

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“HKAS”) (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

With effect from 1 January 2004, the Group has chosen to early adopt HKFRS 3 “Business combinations”, HKAS 36 “Impairment of assets” and HKAS 38 “Intangible assets”. The impact of the early adoption of these accounting standards is set out in note 14.

Apart from the above, the Group has not early adopted other new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of other new HKFRSs but is not yet in a position to state whether those other new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Subsidiaries and controlled enterprises

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(c) Subsidiaries and controlled enterprises (Continued)**

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the profit and loss account.

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (note 1(k)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

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(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates

An associate is a company in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise. The consolidated profit and loss account reflects the Group's share of the post acquisition results of the associates for the year.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (note 1(k)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

(e) Negative goodwill

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill arising on an acquisition is recognised directly in the profit and loss account.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(f) Investments in securities**

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:

- (i) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.
- (ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iii) All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.
- (iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

(g) Fixed assets

- (i) Investment properties with an unexpired lease term of more than 20 years are stated in the balance sheets at their open market value which is either assessed annually by external qualified valuers, or assessed by the directors taking into consideration the professional valuations.
- (ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:
 - when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties immediately prior to the revaluation; and
 - when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties had previously been charged to the profit and loss account.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed assets (Continued)

- (iii) Land and buildings held for own use are carried in the balance sheets at cost less accumulated depreciation (note 1(j)) and impairment losses (note 1(k)).
- (iv) Other fixed assets are carried in the balance sheets at cost less accumulated depreciation (note 1(j)) and impairment losses (note 1(k)).
- (v) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (vi) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year. For all other fixed assets, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(h) Construction in progress

Construction in progress is stated at cost, which comprises construction expenditure, including interest costs and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest costs during the construction period, and the cost of related equipment. Capitalisation of these costs ceases and the construction in progress is transferred to fixed assets when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificate by the appropriate authorities.

No depreciation is provided in respect of construction in progress. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rates specified in note 1(j).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(i) Leased assets**

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(k). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(q)(iv).

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

(j) Depreciation

- (i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.
- (ii) Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives from the date on which they are put into use and after taking into account their estimated residual value, using the straight-line method, as follows:

Leasehold land	Over the unexpired term of the lease
Buildings	Over the shorter of the unexpired term of the lease and 20 to 50 years
Leasehold improvements	20% to 50% per annum
Plant and machinery, furniture, fixtures and equipment	10% to 20% per annum
Motor vehicles	20% per annum

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts); and
- investments in subsidiaries and associates (except for those accounted for at fair value under notes 1(c) and (d)).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(l) Inventories (Continued)**

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(n) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) The Group's contributions to retirement benefit schemes are recognised as an expense in the profit and loss account as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense. Further information is set out in note 34.
- (iii) When the Group grants employees options to acquire shares of the Company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.
- (iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(o) Income tax (Continued)**

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) *Sale of goods*

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) *Dividends*

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.
- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) *Interest income*

Interest income from bank deposits and advances to associates is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

(iv) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(q) Revenue recognition (Continued)****(v) Commission income**

Commission income is recognised when the relevant services are provided.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The results of subsidiaries and associates outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a subsidiary or an associate outside Hong Kong, the cumulative amount of exchange differences which relate to that subsidiary or associate is included in the calculation of the profit or loss on disposal.

(s) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Segment reporting (Continued)

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, taxation, corporate and financing expenses and minority interests.

(u) Discontinued operations

A discontinued operation is a clearly distinguishable component of the Group's business that is disposed of or abandoned pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2. TURNOVER

The principal activities of the Group are distribution of live and fresh foodstuffs, feed production and livestock farming, foodstuffs trading, manufacturing and trading of tinplate and property leasing during the year.

Turnover represents the sales value of goods and rental income from investment properties received under operating leases, after eliminating intra-group transactions. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2004	2003
	\$'000	\$'000
Sales of goods		
— Tinplating	574,443	538,765
— Live and fresh foodstuffs distribution	50,572	751,901
— Feed production and livestock farming (discontinued)	146,474	145,892
— Foodstuffs trading	31,438	52,190
	802,927	1,488,748
Property leasing	25,422	37,059
	828,349	1,525,807

In prior years, turnover in respect of the Group's live and fresh foodstuffs distribution business represented the gross sales value of live and fresh foodstuffs. Effective 1 January 2004, turnover in respect of the Group's live and fresh foodstuffs distribution business includes commission income derived from its agency business in trading of live and fresh foodstuffs, following the execution of agency agreements with most of the suppliers concerned. The change in the mode of operation has resulted in a significant decrease in the Group's turnover during the year ended 31 December 2004. However, the change has no significant impact on the gross profit of the Group's live and fresh foodstuffs distribution business.

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3. OTHER REVENUE

	2004	2003
	\$'000	\$'000
Sales of scrap materials	4,398	4,371
Interest income	3,726	4,526
Write-back of provision for bad debts	2,251	577
Management income	253	437
Dividends from listed securities	235	260
Subsidy received	119	—
Others	2,667	1,531
	13,649	11,702

4. OTHER NET INCOME/(EXPENSES)

	2004	2003
	\$'000	\$'000
Net gain/(loss) on disposal of fixed assets	243	(1,069)
Net loss on disposal of investment securities	—	(236)
Net realised and unrealised (loss)/gain on other securities carried at fair value	(47)	562
Provision for diminution in value of investment securities	(338)	—
Others	361	529
	219	(214)

NOTES ON THE FINANCIAL STATEMENTS

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5. DISCONTINUED OPERATIONS

In December 2004, the Group's feed production and livestock farming operations were discontinued following the disposal of two subsidiaries in the People's Republic of China other than Hong Kong (the "PRC"). The net loss on disposal of the discontinued operations amounted to \$11,793,000.

