

Notes to the Financial Statements

For the year ended December 31, 2004

1. General information

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Group are described in note 5.

2. Potential impact arising from the recently issued accounting standards

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

The Group has not early adopted these new HKFRSs in the financial statements for the year ended December 31, 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. Significant accounting policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investment in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out as follows:

Basis of consolidation

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

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

Notes to the Financial Statements

For the year ended December 31, 2004

3. Significant accounting policies (continued)

Investments in subsidiaries

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

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition. Goodwill arising on acquisition prior to January 1, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after January 1, 2001 is capitalised and amortised on a straight-line basis over its estimated useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Revenue recognition

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

Maintenance service income is recognised when services are rendered.

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



Notes to the Financial Statements

For the year ended December 31, 2004

3. Significant accounting policies (continued)

Revenue recognition (continued)

Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

Commission income is recognised when the relevant services are rendered.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the terms of the relevant leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition (or, if lower, at the present value of the minimum lease payment). The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs are charged to the income statement over the terms of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant leases.

Notes to the Financial Statements

For the year ended December 31, 2004

3. Significant accounting policies (continued)

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

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

Retirement benefit costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due.

Taxation

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

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

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



Notes to the Financial Statements

For the year ended December 31, 2004

3. Significant accounting policies (continued)

Taxation (continued)

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

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and recognised impairment losses.

Depreciation is charged so as to write off the cost of items or valuation of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Land held under medium-term lease	Over the unexpired term of lease
Buildings on land held under medium-term lease	2 ¹ / ₂ –5%
Leasehold improvements	20%
Furniture, fixtures and equipment	10–20%
Machinery and tools	20–33 ¹ / ₃ %
Motor vehicles	20–25%

Notes to the Financial Statements

For the year ended December 31, 2004

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the terms of the relevant leases.

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

Investment properties

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.



Notes to the Financial Statements

For the year ended December 31, 2004

3. Significant accounting policies (continued)

Trade receivables

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

Provisions and contingent liabilities

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

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

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

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Notes to the Financial Statements

For the year ended December 31, 2004

3. Significant accounting policies (continued)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Impairment

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

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

4. Turnover

	2004	2003
	HK\$'000	HK\$'000
Sales of goods to customers, less returns and discounts	576,232	513,102
Maintenance service income	42,386	40,130
	618,618	553,232



Notes to the Financial Statements

For the year ended December 31, 2004

5. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into five operating divisions: air-conditioning products, audio-visual and other electrical products, cars and car accessories, direct marketing and property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Air-conditioning products	Distribution and installation of air-conditioning products
Audio-visual and other electrical products	Distribution of audio-visual equipment, including car audio, and home appliances
Cars and car accessories	Trading of cars and related accessories and provision of car repairing services
Direct marketing	Retailing of consumer electronic products and home appliances
Property investment	Rental of investment properties and properties held for sale

Notes to the Financial Statements

For the year ended December 31, 2004

5. Business and geographical segments (continued)**Business segments** (continued)

Segment information about these businesses is presented below.

2004

	Audio-visual						Eliminations	Consolidated
	Air-conditioning products	and other electrical products	Cars and car accessories	Direct marketing	Property investment	Others		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover								
External sales	122,449	137,543	314,590	44,036	-	-	618,618	
Inter-segment sales	1,096	5,615	-	107	-	(6,818)	-	
Total turnover	<u>123,545</u>	<u>143,158</u>	<u>314,590</u>	<u>44,143</u>	<u>-</u>	<u>(6,818)</u>	<u>618,618</u>	
Inter-segment sales are charged at prevailing market rates.								
Result								
Segment result	<u>3,931</u>	<u>(490)</u>	<u>10,338</u>	<u>(6,632)</u>	<u>(1,006)</u>	<u>-</u>	<u>6,833</u>	
Unallocated corporate expenses							(4,724)	
Profit from operations							2,109	
Finance costs							(7,902)	
Net loss on disposal of subsidiaries	-	-	-	-	(1,745)	-	(1,745)	
Restructuring costs							(1,320)	
Share of results of associates	-	(17,483)	(2,260)	-	-	-	(19,743)	
Loss before tax							(28,601)	
Income tax credit							29,502	
Profit after tax							901	
Minority interests							821	
Profit attributable to shareholders							<u>1,722</u>	



