows:

Deferred tax liabilities

Group

	Fair value adjustments arising from acquisition of a subsidiary		Others		Total	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year	**1,084**	1,014	**87**	87	**1,171**	1,101
Deferred tax charged/(credited) to the profit and loss account during the year *(note 10)*	**(25)**	70	**(87)**	–	**(112)**	70
Gross deferred tax liabilities At 31 December	**1,059**	1,084	**–**	87	**1,059**	1,171

31. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Decelerated tax depreciation		Provision for bad debts and inventories		Losses available for offset against future taxable profit		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year	**823**	775	**674**	476	**–**	259	**1,497**	1,510
Deferred tax (charged)/ credited to the profit and loss account during the year *(note 10)*	**(44)**	48	**(49)**	198	**–**	(259)	**(93)**	(13)
Gross deferred tax assets At 31 December	**779**	823	**625**	674	**–**	–	**1,404**	1,497
Net deferred tax assets At 31 December							**345**	326

The Group has tax losses arising in Hong Kong of approximately HK$193,000,000 (2003: HK$184,000,000) that 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.

32. SHARE CAPITAL

Shares

	Company 2004 HK$'000	Company 2003 HK$'000
Authorised:		
25,000,000,000 (2003: 25,000,000,000) ordinary shares of HK$0.01 each	**250,000**	250,000
Issued and fully paid:		
3,965,994,984 (2003: 3,305,994,984) ordinary shares of HK$0.01 each	**39,660**	33,060

	Number of shares	***HK$'000***
At 1 January 2003 and at 31 December 2003	3,305,994,984	33,060
At 1 January 2004	3,305,994,984	33,060
Shares issued	660,000,000	6,600
At 31 December 2004	**3,965,994,984**	**39,660**

Pursuant to a placing agreement dated 3 March 2004, arrangements were made for a private placement to independent third parties of 468,000,000 existing shares of HK$0.01 each of the Company held by Multi-Investment Group Limited ("MIG"), a substantial shareholder of the Company, at a placing price of HK$0.02 per share. Concurrently, pursuant to a subscription agreement dated 3 March 2004, MIG subscribed to and was allotted 660,000,000 new shares of HK$0.01 each of the Company at an issue price of HK$0.02 per share, of which HK$0.01 per share was credited to issued share capital and the balance of HK$0.01 per share was credited to the share premium account. The proceeds from the issue of new shares of approximately HK$13 million have been applied for general working capital of the Group.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 33 to the financial statements.

33. SHARE OPTION SCHEME

On 24 September 1993, an Executive Share Option Scheme (the "Scheme") was approved by the shareholders of the Company (as amended by the shareholders of the Company on 28 June 2001), under which the directors of the Company may, at their discretion, offer any employee (including any director) of the Company or of any of its subsidiaries options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Scheme. The summary terms and particulars of outstanding options under the Scheme are disclosed below pursuant to the requirements as contained in Chapter 17 of the Listing Rules.

Summary of the Scheme

(a) Purposes of the Scheme

The purposes of the Scheme are to attract and retain high calibre employees, and to motivate them to a higher level of performance.

(b) Participants of the Scheme

The Board may, at its discretion, grant to any employee (including any director) of the Company or of any of its subsidiaries, options to subscribe for the Company's shares.

(c) Maximum number of shares available for issue under the Scheme

The maximum number of the shares in respect of which options may be granted under the Scheme is such number of shares, which when aggregated with shares already subject to any other share option schemes of the Company, represents 10% of the issued share capital of the Company from time to time (excluding for this purpose any shares issued pursuant to the Scheme). The Scheme expired on 23 September 2003 and, as a result, there are no further shares available for issue under the Scheme as at the date of this annual report.

(d) Maximum entitlement to any participant

Under the Scheme, no options may be granted to any employee which if exercised in full would result in the total number of the Company's shares already issued and issuable to the employee under all the options granted to the employee exceeding 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Scheme.