The results of the discontinued operations for the current and previous years were as follows:

	Continuing operations		Discontinued operations		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Turnover	681,875	1,379,915	146,474	145,892	828,349	1,525,807
Cost of sales	(564,875)	(1,234,576)	(136,218)	(139,219)	(701,093)	(1,373,795)
Gross profit	117,000	145,339	10,256	6,673	127,256	152,012
Other revenue	13,531	11,645	118	57	13,649	11,702
Other net income/ (expenses)	219	(512)	—	298	219	(214)
Distribution costs	(12,116)	(30,728)	(1,186)	(2,091)	(13,302)	(32,819)
Administrative expenses	(41,037)	(40,337)	(2,407)	(11,519)	(43,444)	(51,856)
Other operating expenses	(1,672)	(393)	(4,195)	(5,483)	(5,867)	(5,876)
Profit/(loss) from operations	75,925	85,014	2,586	(12,065)	78,511	72,949
Net loss on disposal of discontinued operations	—	—	(11,793)	—	(11,793)	—
Non-operating income	76,306	53,412	—	13,109	76,306	66,521
Non-operating expenses	—	—	—	(30,862)	—	(30,862)
Finance costs	(547)	(7,274)	(150)	(390)	(697)	(7,664)
Share of profits less losses of associates	27,252	19,376	—	—	27,252	19,376
Profit/(loss) from ordinary activities before taxation	178,936	150,528	(9,357)	(30,208)	169,579	120,320
Income tax	(30,934)	(12,518)	(317)	(415)	(31,251)	(12,933)
Profit/(loss) from ordinary activities after taxation	148,002	138,010	(9,674)	(30,623)	138,328	107,387

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5. DISCONTINUED OPERATIONS (Continued)

The net assets of the discontinued operations as at the date of discontinuance and 31 December 2003 were as follows:

	Discontinued operations	
	Date of discontinuance	2003
	\$'000	\$'000
Total assets	36,473	36,888
Total liabilities	(6,762)	(14,283)
Net assets	29,711	22,605

The cash flows of the discontinued operations for the current and previous years were as follows:

	Discontinued operations	
	2004	2003
	\$'000	\$'000
Net cash used in operating activities	(587)	(1,319)
Net cash used in investing activities	(77)	(22)
Net cash from financing activities	—	2,692

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6. NON-OPERATING INCOME

	<i>Note</i>	2004 \$'000	2003 \$'000
Write-back of liabilities	<i>(i)</i>	76,223	33,185
Net gain on disposal of an associate		83	—
Recovery of bad debts	<i>(ii)</i>	—	24,239
Net gain on disposal of a subsidiary		—	9,097
		76,306	66,521

Notes:

- (i) The amounts mainly represent the write-back of liabilities which have been outstanding for a long time with no demand for settlements. The Directors are of the opinion that it is not likely that the creditors will lodge claims against the Group.
- (ii) During the year ended 31 December 2003, certain bad debts were recovered and the related provisions were written back to the profit and loss account accordingly.

7. NON-OPERATING EXPENSES

	2004 \$'000	2003 \$'000
Provision for impairment losses on fixed assets	—	30,862

In view of the poor trading conditions experienced by certain subsidiaries during the year ended 31 December 2003, the Directors reviewed the carrying value of the relevant subsidiaries' fixed assets and concluded that it was appropriate to recognise impairment losses of \$30,862,000 against certain fixed assets as at 31 December 2003.

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8. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2004	2003
	\$'000	\$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within 5 years	697	4,221
Interest on convertible notes	—	3,443
	697	7,664
(b) Staff costs:		
Net contributions (received from)/paid to defined contribution plans	(743)	574
Salaries, wages and other benefits	36,503	42,402
	35,760	42,976
Average number of employees during the year	558	671
(c) Other items:		
Cost of inventories sold	701,093	1,373,795
Auditors' remuneration	1,958	1,940
Depreciation	5,696	9,050
Operating lease charges in respect of property rentals	540	1,026
Amortisation of negative goodwill (note 14)	—	(1,447)
Rentals receivable from investment properties less direct outgoings of \$1,501,000 (2003: \$3,551,000)	(23,921)	(32,626)

Cost of inventories includes \$16,738,000 (2003: \$18,544,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

9. INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(a) Taxation in the consolidated profit and loss account represents:

	2004	2003
	\$'000	\$'000
Current tax — Provision for Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax at 17.5% (2003: 17.5%) on the estimated assessable profits for the year	971	258
Over-provision in respect of prior years	(55)	(2,613)
	916	(2,355)
Current tax — the PRC		
Tax for the year	21,499	7,947
Under-provision in respect of prior years	745	2,482
	22,244	10,429
Deferred tax		
Origination and reversal of temporary differences	6,316	6,997
Effect of increase in tax rate in the PRC on deferred tax balances at 1 January	—	(4,147)
Benefit of previously unrecognised tax losses now recognised	—	4,907
	6,316	7,757
Share of associates' taxation	1,775	(2,898)
Total income tax expense	31,251	12,933

Income tax for subsidiaries or associates established and operating in the PRC is calculated based on the applicable rates of income tax ruling in the relevant provinces or economic zones in the PRC. The effect of increase in tax rate on the deferred tax balance relates to the anticipated change in the tax rate applicable to certain PRC subsidiaries of the Group according to the expected manner of realisation of the respective temporary differences.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

9. INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2004	2003
	\$'000	\$'000
Profit before tax	169,579	120,320
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	28,864	15,396
Tax effect of non-deductible expenses	2,912	29,559
Tax effect of non-taxable revenue	(1,389)	(26,038)
Tax effect of unused tax losses not recognised	174	(1,706)
Effect on opening deferred tax balances resulting from an increase in tax rate	—	(4,147)
Under/(over)-provision in prior years	690	(131)
Actual tax expense	31,251	12,933

The tax rate for Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%). The tax rates for PRC income tax is calculated ranging from 10% to 33% (2003: 10% to 33%) which depends on the locations where the PRC subsidiaries are situated.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2004	2003
	\$'000	\$'000
Fees	—	24
Salaries and other emoluments	2,944	3,304
Discretionary bonuses	1,418	1,068
Retirement scheme contributions	379	536
	4,741	4,932

Included in the Directors' remuneration were fees and other emoluments of \$Nil and \$900,000 (2003: \$9,000 and \$900,000) respectively paid to the independent Non-executive Directors during the year.

An analysis of Directors' remuneration by the number of Directors and remuneration range is as follows:

	2004	2003
	Number of Directors	Number of Directors
\$		
Nil-1,000,000	9	6
1,000,001-1,500,000	2	2
1,500,001-2,000,000	—	1

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

11. SENIOR MANAGEMENT REMUNERATION

The five highest paid individuals of the Group include two (2003: three) Directors of the Company during the year ended 31 December 2004 whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	2004	2003
	\$'000	\$'000
Basic salaries, allowances and other benefits	1,176	1,126
Retirement benefit scheme contributions	446	328
Bonuses	1,200	1,507
	2,822	2,961
Number of senior management	3	2

The emoluments of the three (2003: two) individuals with the highest emoluments are within the following bands:

	2004	2003
	Number of individuals	Number of individuals
\$		
Nil-1,000,000	2	—
1,000,001-1,500,000	1	1
1,500,001-2,000,000	—	1

12. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of \$58,065,000 (2003: \$73,405,000) which has been dealt with in the financial statements of the Company.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13. EARNINGS PER SHARE**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$132,248,000 (2003: \$102,762,000) and the weighted average of 9,015,833,000 (2003: 9,003,262,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share for the year ended 31 December 2004 is not presented as there is no dilutive potential ordinary share at the year end.