Notes to the Financial Statements

For the year ended December 31, 2004

5. Business and geographical segments (continued)

Business segments (continued)

2004 (continued)

	Audio-visual						Eliminations	Consolidated
	Air-conditioning products	and other electrical products	Cars and car accessories	Direct marketing	Property investment	Others		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consolidated balance sheet								
Assets								
Segment assets	41,393	50,635	95,824	2,555	209,316	-	-	399,723
Interests in associates	-	75,161	4,765	-	-	-	-	79,926
Unallocated corporate assets								132,012
Consolidated total assets								<u>611,661</u>
Liabilities								
Segment liabilities	27,452	26,437	71,980	1,387	10,455	-	-	137,711
Unallocated corporate liabilities								209,022
Consolidated total liabilities								<u>346,733</u>
Other information								
Capital expenditures	10	882	2,804	26	-	1,162	-	4,884
Depreciation and amortisation	76	311	1,689	44	33	5,027	-	7,180

Notes to the Financial Statements

For the year ended December 31, 2004

5. Business and geographical segments (continued)**Business segments** (continued)

2003

	Air- conditioning products HK\$'000	Audio-visual and other electrical products HK\$'000	Cars and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover								
External sales	137,102	121,904	226,195	68,031	-	-	-	553,232
Inter-segment sales	2,115	12,146	-	201	-	-	(14,462)	-
Total turnover	<u>139,217</u>	<u>134,050</u>	<u>226,195</u>	<u>68,232</u>	<u>-</u>	<u>-</u>	<u>(14,462)</u>	<u>553,232</u>
Inter-segment sales are charged at prevailing market rates.								
Result								
Segment result	<u>(253)</u>	<u>617</u>	<u>(14,514)</u>	<u>(8,395)</u>	<u>(19,008)</u>	<u>-</u>	<u>(43)</u>	(41,596)
Unallocated investment income								593
Unallocated corporate expenses								<u>(8,374)</u>
Loss from operations								(49,377)
Finance costs								(10,309)
Net loss on disposal or liquidation of subsidiaries	-	-	-	-	(524)	(202)	-	(726)
Share of results of associates	-	(22,220)	-	-	-	-	-	<u>(22,220)</u>
Loss before tax								(82,632)
Income tax expense								<u>(2,699)</u>
Loss after tax								(85,331)
Minority interests								<u>579</u>
Loss attributable to shareholders								<u><u>(84,752)</u></u>



Notes to the Financial Statements

For the year ended December 31, 2004

5. Business and geographical segments (continued)**Business segments (continued)**

2003 (continued)

	Air- conditioning products HK\$'000	Audio-visual and other electrical products HK\$'000	Cars and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Consolidated Balance Sheet								
Assets								
Segment assets	48,507	51,643	74,030	13,229	185,328	-	-	372,737
Interests in associates	-	92,036	-	-	-	-	-	92,036
Unallocated corporate assets								181,549
Consolidated total assets								<u>646,322</u>
Liabilities								
Segment liabilities	25,603	21,606	51,615	5,572	5,723	-	-	110,119
Unallocated corporate liabilities								274,287
Consolidated total liabilities								<u>384,406</u>
Other information								
Capital expenditures	163	111	853	68	1,105	1,229	-	3,529
Depreciation and amortisation	177	234	1,492	96	112	5,780	-	7,891
Write down of properties held for sale to net realisable value	-	-	-	-	18,911	-	-	18,911
Loss on disposal of investment properties	-	-	-	-	8,526	-	-	8,526