(e) Period and payment on acceptance of options

Under the Scheme, the offer of an option to acquire shares must be accepted in writing in such manner as the Board may prescribe within 14 days from the date of offer and upon payment of a nominal consideration of HK$1 in total by the participant to the Company, whereby such consideration is not refundable.

33. SHARE OPTION SCHEME (Continued)

Summary of the Scheme (Continued)

(f) Period within which the shares must be taken up under an option

For those options granted on or before 28 June 2001, the exercise period of the options is 10 years from the date of grant. The number of options that can be exercised is restricted to a maximum of 20% of the shares comprised in the option in the first year from the date of grant and the threshold is increased progressively by 20% each year until it reaches 100% in the fifth year from the date of grant.

For those options granted after 28 June 2001, an option may be exercised in whole or in part at any time during an exercise period ranging from two to five years from the date of grant as specified by the Board in each grant.

(g) Basis of determining the exercise price

The exercise price of the options is determined by the Board and will not be less than the higher of (i) the nominal value of the Company's shares; and (ii) an amount not less than 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of the offer.

(h) Expiration of the Scheme

The Scheme expired on 23 September 2003.

33. SHARE OPTION SCHEME (Continued)

Particulars of outstanding options

Details of the share options outstanding as at 31 December 2004 which were granted to directors and employees under the Scheme are as follows:

	Number of share options held at 1 January 2004	Number of share options lapsed during the year	Number of share options held at 31 December 2004	Exercise price per share HK$	Date of grant	Exercisable from	Exercisable until
Share options to directors							
Stephen Sek-Kee Yu	1,000,000	(1,000,000)#	–	0.78	1 June 1994	1 June 1994	31 May 2004
	500,000	–	500,000	0.78	22 December 1995	22 December 1995	21 December 2005
	500,000	(500,000)#	–	0.78	7 June 1997	1 June 1994	31 May 2004
	250,000	–	250,000	0.78	7 June 1997	22 December 1995	21 December 2005
	12,000,000	–	12,000,000	0.07	16 July 1999	16 July 1999	15 July 2009
	14,250,000	(1,500,000)	12,750,000				
Frank Kwok-Kit Chu	800,000	(800,000)#	–	0.78	9 June 1994	9 June 1994	8 June 2004
	400,000	(400,000)#	–	0.78	7 June 1997	9 June 1994	8 June 2004
	8,000,000	–	8,000,000	0.07	13 July 1999	13 July 1999	12 July 2009
	9,200,000	(1,200,000)	8,000,000				
Peter Chi-Chung Luk	4,000,000	–	4,000,000	0.07	12 July 1999	12 July 1999	11 July 2009
Herman Man-Hei Fung	8,000,000	–	8,000,000	0.07	13 July 1999	13 July 1999	12 July 2009
Kenneth Kin-Hing Lam	800,000	(800,000)*	–	0.78	2 June 1994	2 June 1994	1 June 2004
	800,000	(800,000)*	–	0.78	8 January 1996	8 January 1996	7 January 2006
	400,000	(400,000)*	–	0.78	7 June 1997	2 June 1994	1 June 2004
	400,000	(400,000)*	–	0.78	7 June 1997	8 January 1996	7 January 2006
	8,000,000	(8,000,000)*	–	0.07	21 July 1999	21 July 1999	20 July 2009
	10,400,000	(10,400,000)	–				
Sub-total	45,850,000	(13,100,000)	32,750,000				

33. SHARE OPTION SCHEME (Continued)

Particulars of outstanding options (Continued)

	Number of share options held at 1 January 2004	Number of share options lapsed during the year	Number of share options held at 31 December 2004	Exercise price per share *HK$*	Date of grant	Exercisable from	Exercisable until
Share options to employees							
In aggregate	225,000	(225,000)#	–	0.78	4 June 1994	4 June 1994	3 June 2004
	555,000	(555,000)#	–	0.78	10 June 1994	10 June 1994	9 June 2004
	225,000	–	225,000	0.78	2 January 1996	2 January 1996	1 January 2006
	4,000,000	–	4,000,000	0.07	16 July 1999	16 July 1999	15 July 2009
	4,000,000	–	4,000,000	0.07	19 July 1999	19 July 1999	18 July 2009
Sub-total	9,005,000	(780,000)	8,225,000				
Total	54,855,000	(13,880,000)	40,975,000				

\# These options lapsed upon expiry of the 10-year exercise period.