The calculation of diluted earnings per share for the year ended 31 December 2003 is based on the adjusted profit attributable to ordinary shareholders of \$106,205,000 and the weighted average number of 9,496,412,000 ordinary shares after adjusting for the effects of all dilutive potential ordinary shares for the year ended 31 December 2003.

(c) Reconciliation

	2004	2003
	Number of	Number of
	shares	shares
	(thousand)	(thousand)
Weighted average number of ordinary shares used in calculating basic earnings per share	9,015,833	9,003,262
Deemed issue of ordinary shares for no consideration	—	493,150
	<hr/>	<hr/>
Weighted average number of ordinary shares used in calculating diluted earnings per share	9,015,833	9,496,412
	<hr/>	<hr/>

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13. EARNINGS PER SHARE (Continued)**(c) Reconciliation (Continued)**

	2004	2003
	\$'000	\$'000
Profit attributable to shareholders	132,248	102,762
Interest savings following conversion of the convertible notes	—	3,443
	<hr/>	<hr/>
Adjusted profit attributable to shareholders used in calculating diluted earnings per share	132,248	106,205
	<hr/>	<hr/>

14. CHANGE IN ACCOUNTING POLICIES

In prior years, the negative goodwill arising from the acquisitions of controlled subsidiaries and associates were treated as follows:

- for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and
- for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

With effect from 1 January 2004, the Group had early adopted HKFRS 3, HKAS 36 and HKAS 38 issued by the HKICPA. In order to comply with HKFRS 3, the Group adopted a new policy for goodwill on acquisition as set out in note 1(e). However, there had been no significant impact on the early adoption of HKAS 36 and HKAS 38. As a result of the adoption of HKFRS 3, the Group's profit for the year has been decreased by \$1,447,000 and the Group's net assets as at 31 December 2004 has been increased by \$17,246,000. Negative goodwill existing at 1 January 2004 has been derecognised by way of an adjustment to the opening balance of accumulated losses. No restatement of comparative information has been made.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Tinplating	:	Production and sales of tin-plate and related products which are used as packaging materials for the food processing manufacturers
Live and fresh foodstuffs distribution	:	Distribution of live and fresh foodstuffs
Foodstuffs trading	:	Purchase and sale of foodstuffs
Property leasing	:	Leasing of properties to generate rental income

The business segment, feed production and livestock farming, was disposed of in December 2004 (note 5) and is presented as discontinued operations.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15. SEGMENT REPORTING (Continued)

Business segments (Continued)

	For the year ended 31 December 2004							Consolidated \$'000
	Tinplating \$'000	Live and fresh foodstuffs distribution \$'000	Feed production and livestock farming (discontinued) \$'000	Foodstuffs trading \$'000	Property leasing \$'000	Inter- segment elimination \$'000	Unallocated \$'000	
Revenue from external customers	574,443	50,572	146,474	31,438	25,422	—	—	828,349
Inter-segment revenue	1,300	—	—	—	81	(1,381)	—	—
Other revenue from external customers	—	—	—	—	—	—	9,688	9,688
Total	575,743	50,572	146,474	31,438	25,503	(1,381)	9,688	838,037
Segment result	48,214	13,872	2,468	113	17,479			82,146
Unallocated operating income and expenses								(3,635)
Profit from operations								78,511
Share of profits less losses of associates	—	150	—	—	—		27,102	27,252
Net loss on disposal of discontinued operations								(11,793)
Non-operating income								76,306
Finance costs								(697)
Income tax								(31,251)
Minority interests								(6,080)
Profit attributable to shareholders								132,248
Depreciation for the year	4,603	84	22	27	667			

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15. SEGMENT REPORTING (Continued)

Business segments (Continued)

	For the year ended 31 December 2003							Consolidated \$'000
	Tinplating \$'000	Live and fresh foodstuffs distribution \$'000	Feed production and livestock farming \$'000	Foodstuffs trading \$'000	Property leasing \$'000	Inter- segment elimination \$'000	Unallocated \$'000	
Revenue from external customers	538,765	751,901	145,892	52,190	37,059	—	—	1,525,807
Inter-segment revenue	1,098	—	—	—	—	(1,098)	—	—
Other revenue from external customers	—	—	—	—	—	—	6,916	6,916
Total	539,863	751,901	145,892	52,190	37,059	(1,098)	6,916	1,532,723
Segment result	57,153	11,100	(12,122)	646	26,491	—	—	83,268
Unallocated operating income and expenses	—	—	—	—	—	—	—	(10,319)
Profit from operations	—	—	—	—	—	—	—	72,949
Share of profits less losses of associates	—	(113)	—	—	—	—	19,489	19,376
Non-operating income	—	—	—	—	—	—	—	66,521
Non-operating expenses	—	—	—	—	—	—	—	(30,862)
Finance costs	—	—	—	—	—	—	—	(7,664)
Income tax	—	—	—	—	—	—	—	(12,933)
Minority interests	—	—	—	—	—	—	—	(4,625)
Profit attributable to shareholders	—	—	—	—	—	—	—	102,762
Depreciation for the year	5,130	73	2,787	56	601	—	—	—
Impairment loss for the year	—	—	30,862	—	—	—	—	—

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15. SEGMENT REPORTING (Continued)

Business segments (Continued)

	2004						
	Tinplating \$'000	Live and fresh foodstuffs distribution \$'000	Feed production and livestock farming (discontinued) \$'000	Foodstuffs trading \$'000	Property leasing \$'000	Inter- segment elimination \$'000	Consolidated \$'000
Segment assets	552,825	45,910	—	8,270	232,989	(99,806)	740,188
Unallocated assets							256,580
Total assets							996,768
Segment liabilities	118,981	34,413	—	10,793	43,711	(99,806)	108,092
Interest-bearing borrowings							7,851
Unallocated liabilities							88,708
Total liabilities							204,651
Capital expenditure incurred during the year	4,670	68	—	—	3,239		

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15. SEGMENT REPORTING (Continued)