Notes to the Financial Statements

For the year ended December 31, 2004

5. Business and geographical segments (continued)

Geographical segments

The Group's operations are mainly located in Hong Kong, Singapore, Malaysia, The People's Republic of China (other than Hong Kong and Macau) (the "PRC") and Macau. The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market		Contribution to operating results	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	449,798	385,951	14,775	(17,907)
Singapore	53,160	56,220	353	358
Malaysia	26,717	21,609	1,392	1,544
PRC	58,824	44,946	(17,011)	(39,554)
Macau	27,871	36,498	478	115
Others	2,248	8,008	58	466
	618,618	553,232	45	(54,978)
Other operating income			6,788	13,382
Unallocated investment income			-	593
Unallocated corporate expenses			(4,724)	(8,374)
Profit/(Loss) from operations			2,109	(49,377)



Notes to the Financial Statements

For the year ended December 31, 2004

5. Business and geographical segments (continued)

Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets, and capital expenditures analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital expenditures	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	438,971	420,148	3,997	2,176
Singapore	20,343	23,981	767	107
Malaysia	11,064	9,745	120	22
PRC	141,235	191,662	–	1,224
Macau	48	759	–	–
	611,661	646,295	4,884	3,529

6. Other operating income

	2004 HK\$'000	2003 HK\$'000
Rental income (before deducting outgoings of HK\$5,537,000 (2003: HK\$4,733,000))	6,439	11,225
Commission income	349	2,157
	6,788	13,382

Notes to the Financial Statements

For the year ended December 31, 2004

7. Profit/(Loss) from operations

	2004	2003
	HK\$'000	HK\$'000
Profit/(Loss) from operations has been arrived at after charging:		
Auditors' remuneration	662	880
Depreciation of:		
Owned assets	6,604	7,891
Assets held under finance leases	169	–
Staff costs, including Directors' emoluments	56,958	62,653
Loss on disposal of property, plant and equipment	558	–
Cost of inventories recognised as expenses (included write-down of inventories to net realisable value of HK\$624,000 (2003:HK\$770,000))	487,512	432,584
Amortisation of goodwill	407	–
and crediting:		
Unrealised holding gain of other investments	1	27
Gain on disposal of property, plant and equipment	–	152
Interest income	48	592
	48	592

8. Finance costs

	2004	2003
	HK\$'000	HK\$'000
Interest on:		
Bank loans, trust receipts and overdrafts wholly repayable within five years	4,064	4,319
Bank loans wholly repayable after five years	–	813
Other loans wholly repayable within five years	–	1,245
Other loans wholly repayable after five years	3,272	3,254
	7,336	9,631
Finance lease charges	8	5
Bank charges	558	673
	7,902	10,309



Notes to the Financial Statements

For the year ended December 31, 2004

9. Net loss on disposal or liquidation of subsidiaries

	2004	2003
	HK\$'000	HK\$'000
Net loss on disposal of subsidiaries	1,745	524
Net loss on liquidation of subsidiaries	–	202
	1,745	726

10. Restructuring costs

In May 2004 the Group embarked on a corporate-wide saving plan to alleviate the staff costs and other expenses of the Group. Pursuant to the saving plan, employment contracts of certain staff were terminated and the relevant severance payment of HK\$1,320,000 was incurred as restructuring costs for the year.

11. Directors' and employees' emoluments

(a) Directors' emoluments

	2004	2003
	HK\$'000	HK\$'000
Fees:		
Executive Directors	–	–
Non-executive Directors	147	120
	147	120
Other emoluments:		
Salaries and other benefits	4,234	5,342
Retirement benefits scheme contributions	30	24
	4,264	5,366
	4,411	5,486

Notes to the Financial Statements

For the year ended December 31, 2004

11. Directors' and employees' emoluments (continued)

(a) Directors' emoluments (continued)

Fees paid to non-executive Directors include HK\$127,000 (2003: HK\$100,000) paid to independent non-executive Directors.