* All options granted to Mr. Kenneth Kin-Hing Lam lapsed upon his resignation as a non-executive director of the Company on 26 March 2004.

The exercise in full of the outstanding share options would result in the issue of 40,975,000 additional ordinary shares for an aggregate amount of approximately HK$3.6 million.

34. RESERVES

(a) Group

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

	Goodwill eliminated against capital reserve *HK$'000*
Cost:	
At beginning of year and as at 31 December 2004	28,842
Accumulated impairment:	
At beginning of year and as at 31 December 2004	28,842
Net amount:	
At 31 December 2004	**–**
At 31 December 2003	–

Goodwill eliminated against capital reserve, arising from the acquisition of a subsidiary and an associate prior to the adoption of SSAP 30 in 2001, was considered impaired and charged to the profit and loss account in prior years.

34. RESERVES (Continued)

(b) Company

	Share premium account *HK$'000*	Capital reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2003	562,724	236,500	(707,792)	91,432
Net loss for the year	–	–	(6,084)	(6,084)
At 31 December 2003 and 1 January 2004	562,724	236,500	(713,876)	85,348
Issue of shares *(note 32)*	6,600	–	–	6,600
Share issue expenses	(338)	–	–	(338)
Net profit for the year	–	–	5,541	5,541
At 31 December 2004	**568,986**	**236,500**	**(708,335)**	**97,151**

35. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of subsidiaries

	2004	2003
	HK$'000	*HK$'000*
Net assets disposed of:		
Fixed assets	**–**	11
Properties held for resale	**–**	28,538
Deposits, prepayments and other receivables	**8**	79
Amounts due from related companies	**–**	128
Cash and cash equivalents	**4**	23
Other payables and accruals	**–**	(25)
Provision for corporate guarantee	**–**	(16,000)
	12	12,754
Gain on disposal of subsidiaries *(note 6)*	**–**	2,246
	12	15,000
Satisfied by:		
Cash received	**12**	15,000

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

	2004	2003
	HK$'000	*HK$'000*
Cash consideration received	**12**	15,000
Cash and cash equivalents disposed of	**(4)**	(23)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**8**	14,977

The result of the subsidiary disposed of in the year ended 31 December 2004 had no significant impact on the Group's consolidated turnover or profit after tax for the year.

36. RELATED PARTY TRANSACTIONS

Set out below are the significant transactions between the Group and related parties during the year:

		Group	
		2004	2003
	Notes	***HK$'000***	*HK$'000*
Management fees paid to a major shareholder	*(i)*	**2,000**	2,000
Rental and office expenses paid to a related company	*(ii)*	**496**	576
Sales of goods to an associate	*(iii)*	**(2,881)**	(5,524)
Rental income received from a related company	*(iv)*	**(541)**	(320)

Notes:

(i) The management fees are charged by Chinney Investments, Limited ("CIL") based on the time involvement of the personnel providing services. Mr. James Sai-Wing Wong, a director of the Company, is also a director of and has beneficial interests in CIL. Mr. Herman Man-Hei Fung is a common director of the Company and CIL.

(ii) The rental and office expenses were charged by Hon Kwok on an actual basis. Mr. James Sai-Wing Wong is a director of and has beneficial interests in Hon Kwok. Mr. Herman Man-Hei Fung is a common director of the Company and Hon Kwok.