Business segments (Continued)

	2003						Consolidated \$'000
	Tinplating \$'000	Live and fresh foodstuffs distribution \$'000	Feed production and livestock farming \$'000	Foodstuffs trading \$'000	Property leasing \$'000	Inter- segment elimination \$'000	
Segment assets	482,358	56,271	36,888	13,190	225,985	(55,443)	759,249
Interest in associates	—	403	—	—	—	—	403
Unallocated assets							<u>196,323</u>
Total assets							<u>955,975</u>
Segment liabilities	137,144	50,793	14,283	11,023	61,392	(55,443)	219,192
Interest-bearing borrowings							57,700
Unallocated liabilities							<u>56,450</u>
Total liabilities							<u>333,342</u>
Capital expenditure incurred during the year	2,819	—	77	66	522		

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15. SEGMENT REPORTING (Continued)**Geographical segments**

The Group's business participates in two principal economic environments. Hong Kong is the major market for live and fresh foodstuffs distribution, whereas the PRC is a major market for most of the Group's other business.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2004		
	The PRC	Hong Kong	Others
	\$'000	\$'000	\$'000
Revenue from external customers	744,357	83,992	—
Segment assets	704,489	135,505	—
Capital expenditure	7,909	68	—
	2003		
	The PRC	Hong Kong	Others
	\$'000	\$'000	\$'000
Revenue from external customers	719,699	798,781	7,327
Segment assets	666,585	148,107	—
Capital expenditure	3,418	66	—

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16. FIXED ASSETS

(a) The Group

	Land and buildings held for own use \$'000	Leasehold improvements \$'000	Construction in progress \$'000	Plant and machinery, fixtures and furniture, equipment \$'000	Motor vehicles \$'000	Sub-total \$'000	Investment properties \$'000	Total \$'000
Cost or valuation:								
At 1 January 2004	182,193	1,914	—	132,828	3,485	320,420	185,988	506,408
Exchange adjustments	145	—	—	364	8	517	168	685
Additions	—	—	5,204	2,627	437	8,268	—	8,268
Disposals								
— through disposal of discontinued operations	(55,381)	—	—	(8,211)	(487)	(64,079)	—	(64,079)
— others	—	—	—	(1,164)	(650)	(1,814)	(187)	(2,001)
Transfer in from construction in progress	—	—	(629)	159	—	(470)	470	—
Reclassification (note 16(g))	2,062	—	—	—	—	2,062	(2,062)	—
Surplus on revaluation	—	—	—	—	—	—	16,583	16,583
At 31 December 2004	129,019	1,914	4,575	126,603	2,793	264,904	200,960	465,864
Representing:								
Cost	129,019	1,914	4,575	126,603	2,793	264,904	—	264,904
Valuation — 2004	—	—	—	—	—	—	200,960	200,960
	129,019	1,914	4,575	126,603	2,793	264,904	200,960	465,864
Accumulated depreciation and impairment:								
At 1 January 2004	66,080	1,844	—	73,015	2,058	142,997	—	142,997
Exchange adjustments	104	—	—	319	7	430	—	430
Charge for the year	2,644	18	—	2,766	268	5,696	—	5,696
Written back on disposal	—	—	—	(855)	(650)	(1,505)	—	(1,505)
Written back on disposal of discontinued operations	(52,564)	—	—	(8,211)	(487)	(61,262)	—	(61,262)
At 31 December 2004	16,264	1,862	—	67,034	1,196	86,356	—	86,356
Net book value:								
At 31 December 2004	112,755	52	4,575	59,569	1,597	178,548	200,960	379,508
At 31 December 2003	116,113	70	—	59,813	1,427	177,423	185,988	363,411

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16. FIXED ASSETS (Continued)

(b) The Company

	Leasehold improvements \$'000	Plant and machinery, furniture, fixtures and equipment \$'000	Motor vehicles \$'000	Sub-total \$'000	Investment properties \$'000	Total \$'000
Cost or valuation:						
At 1 January 2004	1,381	2,612	1,869	5,862	62,000	67,862
Additions	—	—	268	268	—	268
Disposals	—	(3)	(649)	(652)	—	(652)
Surplus on revaluation	—	—	—	—	16,200	16,200
At 31 December 2004	1,381	2,609	1,488	5,478	78,200	83,678
Representing:						
Cost	1,381	2,609	1,488	5,478	—	5,478
Valuation — 2004	—	—	—	—	78,200	78,200
	1,381	2,609	1,488	5,478	78,200	83,678
Accumulated depreciation:						
At 1 January 2004	1,311	1,364	1,869	4,544	—	4,544
Charge for the year	18	244	31	293	—	293
Written back on disposal	—	(1)	(648)	(649)	—	(649)
At 31 December 2004	1,329	1,607	1,252	4,188	—	4,188
Net book value:						
At 31 December 2004	52	1,002	236	1,290	78,200	79,490
At 31 December 2003	70	1,248	—	1,318	62,000	63,318

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16. FIXED ASSETS (Continued)

(c) An analysis of the net book value of properties is as follows:

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
In Hong Kong on long-term leases	78,200	62,000	78,200	62,000
Elsewhere in the PRC on medium-term leases	235,515	240,101	—	—
	313,715	302,101	78,200	62,000

(d) Investment properties of the Group and the Company situated in Hong Kong totalling \$78,200,000 (2003: \$62,000,000) were revalued by Centaline Surveyors Limited, who have among their Members of Hong Kong Institute of Surveyors, on an open market value basis at 31 December 2004. Investment properties of the Group situated in the PRC totalling \$122,760,000 (2003: \$123,988,000) were revalued by an independent firm of surveyors in the PRC, 廣州中天衡房地產評估有限公司 — 中國註冊房地產估價師, on an open market value basis at 31 December 2004.

On the Group level, the net revaluation surplus after minority interests and deferred tax of \$16,300,000 (2003: \$3,998,000) has been transferred to the investment property revaluation reserve (note 29(a)). On the Company level, the revaluation surplus of \$16,200,000 (2003: \$12,100,000) has been transferred to the investment properties revaluation reserve (note 29(b)).