The Directors' emoluments were within the following bands:

HK\$	2004 Number of Directors	2003 Number of Directors
Nil – 1,000,000	8	6
3,000,001 – 3,500,000	1	–
4,000,001 – 4,500,000	–	1
	—————	—————

(b) Employees' emoluments

During the year, the five highest paid individuals included two Directors (2003: two Directors), details of whose emoluments are set out in note 11(a) above. The emoluments of the remaining highest paid individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	3,465	4,612
Retirement benefits scheme contributions	36	36
	—————	—————
	3,501	4,648
	—————	—————



Notes to the Financial Statements

For the year ended December 31, 2004

11. Directors' and employees' emoluments (continued)

(b) Employees' emoluments (continued)

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

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

12. Retirement benefit scheme

The Group operates a mandatory provident fund (“MPF”) scheme for all qualifying employees of its Hong Kong subsidiaries. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The retirement benefit cost charged to the income statement during the year amounted to HK\$1,642,000 (2003: HK\$1,780,000), which represents contributions payable to the fund by the Group at the rates specified in the MPF Ordinance.

For subsidiaries other than in Hong Kong, contributions are payable to the defined contribution schemes by the Group at rates specified in the rules of the schemes at the relevant jurisdiction. The contributions made by subsidiaries other than in Hong Kong during the year amounted to HK\$661,000 (2003: HK\$774,000).

Notes to the Financial Statements

For the year ended December 31, 2004

13. Income tax

The (credit)/expense comprises:

	2004	2003
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	243	330
Overseas income tax	170	226
	413	556
Deferred tax:		
Current year	(29,915)	(815)
Attributable to a change in tax rate	-	2,958
Income tax attributable to the Company and its subsidiaries	(29,502)	2,699
Share of income tax attributable to associates	-	-
	(29,502)	2,699

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.



Notes to the Financial Statements

For the year ended December 31, 2004

13. Income tax (continued)

The (credit)/expense for the year can be reconciled to the loss before tax as follows:

	2004		2003	
	HK\$'000	%	HK\$'000	%
Loss before tax	(28,601)		(82,632)	
Tax at the Hong Kong Profits Tax rate of 17.5%	(5,005)	(17.5)	(14,461)	(17.5)
Tax effect of share of results of an associate	3,455	12.1	3,889	4.7
Tax effect of expenses that are not deductible for tax purposes	13,599	47.5	8,796	10.6
Tax effect of income that are not taxable for tax purposes	(19,210)	(67.2)	(2,976)	(3.6)
Tax effect of deferred tax assets not recognised	1	0.0	122	0.2
Utilisation of deferred tax assets previously not recognised	(4,745)	(16.6)	(178)	(0.2)
Tax effect of tax losses not recognised	3,944	13.8	4,643	5.6
Tax effect of tax losses recognised as deferred tax assets	(21,300)	(74.5)	–	–
Increase in opening deferred tax liabilities resulting from an increase in applicable tax rate	–	–	2,958	3.6
Effect of different tax rates of subsidiaries and an associate operating in other jurisdictions	(60)	(0.2)	65	0.1
Others	(181)	(0.6)	(159)	(0.2)
Tax (credit)/expense and effective tax rate for the year	(29,502)	(103.2)	2,699	3.3

Notes to the Financial Statements

For the year ended December 31, 2004

14. Earnings/(Loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit attributable to shareholders of HK\$1,722,000 (2003: a loss of HK\$84,752,000) and on the weighted average number of 2,216,154,331 (2003: 1,334,516,654) ordinary shares in issue during the year.

No diluted earnings/(loss) per share has been presented because the exercise price of the Company's outstanding share options was higher than the average market price for share for both years.

15. Investment properties

	Investment properties in Hong Kong held under medium- term leases	Investment properties outside Hong Kong held under medium- term leases	Total
	HK\$'000	HK\$'000	HK\$'000
The Group			
At January 1, 2004	87,783	28,914	116,697
Transfer from land and building (note 16)	57,202	–	57,202
Revaluation increase/(decrease)	14,496	(16,090)	(1,594)
	<u>159,481</u>	<u>12,824</u>	<u>172,305</u>
At December 31, 2004	<u>159,481</u>	<u>12,824</u>	<u>172,305</u>

The investment properties of the Group were revalued at December 31, 2004 by Norton Appraisals Limited, independent professional valuers, on an open market value basis.