(iii) The sales of products to subsidiaries of Shun Cheong, an associate of the Group, were made according to the published prices and conditions offered to third-party customers. Mr. Stephen Sek-Kee Yu is a common director of the Company and Shun Cheong. Mr. James Sai-Wing Wong was a director of Shun Cheong until 16 September 2004.

(iv) The rental income arose from leasing certain space of an office premises of the Group to DrilTech Ground Engineering Limited, a subsidiary of CIL, and was charged in accordance with the amount agreed by both parties.

In addition to the above, on 26 August 2003, the Group reached an agreement with Careful Action Limited ("CAL"), a wholly-owned subsidiary of Hon Kwok, which is a subsidiary of the Company's major shareholder, to dispose its carpark assets and a villa in Shenzhen, the PRC, for a cash consideration of HK$15,000,000 (the "Agreement"). The carpark assets under disposal included the 115 parking bays at Lido Garden, Sham Tseng, New Territories, Hong Kong, the 26 parking bays at Shining Court, Shun Ning Road, Kowloon, Hong Kong, and a 40% interest in the 369 parking bays at Provident Centre, North Point, Hong Kong. The disposal was effected by the sale of the entire issued share capital of China Parking (BVI) Limited ("CPB"), a wholly-owned subsidiary of the Group, and assignment of related shareholders' loans, taking reference to the fair value of the property assets as independently assessed by an independent property valuer.

The disposal constituted a connected transaction for the Company under the Listing Rules. The disposal was approved by the independent shareholders of the Company on 6 October 2003 and completed on 22 October 2003.

37. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twelve years.

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**3,803**	3,417
In the second to fifth years, inclusive	**3,584**	4,568
Beyond five years	**–**	52
	7,387	8,037

The Company had no operating lease commitments at the balance sheet date (2003: Nil).

38. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statement were as follows:

	Group		**Company**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**433,334**	400,000

As at 31 December 2004, the total facilities utilised by the subsidiaries amounted to HK$312,939,000 (2003: HK$265,533,000).

In addition to the above, pursuant to the Agreement as set out in note 36 to the financial statements, the Company undertakes to pay HK$3,100,000 plus accrued interest to CAL and CAL undertakes to transfer the entire issued share capital of China Parking Limited (a wholly-owned subsidiary of CPB) together with the assignment of related shareholders' loans to the Company should China Parking Limited fail to obtain the relevant real estate ownership certificate under its name in relation to the villa in Shenzhen, the PRC, latest by 22 October 2005, being the date which is two years from the completion of the Agreement.

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 37 above, at the balance sheet date, the Group had commitments under forward foreign exchange contracts amounting to HK$5,379,000 (2003: HK$10,966,000).

The Group and the Company had no other significant commitment at the balance sheet date.

40. POST BALANCE SHEET EVENT

As announced on 13 April 2005, the Board proposed to seek approval from the shareholders to effect a capital reorganisation of the Company pursuant to the Companies Act 1981 of Bermuda (the "Capital Reorganisation"). The Capital Reorganisation involves:

(a) the cancellation of the entire amount of HK$236,500,000 standing to the credit of the capital reserve account of the Company as at 31 December 2004 and the application of the credit arising therefrom towards partial elimination of the accumulated losses of the Company of HK$708,335,000 as at 31 December 2004;

(b) the cancellation of the entire amount of HK$568,986,000 standing to the credit of the share premium account of the Company as at 31 December 2004 and the application of the credit arising therefrom:

  (i) to eliminate the balance of HK$471,835,000 of the accumulated losses of the Company as at 31 December 2004; and

  (ii) to apply the remaining credit of HK$97,151,000 arising therefrom to the Company's contributed surplus account; and

(c) the consolidation of every twenty-five existing shares (issued and unissued) into one new share (the "Share Consolidation").

The directors are in the opinion that the Capital Reorganisation is in the interests of the Company and the shareholders as a whole because, upon completion of the Capital Reorganisation, the Company will be in a better position to declare and pay dividends and the Share Consolidation is intended to reduce the transaction cost per dollar value of each new share.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 13 April 2005.