(e) The Group leases out investment properties, a pig farm and several items of machinery under operating leases. The leases run for an initial period of one to twenty eight years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The gross carrying amounts of investment properties of the Group and the Company held for use in operating leases were \$200,960,000 (2003: \$185,988,000) and \$78,200,000 (2003: \$62,000,000) respectively. The gross carrying amount of machinery of the Group held for use in operating leases was \$720,000 (2003: \$9,110,000) and the related accumulated depreciation was \$648,000 (2003: \$7,698,000).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16. FIXED ASSETS (Continued)

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Within 1 year	22,166	18,450	1,555	1,728
After 1 year but within 5 years	60,338	59,126	—	1,323
After 5 years	64,803	78,001	—	—
	147,307	155,577	1,555	3,051

- (f) As at 31 December 2003, certain of the Group's fixed assets with net book value of \$2,814,000 were pledged to secure bank loans of \$9,004,000 of the Group. Upon the disposal of discontinued operations during the year ended 31 December 2004, the pledge was released accordingly.
- (g) A property with a valuation of \$2,062,000 held in the PRC under a medium-term lease was reclassified from investment properties to land and buildings because the Group has changed the usage of the property to process tinplates. The deemed cost of the relevant leasehold land and buildings was the fair value at the date of change in intended use.

17. INTEREST IN SUBSIDIARIES

	The Company	
	2004 \$'000	2003 \$'000
Unlisted shares, at cost	229,979	249,878
Loans to subsidiaries	63,065	—
Amounts due from subsidiaries	585,051	656,105
	878,095	905,983
Less: impairment loss	(551,437)	(592,463)
	326,658	313,520

Details of the subsidiaries, which are incorporated in Hong Kong unless otherwise stated, are set out in note 36. All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group's financial statements. Details of companies under liquidation which have not been consolidated in the financial statements are set out in note 37.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18. INTEREST IN ASSOCIATES

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Unlisted shares, at cost	—	—	244,980	245,530
Share of net assets	151,790	145,196	—	—
Amounts due from associates	17,899	9,782	—	9,782
	169,689	154,978	244,980	255,312
Less: impairment loss	—	—	(75,722)	(122,568)
	169,689	154,978	169,258	132,744

Details of the associates, which are incorporated in Hong Kong unless otherwise stated, are set out in note 38.

19. INVESTMENTS IN SECURITIES

(a) Investment securities

	The Group and the Company	
	2004 \$'000	2003 \$'000
Unlisted equity securities, at cost	202	540

(b) Other securities

	The Group and the Company	
	2004 \$'000	2003 \$'000
Equity securities listed in Hong Kong, at market value	3,200	3,247

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group	
	2004	2003
	\$'000	\$'000
Provision for Hong Kong Profits Tax for the year	971	258
Provisional Profits Tax paid	(203)	—
	768	258
Balance of Profits Tax provision relating to prior years	—	(1,584)
	768	(1,326)
Taxation outside Hong Kong	13,788	5,197
Amount of taxation payable expected to be settled within 1 year	14,556	3,871
Representing:		
Tax recoverable	—	(1,326)
Tax payable	14,556	5,197
	14,556	3,871

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20. INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax assets and liabilities recognised:

The Group

	Depreciation allowances in excess of related depreciation	Revaluation of investment properties	Provisions	Total
	\$'000	\$'000	\$'000	\$'000
Deferred tax arising from:				
At 1 January 2003	—	—	(5,764)	(5,764)
Exchange differences	—	—	26	26
Charged to consolidated profit and loss account	7,492	—	265	7,757
Charged to reserve	—	3,538	—	3,538
At 31 December 2003	7,492	3,538	(5,473)	5,557
At 1 January 2004	7,492	3,538	(5,473)	5,557
Exchange differences	9	4	(19)	(6)
Charged to consolidated profit and loss account	824	—	5,492	6,316
Charged to reserve	—	250	—	250
At 31 December 2004	8,325	3,792	—	12,117
			2004	2003
			\$'000	\$'000
Net deferred tax asset recognised on the consolidated balance sheet			—	(3,778)
Net deferred tax liability recognised on the consolidated balance sheet			12,117	9,335
			12,117	5,557

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20. INCOME TAX IN THE BALANCE SHEET (Continued)

(c) Deferred tax assets unrecognised:

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Deductible temporary differences	—	100,712	—	—
Tax losses	2,513,706	2,512,713	2,397,576	2,407,328
	2,513,706	2,613,425	2,397,576	2,407,328

The deductible temporary differences and tax losses do not expire under the current tax legislation, except for an amount of \$14,957,000 (2003: \$12,428,000), being unrecognised tax losses, which will expire in the coming 5 years.

During the year, two subsidiaries with the related unrecognised temporary differences and tax losses amounted to \$100,712,000 and \$443,000 respectively have been disposed of.

21. NEGATIVE GOODWILL

	The Group
	\$'000
Carrying value:	
At 1 January 2004	17,246
Derecognised during the year (note 14)	<u>(17,246)</u>
At 31 December 2004	<u>—</u>

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22. INVENTORIES

	The Group	
	2004 \$'000	2003 \$'000
Raw materials, spare parts and consumables	23,670	32,852
Finished goods	7,037	11,376
	<u>30,707</u>	<u>44,228</u>

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade debtors	14,145	41,058	300	—
Bills receivable	87,939	83,409	—	—
Other receivables, deposits and prepayments	17,711	18,749	24,426	1,859
Amounts due from fellow subsidiaries	284	5,333	84	4,670
Amounts due from related companies	—	33	—	—
	<u>120,079</u>	<u>148,582</u>	<u>24,810</u>	<u>6,529</u>

Included in trade and other receivables are balance of \$2,830,000 (2003: \$101,000) expected to be recovered after one year.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23. TRADE AND OTHER RECEIVABLES (Continued)

Included in trade and other receivables are trade debtors and bills receivable (net of provision for bad and doubtful debts), based on the invoice date, with the following ageing analysis:

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Within 1 month	35,256	116,852	300	—
1 to 3 months	39,152	6,294	—	—
More than 3 months but less than 12 months	27,676	947	—	—
More than 1 year but less than 2 years	—	328	—	—
More than 2 years	—	46	—	—
	102,084	124,467	300	—

The Group maintains a defined policy with credit periods ranging from advance payment to not more than 180 days.