The investment properties of the Group are rented out or available for rent under operating leases.

The Group has pledged investment properties having a carrying amount of approximately HK\$159,481,000 (2003: HK\$87,783,000) to banks and a supplier to secure facilities granted by them. (See note 41)



Notes to the Financial Statements

For the year ended December 31, 2004

16. Property, plant and equipment

	Land and buildings in Hong Kong held under medium- term leases	Leasehold improvements	Furniture, fixtures and equipment	Machinery and tools	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group						
Cost or valuation						
At January 1, 2004	210,486	19,667	49,771	9,078	7,677	296,679
Exchange difference	–	2	51	7	13	73
Additions	–	117	227	519	1,721	2,584
Transfer to investment properties	(70,556)	–	–	–	–	(70,556)
Reclassification	–	–	263	(263)	–	–
Disposals	–	(116)	(9,489)	(128)	(1,090)	(10,823)
	<u>139,930</u>	<u>19,670</u>	<u>40,823</u>	<u>9,213</u>	<u>8,321</u>	<u>217,957</u>
At December 31, 2004	139,930	19,670	40,823	9,213	8,321	217,957
Representing:						
At cost	129,290	19,670	40,823	9,213	8,321	207,317
At 1996 valuation	10,640	–	–	–	–	10,640
	<u>139,930</u>	<u>19,670</u>	<u>40,823</u>	<u>9,213</u>	<u>8,321</u>	<u>217,957</u>
Accumulated depreciation						
At January 1, 2004	36,992	18,591	47,467	8,286	5,324	116,660
Exchange difference	–	2	46	3	15	66
Charge for the year	4,084	391	818	405	1,075	6,773
Transfer to investment properties	(13,354)	–	–	–	–	(13,354)
Reclassification	–	–	263	(263)	–	–
Eliminated upon disposals	–	(67)	(9,175)	(114)	(360)	(9,716)
	<u>27,722</u>	<u>18,917</u>	<u>39,419</u>	<u>8,317</u>	<u>6,054</u>	<u>100,429</u>
At December 31, 2004	27,722	18,917	39,419	8,317	6,054	100,429
Net book values						
At December 31, 2004	<u>112,208</u>	<u>753</u>	<u>1,404</u>	<u>896</u>	<u>2,267</u>	<u>117,528</u>
At December 31, 2003	<u>173,494</u>	<u>1,076</u>	<u>2,304</u>	<u>792</u>	<u>2,353</u>	<u>180,019</u>

Notes to the Financial Statements

For the year ended December 31, 2004

16. Property, plant and equipment (continued)

At December 31, 2004, the net book value of the Group's furniture, fixtures and equipment included an amount of HK\$582,000 in respect of assets held under finance leases (2003: nil).

If the land and buildings which were stated at valuation with net book value of HK\$8,761,000 (2003: HK\$10,322,000) had not been revalued, they would have been included in the financial statements at historical cost less accumulated depreciation of HK\$8,765,000 (2003: HK\$11,167,000).

The Group has pledged land and buildings having a carrying amount of approximately HK\$112,208,000 (2003: HK\$173,494,000) to banks to secure facilities granted by them. (See note 41)

The Company	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At January 1, 2004	6,635	21,960	2,647	31,242
Additions	8	103	–	111
Transfer from a subsidiary	–	263	–	263
Disposals	–	–	(650)	(650)
	<u>6,643</u>	<u>22,326</u>	<u>1,997</u>	<u>30,966</u>
At December 31, 2004	6,643	22,326	1,997	30,966
Accumulated depreciation				
At January 1, 2004	6,604	21,600	1,851	30,055
Charge for the year	15	159	179	353
Transfer from a subsidiary	–	263	–	263
Eliminated upon disposals	–	–	(173)	(173)
	<u>6,619</u>	<u>22,022</u>	<u>1,857</u>	<u>30,498</u>
At December 31, 2004	6,619	22,022	1,857	30,498
Net book values				
At December 31, 2004	<u>24</u>	<u>304</u>	<u>140</u>	<u>468</u>
At December 31, 2003	<u>31</u>	<u>360</u>	<u>796</u>	<u>1,187</u>



Notes to the Financial Statements

For the year ended December 31, 2004

17. Goodwill**The Group**

	Total
	HK\$'000
Cost	
At January 1, 2004	–
Arising from increase in shareholding of a subsidiary	2,713
	<u>2,713</u>
At December 31, 2004	<u>2,713</u>
Amortisation	
At January 1, 2004	–
Charge for the year	407
	<u>407</u>
At December 31, 2004	<u>407</u>
Carrying value	
At December 31, 2004	<u><u>2,306</u></u>
At December 31, 2003	<u><u>–</u></u>

The goodwill arising from increase in shareholding of a subsidiary is amortised over a period of five years.

18. Investments in subsidiaries

	The Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	293,504	293,504
Less: Impairment loss recognised	(30,736)	(27,136)
	<u>262,768</u>	<u>266,368</u>

Particulars of the Company's principal subsidiaries at December 31, 2004 are shown in note 43.

Notes to the Financial Statements

For the year ended December 31, 2004

19. Interests in associates

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets	79,926	92,036

Particulars of the Group's principal associates at December 31, 2004 are shown in note 44.

The following details are the adjusted financial information of the Group's major associate:

	Jin Ling Electrical Company Limited	
	2004	2003
	HK\$'000	HK\$'000
Operating results		
Turnover	437,898	411,055
Loss before taxation	(34,966)	(44,440)
Loss before taxation attributable to the Group	(17,483)	(22,220)
Financial position		
Non-current assets	158,470	202,458
Current assets	247,609	272,262
Current liabilities	(255,097)	(290,648)
Non-current liabilities	(660)	-
Shareholders' funds	150,322	184,072
Shareholders' funds attributable to the Group	75,161	92,036



Notes to the Financial Statements

For the year ended December 31, 2004

20. Investment securities

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	75	75
Club debentures, at cost less impairment loss	627	627
	<hr/>	<hr/>
	702	702
	<hr/> <hr/>	<hr/> <hr/>

In the opinion of the Directors, investment securities are worth at least their carrying values.

21. Inventories

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Finished goods	72,558	95,008
Spare parts	12,465	12,125
	<hr/>	<hr/>
	85,023	107,133
	<hr/> <hr/>	<hr/> <hr/>

Included above are finished goods of HK\$4,829,000 (2003: HK\$18,478,000) and spare parts of HK\$1,832,000 (2003: HK\$694,000), which are carried at net realisable value.

Notes to the Financial Statements

For the year ended December 31, 2004

22. Trade and other receivables

The Group

The Group allows an average credit period of 7 to 90 days to its customers. The aged analysis of trade receivables, net of provision is as follows:

	2004	2003
	HK\$'000	HK\$'000
Within 30 days	29,218	19,922
31 to 60 days	10,609	12,073
61 to 90 days	2,398	2,716
91 days to 1 year	8,469	4,506
Over 1 year	1,986	1,185
	<hr/>	<hr/>
Total trade receivables, net of provision	52,680	40,402
Deposits, prepayments and other receivables	20,907	25,761
	<hr/>	<hr/>
	73,587	66,163
	<hr/> <hr/>	<hr/> <hr/>

23. Amounts due from/to associates/subsidiaries

The amounts due are unsecured, interest-free and have no fixed terms of repayment.



Notes to the Financial Statements

For the year ended December 31, 2004

24. Amounts due from related parties

Details of the amounts due from related parties are as follows:

Name of related party	The Group			The Company		
	Balance	Balance	Maximum	Balance	Balance	Maximum
	at	at	amount	at	at	amount
31.12.2004	1.1.2004	outstanding	31.12.2004	1.1.2004	outstanding	
HK\$'000	HK\$'000	during	HK\$'000	HK\$'000	during	
		the year	HK\$'000	HK\$'000	the year	
		HK\$'000			HK\$'000	
Mr. Herbert ADAMCZYK (a)	-	2,082	2,082	-	-	-
B & O Web Studio Limited (b)	-	3	3	-	3	3
	<u>-</u>	<u>2,085</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>3</u>

Notes:

- a. The amount was unsecured, bears interest at the best lending rate offered by the Hongkong and Shanghai Banking Corporation Limited and has no fixed terms of repayment.