Certain bills receivable of the Group totalling \$40,000,000 (2003: \$40,000,000) as at 31 December 2004 were pledged with a bank in the PRC in order to obtain a guarantee issued in favour of the Group to the Dongguan Intermediate People's Court in a litigation against a former minority shareholder of a subsidiary for amounts due to the Group of \$40,000,000. Details of the litigation are disclosed in note 32(a).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deposits with banks	157,597	127,605	—	11,351
Cash at bank and in hand	135,786	126,852	17,860	8,242
Cash and cash equivalents in the balance sheet	293,383	254,457	17,860	19,593
Restricted cash deposits (note 32(b))	(4,634)	—		
Cash and cash equivalents in the cash flow statement	288,749	254,457		

Included in cash and cash equivalents is a balance of RMB243,704,000 (2003: RMB157,995,000) which is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

25. INTEREST-BEARING BORROWINGS

	The Group	
	2004 \$'000	2003 \$'000
Secured bank loans	—	2,814
Unsecured other loans	7,851	54,886
	7,851	57,700

The loans are unsecured, repayable on demand and bear interest at 7.5% (2003: 6.5% to 7.5%) per annum.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25. INTEREST-BEARING BORROWINGS (Continued)

At 31 December 2004, the interest-bearing borrowings were repayable as follows:

	The Group	
	2004	2003
	\$'000	\$'000
Within 1 year or on demand	7,851	57,700

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Trade creditors	35,520	74,883	3,359	3,359
Other payables and accrued charges	102,862	129,422	18,176	17,904
Amounts due to associates	18	2,405	—	—
Amounts due to minority shareholders	8,140	7,204	—	—
Amounts due to holding companies and fellow subsidiaries	23,493	46,608	243	108
Amounts due to related companies	94	1,914	—	297
	170,127	262,436	21,778	21,668

The amount of trade and other payables expected to be settled after more than one year is \$544,000 (2003: \$1,022,000).

Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Due within 1 month or on demand	35,520	74,443	3,359	3,359
Due after 1 month but within 3 months	—	334	—	—
Due after 3 months but within 12 months	—	13	—	—
Due after 1 year but within 2 years	—	23	—	—
Over 2 years	—	70	—	—
	35,520	74,883	3,359	3,359

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27. EQUITY COMPENSATION BENEFITS

On 21 November 1994, in order to align the interests of Directors and employees with those of the shareholders, the Company adopted a share option scheme (the "1994 Share Option Scheme") pursuant to which the Directors are authorised, at their discretion, to invite Directors or employees of the Company and its subsidiaries to take up options to subscribe for shares of the Company. Offers of options under the 1994 Share Option Scheme may be accepted in writing within 21 days from the date of making such offer. Options granted under the 1994 Share Option Scheme is exercisable within a period commencing twelve months after the date of acceptance of options and expiring on the last day of a four year period from such acceptance date or 20 November 2004, whichever is earlier.

On 24 August 2001, for the purpose of having a new share option scheme with terms compatible with modern practice and providing greater flexibility to the Directors, the Company adopted a new share option scheme (the "2001 Share Options Scheme"). Pursuant to the 2001 Share Option Scheme, the Directors are authorised, at their discretion, to invite full-time employees of the Company and its subsidiaries, including Executive Directors but excluding Non-executive Directors to take up options to subscribe for shares of the Company. A grant of options under the 2001 Share Option Scheme may be accepted in writing and upon payment of a consideration of \$10 in total by the grantee to the Company within 21 days from the date of grant. The options vest after 3 months from the date of grant and are exercisable within a period of five years. Each option gives the holder the right to subscribe for one share.

On 11 June 2004, the shareholders of the Company passed a resolution to adopt a new share option scheme (the "2004 Share Option Scheme") with terms compatible with modern practice to recruit and retain quality employees to serve the Group on a long-term basis, to maintain good relationships with its consultants, professional advisers, suppliers of goods or services and customers and to attract human resources that are valuable to the Group. Eligible participants of the 2004 Share Option Scheme include the Company's Directors (including Non-executive and Independent Non-executive Directors), employees or executives of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, and substantial shareholders of the Group.

On the same day, the shareholders of the Company also passed a resolution to terminate the 1994 and 2001 Share Option Schemes. Options previously granted under the old schemes remain valid until lapsed.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27. EQUITY COMPENSATION BENEFITS (Continued)

(a) Movements in share options

	2004 Number	2003 Number
At 1 January	33,500,000	176,000,000
Granted	106,900,000	—
Exercised	—	(17,500,000)
Lapsed	(20,000,000)	(125,000,000)
	<u>120,400,000</u>	<u>33,500,000</u>
At 31 December	<u>120,400,000</u>	<u>33,500,000</u>
Options vested at 31 December	<u>120,400,000</u>	<u>33,500,000</u>

(b) Terms of unexpired and unexercised share options at balance sheet date

Date of option granted	Period during which options exercisable	Exercise price per share	2004 Number	2003 Number
24/08/2001	26/11/2001 to 25/11/2006	\$0.1495	<u>33,500,000</u>	33,500,000
06/02/2004	06/05/2004 to 05/05/2009	\$0.1582	<u>86,900,000</u>	—

(c) Details of share options granted during the year, all of which were granted for \$10 consideration paid by each grantee

Exercise period	Exercise price per share	2004 Number	2003 Number
06/05/2004 to 05/05/2009	\$0.1582	<u>106,900,000</u>	—

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

28. SHARE CAPITAL

	2004		2003	
	Number of shares (thousand)	\$'000	Number of shares (thousand)	\$'000
<i>Authorised:</i>				
Ordinary shares of \$0.1 each	15,000,000	1,500,000	15,000,000	1,500,000
<i>Issued and fully paid:</i>				
At 1 January	9,015,833	901,583	8,998,333	899,833
Shares issued under share option scheme	—	—	17,500	1,750
At 31 December	9,015,833	901,583	9,015,833	901,583

During the year ended 31 December 2003, options were exercised to subscribe for 17,500,000 ordinary shares of \$0.1 each in the Company at a consideration of \$2,616,000; of which \$1,750,000 was credited to share capital and the remaining balance of \$866,000 was credited to the share premium account.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