Mr. Herbert ADAMCZYK is a Director of the Company's subsidiaries. The amount was settled during the year.

- b. The amount was unsecured, non-interest bearing and had no fixed terms of repayment.

The related company is controlled by certain Directors of the Company. The amount was settled during the year.

Notes to the Financial Statements

For the year ended December 31, 2004

25. Other investments

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Listed shares	101	100	36	36

The shares are listed on the Stock Exchange and are carried at market value.

26. Trade and other payables

The Group

At the balance sheet date, the aged analysis of trade payables is as follows:

	2004 HK\$'000	2003 HK\$'000
Within 30 days	5,070	6,042
31 to 60 days	2,191	2,610
61 to 90 days	3,337	1,478
91 days to 1 year	988	3,349
Over 1 year	1,329	1,414
Total trade payables	12,915	14,893
Customers' deposits, accruals and other payables	94,853	67,882
	107,768	82,775

27. Amounts due to Directors

The amounts at December 31, 2003 were unsecured, non-interest bearing and had no fixed terms of repayment. The amounts were fully settled during the year.



Notes to the Financial Statements

For the year ended December 31, 2004

28. Amounts due to related companies

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. The related companies are controlled by certain Directors of the Company.

29. Share capital

	The Group and the Company	
	Number of shares	Nominal value
		<i>HK\$'000</i>
Authorised:		
At January 1, 2003, December 31, 2003, January 1, 2004 and December 31, 2004 of HK\$0.10 each	<u>3,500,000,000</u>	<u>350,000</u>
Issued and fully paid:		
At January 1, 2003 of HK\$0.10 each	774,879,138	77,488
Issue of shares upon bonus share issue (a)	77,487,913	7,749
Issue of shares upon rights issue (b)	340,946,820	34,094
Issue of shares upon bonus share issue (b)	<u>1,022,840,460</u>	<u>102,284</u>
At December 31, 2003, January 1, 2004 and December 31, 2004 of HK\$0.10 each	<u>2,216,154,331</u>	<u>221,615</u>

Notes:

- (a) Pursuant to a resolution passed on the Special General Meeting ("SGM") held on May 6, 2003, a bonus share was issued for every ten shares. 77,487,913 bonus shares were issued and were credited as fully paid by using the credit in the contributed surplus account of the Company.
- (b) Pursuant to another resolution passed on the SGM held on September 1, 2003, a rights issue of not less than 340,946,820 shares of HK\$0.10 each at HK\$0.10 per share on the basis of two rights shares for five rights shares held on the record date with bonus share issue on the basis of three bonus shares for every rights share taken up payable in full on acceptance. The Group had use the net proceeds from rights issue of approximately HK\$19,633,000 to set off loans advanced from a Director and a related company directly. The remaining balance of HK\$14,461,000 (before expenses) was used to repay part of the bank overdrafts of the Group and to provide additional working capital of the Group.

Notes to the Financial Statements

For the year ended December 31, 2004

30. Reserves

The Company

	Capital redemption reserve	Contributed surplus	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 1, 2003	916	471,524	(205,040)	267,400
Bonus issue of shares on May 6, 2003	–	(7,749)	–	(7,749)
Bonus issue of shares on September 1, 2003	–	(102,284)	–	(102,284)
Loss attributable to shareholders	–	–	(117,717)	(117,717)
At December 31, 2003 and January 1, 2004	916	361,491	(322,757)	39,650
Profit attributable to shareholders	–	–	3,125	3,125
At December 31, 2004	<u>916</u>	<u>361,491</u>	<u>(319,632)</u>	<u>42,775</u>

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

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of Directors, as at December 31, 2004, the Company have distributable reserves by considering the net balance of reserve available for distribution of HK\$41,859,000 (2003: HK\$38,734,000), including contributed surplus of HK\$361,491,000 (2003: HK\$361,491,000) and accumulated losses of HK\$319,632,000 (2003: HK\$322,757,000).