29. RESERVES

(a) The Group

	Share premium \$'000	Capital redemption reserve \$'000	Capital reserve \$'000	Exchange fluctuation reserve \$'000	Investment properties revaluation reserve \$'000	Other reserves \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2003	1,746,232	971	49,050	677	16,602	3,163	(2,221,664)	(404,969)
Exchange differences arising on consolidation	—	—	—	(1,232)	—	—	—	(1,232)
Profit for the year	—	—	—	—	—	—	102,762	102,762
Revaluation surplus, net of minority interests and deferred tax (note 16(d))	—	—	—	—	3,998	—	—	3,998
Reserves realised upon disposal of a subsidiary	—	—	—	32	—	(216)	—	(184)
Shares issued under share option scheme	866	—	—	—	—	—	—	866
Share of associates' reserves	—	—	—	(575)	—	—	—	(575)
Transfer to statutory reserves	—	—	—	—	—	9,060	(9,060)	—
At 31 December 2003	1,747,098	971	49,050	(1,098)	20,600	12,007	(2,127,962)	(299,334)
At 1 January 2004								
— as previously reported	1,747,098	971	49,050	(1,098)	20,600	12,007	(2,127,962)	(299,334)
— change in accounting policy with respect to negative goodwill (note 14)	—	—	—	—	—	—	17,246	17,246
— as restated	1,747,098	971	49,050	(1,098)	20,600	12,007	(2,110,716)	(282,088)
Exchange differences arising on consolidation	—	—	—	48	—	—	—	48
Profit for the year	—	—	—	—	—	—	132,248	132,248
Revaluation surplus, net of minority interests and deferred tax (note 16(d))	—	—	—	—	16,300	—	—	16,300
Reserve realised upon disposal of an associate	—	—	(236)	—	—	—	—	(236)
Reserves realised upon disposal of discontinued operations	—	—	—	(68)	—	(910)	—	(978)
Share of associates' reserve	—	—	—	133	—	—	—	133
Transfer to statutory reserves	—	—	—	—	—	14,922	(14,922)	—
Transfer from other reserves	—	—	—	—	—	(24,569)	24,569	—
At 31 December 2004	1,747,098	971	48,814	(985)	36,900	1,450	(1,968,821)	(134,573)

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

29. RESERVES (Continued)**(a) The Group (Continued)**

Included in figure for the accumulated losses as at 31 December 2004 is an amount of \$20,484,000 (2003: \$27,497,000), being the accumulated losses attributable to associates.

The application of the share premium and capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

The capital reserve, exchange fluctuation reserve and revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for capital reserve arising on acquisition of subsidiaries and associates prior to 1 January 2001, foreign currency translation and the revaluation of properties (note 1).

Other reserves represent statutory reserves of entities established in the PRC.

(b) The Company

	Share premium \$'000	Capital redemption reserve \$'000	Capital reserve \$'000	Investment properties revaluation reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2003	1,746,232	971	48,157	—	(2,271,048)	(475,688)
Shares issued under share option scheme	866	—	—	—	—	866
Revaluation surplus (see note 16(d))	—	—	—	12,100	—	12,100
Profit for the year	—	—	—	—	73,405	73,405
At 31 December 2003	1,747,098	971	48,157	12,100	(2,197,643)	(389,317)
At 1 January 2004	1,747,098	971	48,157	12,100	(2,197,643)	(389,317)
Revaluation surplus (see note 16(d))	—	—	—	16,200	—	16,200
Profit for the year	—	—	—	—	58,065	58,065
At 31 December 2004	1,747,098	971	48,157	28,300	(2,139,578)	(315,052)

At 31 December 2003 and 2004, there was no reserve available for distribution to shareholders of the Company.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of discontinued operations/disposal of a subsidiary

	Disposal of discontinued operations 2004 \$'000	Disposal of a subsidiary 2003 \$'000
Net assets/(liabilities) disposed:		
Fixed assets	2,817	—
Inventories	12,893	18,666
Debtors, deposits and prepayments	11,808	5,536
Cash and cash equivalents	8,955	324
Creditors and accrued charges	(3,730)	(12,759)
Short-term loan	(2,817)	(3,777)
Income tax	(215)	—
Amount due to minority shareholders	—	(12,192)
	29,711	(4,202)
Release of reserves	(978)	(184)
	28,733	(4,386)
Satisfied by:		
Cash received	12,497	4,711
Consideration receivable	5,011	—
Legal expenses payable	(568)	—
	16,940	4,711

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)**(b) Analysis of net cash inflow in respect of the disposal of discontinued operations/
disposal of a subsidiary**

	2004	2003
	\$'000	\$'000
Cash received	12,497	4,711
Cash and cash equivalents disposed	(8,955)	(324)
	<hr/>	<hr/>
Net cash inflow	3,542	4,387
	<hr/> <hr/>	<hr/> <hr/>

(c) Major non-cash transaction

During the year, long outstanding liabilities totalling \$76,223,000 have been written back (see note 6).

31. COMMITMENTS

- (a) Capital commitments outstanding as at 31 December 2004 not provided for in the financial statements were as follows:

	The Group	
	2004	2003
	\$'000	\$'000
Contracted for	35,144	971
Authorised but not contracted for	6,281	2,814
	<hr/>	<hr/>
	41,425	3,785
	<hr/> <hr/>	<hr/> <hr/>

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31. COMMITMENTS (Continued)

- (b) At 31 December 2004, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	The Group	
	2004	2003
	\$'000	\$'000
Within 1 year	348	625
After 1 year but within 5 years	44	939
After 5 years	—	4,342
	392	5,906

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

- (c) At 31 December 2004, the Company had committed to provide finance of \$6,489,000 (2003: \$6,489,000) to an associate of the Group.

32. LITIGATION

- (a) At 31 December 2004, the Group had an outstanding litigation against a former minority shareholder of a subsidiary in respect of amounts due to the Group totalling approximately \$40,000,000. The Group is required to maintain an equivalent amount of bills receivable with an authorised bank in the PRC as security in order to obtain a guarantee issued in favour of the Group to the Dongguan Intermediate People's Court. Full provision has previously been made against this receivable.

A judgement in favour of the Group had been obtained subsequent to the balance sheet date. The payment awarded under the judgement amounted to RMB27 million, together with interest thereon. The Group had lodged an appeal in respect of such difference on 12 April 2005, and the final verdict is still pending.

Based on the available information to date, the Directors are of the opinion that the former minority shareholder is in financial difficulties and is uncertain that any payment of the awarded claim can be received from the former minority shareholder. Accordingly, the provision made against the receivable has been maintained.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

32. LITIGATION (Continued)

- (b) In May 2004, a PRC third party filed a claim against a subsidiary of the Group alleging that the subsidiary had not yet settled an outstanding amount due to it. The Intermediate People's Court of Yue Yang City (“岳陽市中級人民法院”) has ordered to freeze a bank deposit of the subsidiary amounted to \$4.7 million in this regard.

According to the judgement of the Intermediate People's Court of Yue Yang City issued on 12 December 2004, the subsidiary is ordered to pay compensation and respective court charges amounted to RMB4,934,000 and RMB40,000 respectively. The subsidiary lodged an appeal to the High People's Court of Hunan Province (“湖南省高級人民法院”) against the judgement and the judgement of the Intermediate People's Court of Yue Yang City was repudiated on 31 January 2005. Accordingly, the frozen bank deposit of \$4.7 million has been released.

Based on the available information to date, the Directors are of the opinion that as the final judgement was granted in favour of the subsidiary, no provision for legal claims is considered necessary.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

33. MATERIAL RELATED PARTY TRANSACTIONS

Related party transactions, which the Directors consider material to the Group during the year, are summarised as follows:

		2004	2003
	<i>Note</i>	\$'000	\$'000
Sales of goods to related companies	<i>(b)</i>	2,154	2,776
Purchases of goods from related companies	<i>(b)</i>	4,689	23,582
Interest income from an associate	<i>(c)</i>	708	1,462
Repayment of loan to an associate	<i>(c)</i>	10,483	15,725
Management, taxation services, and maintenance fee paid to the immediate holding company		425	428
Provision of electricity/water and leasing services to a fellow subsidiary		3,483	3,181
Cash paid to a fellow subsidiary for early redemption of convertible notes	<i>(d)</i>	—	80,000
Interest on convertible notes payable to a fellow subsidiary		—	3,443
Agency fee paid to a related company		—	582

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

33. MATERIAL RELATED PARTY TRANSACTIONS (Continued)*Notes:*

- (a) Balances with related parties at 31 December are included in amounts due from/to the respective parties in the balance sheets. These balances are interest free and have no fixed terms of repayment, except those disclosed in note (c) below.
- (b) Related companies to/from which goods were sold and purchased included associates and minority shareholders of partly-owned subsidiaries.
- (c) In 1999, the Company entered into an unsecured shareholders' loan agreement with an associate, Yellow Dragon Food Industry Company Limited. Pursuant to the agreement the Company advanced a sum of US\$6,700,000 (approximately \$52,000,000) to the associate at an interest rate of 7.8% per annum. The amount is repayable in full in 5 years commencing from 1 January 2000 and the principal and interest shall be payable twice annually. During the year, the remaining loan of \$10,483,000 was repaid and there was no outstanding loan as at 31 December 2004.
- (d) During 2003, the Company redeemed all remaining convertible notes issued to Richway Resources Limited in December 2001 totalling \$80,000,000 for cash at their nominal value.

34. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of \$20,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees. Any unvested balance from voluntary contributions is refunded to the Group.

Employees engaged by the Group outside Hong Kong are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

The Group's pension cost charged to the profit and loss account for the year ended 31 December 2004 was \$1,467,000 (2003: \$1,979,000). The forfeited contribution refunded for the year amounted to \$2,210,000 (2003: \$1,405,000).

35. ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at 31 December 2004 to be Guangdong Yue Gang Investment Holdings Company Limited, which is established in the PRC.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

36. LIST OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued and fully paid capital/ registered capital	Proportion of ownership interest			Principal activities
				group's effective interest	held by the Company	held by subsidiary	
Best Keen Enterprises Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100%	100%	—	Dormant
Dongguan Jinhuang Food Co., Ltd. [#]	The PRC	N/A	RMB40,000,000	100%	—	100%	Leasing
Gain First Investments Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100%	100%	—	Investment holding
Guangnan Distribution Company Limited	Hong Kong	Ordinary	\$10,000,000	100%	—	100%	Investment holding
Guangnan Fresh and Live Foodstuffs Limited	Hong Kong	Ordinary	\$1,000,000	100%	100%	—	Distribution of live and fresh foodstuffs
Guangnan Supermarket (China) Limited	Hong Kong	Ordinary	\$2	100%	100%	—	Dormant
Guangnan Supermarket Development Limited	Hong Kong	Ordinary	\$135,742,220	100%	100%	—	Investment holding
Guangnan Trading Development Limited	Hong Kong	Ordinary	\$73,916,728	100%	100%	—	Trading of foodstuffs
Hinloon International Limited	Hong Kong	Ordinary	\$100,000	100%	100%	—	Dormant
Jin Huang Food Industry Investment Limited	British Virgin Islands/ Hong Kong	Ordinary	\$1,000,000	100%	100%	—	Investment holding

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

36. LIST OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued and fully paid capital/ registered capital	Proportion of ownership interest			Principal activities
				group's effective interest	held by the Company	held by subsidiary	
Jin Huang Food Industry Investment Limited	Hong Kong	Ordinary	\$1,000,000	100%	—	100%	Investment holding
Southern Chain (Hong Kong) Limited	Hong Kong	Ordinary	\$7,000,000	100%	100%	—	Dormant
Zhongyue Industry Material Limited	Hong Kong	Ordinary	\$10	100%	—	100%	Trading of raw materials for production of tinplate products
		Non-voting deferred	\$230,000,000	—	—	—	
Zhongshan Shan Hai Industrial Co., Ltd.*	The PRC	N/A	RMB45,600,000	95%	—	95%	Property development and leasing
Zhongshan Zhongyue Tinplate Industrial Co., Ltd.*	The PRC	N/A	US\$41,906,200	95%	—	95%	Production and sales of tinplate products

* an equity joint venture established in the PRC

a wholly foreign-owned enterprise established in the PRC

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

37. LIST OF COMPANIES UNDER LIQUIDATION

Particulars of the companies under liquidation or petitioned to court for liquidation are as follows:

Name of company	Place of incorporation/ operation	Class of shares held	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Proportion of nominal value of issued capital/ registered capital held by subsidiary
Guangnan (KK) Supermarket Limited [#]	Hong Kong	Ordinary	\$20,000,000	—	70%
Guangdong Guangnan Tianmei Food Development Company Limited ^{##}	The PRC	N/A	RMB34,820,000	—	55%
廣州經濟技術開發區廣之傑倉儲有限公司 ^{###}	The PRC	N/A	US\$6,500,000	—	80%

[#] company commenced liquidation in June 2001

^{##} an equity joint venture established in the PRC and was petitioned to court for liquidation in July 2001

^{###} an equity joint venture established in the PRC and commenced liquidation in May 2003

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

38. LIST OF ASSOCIATES

Particulars of the associates at 31 December 2004 are as follows:

Name of associate	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital/ capital registered held by		Principal activities
			the Company	subsidiary	
Yellow Dragon Food Industry Co., Ltd.*	The PRC	N/A	40%	—	Processing and sale of corn food and feed products
Zhongshan Baoli Food Ltd.*	The PRC	N/A	30%	—	Processing of canned food

* an equity joint venture established in the PRC