Notes to the Financial Statements

For the year ended December 31, 2004

31. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The Group				
Amounts payable under finance leases:				
Within one year	99	—	84	—
In the second to fifth year inclusive	372	—	321	—
More than five years	100	—	87	—
	<u>571</u>	—	<u>492</u>	—
Less: Future finance charges	(79)	—	—	—
Present value of lease obligations	<u>492</u>	—	<u>492</u>	—
Analysed as:				
Amounts due within one year shown under current liabilities			84	—
Amounts due after one year			408	—
			<u>492</u>	—

The average effective borrowing rate was approximately 3% per annum. Interest rates were fixed at the contract dates. All leases were on a fixed repayment basis and no arrangement had been entered into for contingent rental payments. The Group's obligations under finance leases as at December 31, 2004 were secured by the lessor's charge over the leased assets. There were no obligations under finance leases as at December 31, 2003.

Notes to the Financial Statements

For the year ended December 31, 2004

32. Borrowings

	The Group	
	2004 HK\$'000	2003 HK\$'000
Bank overdrafts	2,257	14,297
Bank loans	31,865	75,708
	34,122	90,005
Secured (note 41)	25,318	80,868
Unsecured	8,804	9,137
	34,122	90,005
Secured loan advanced from a supplier (note below)	130,322	130,108
	164,444	220,113
The maturity of the above loans is as follows:		
Within one year	32,820	76,754
More than one year, but not exceeding two years	477	3,574
More than two years, but not exceeding five years	825	5,868
More than five years	130,322	133,917
	164,444	220,113
Less: Amounts due within one year shown under current liabilities	(32,820)	(76,754)
Amounts due after one year	131,624	143,359

Note:

The loan advanced from a supplier is secured by investment properties of the Group, bears interest at 2.5% per annum and is repayable semi-annually by ten instalments commencing from June 30, 2012. (See note 41)

Subsequent to the balance sheet date, the Group and the supplier have entered into a deed of settlement in relation to the settlement of the above debt plus accrued interest thereon. Details are disclosed in note 37.



Notes to the Financial Statements

For the year ended December 31, 2004

33. Loans advanced from minority shareholders

The loans are unsecured, non-interest bearing and have no fixed terms of repayment. The minority shareholders have agreed not to demand repayment of the loans in the next twelve months from the balance sheet date and, accordingly, the amounts have been classified as non-current liabilities.

34. Deferred tax (assets)/liabilities

	Tax losses	Accelerated tax depreciation	Total
	HK\$'000	HK\$'000	HK\$'000
At January 1, 2003	–	31,566	31,566
Credit to income for the year	–	(815)	(815)
Effect of a change in tax rate charged to income statement	–	2,958	2,958
	<hr/>	<hr/>	<hr/>
At December 31, 2003 and January 1, 2004	–	33,709	33,709
Credit to income for the year	(21,300)	(8,615)	(29,915)
	<hr/>	<hr/>	<hr/>
At December 31, 2004	<u>(21,300)</u>	<u>25,094</u>	<u>3,794</u>

	2004 HK\$'000	2003 HK\$'000
Deferred tax liabilities	25,094	33,709
Deferred tax assets	(21,300)	–
	<hr/>	<hr/>
	<u>3,794</u>	<u>33,709</u>

At the balance sheet date, the Group has unused tax losses of approximately HK\$1,010,766,000 (2003: HK\$994,964,000) available to offset future profits. A deferred tax asset has been recognised in respect of HK\$121,714,000 (2003: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$889,052,000 (2003: HK\$994,964,000) due to the unpredictability of future profit streams. The tax losses may be carried forward either from 2 to 5 years or indefinitely.

Notes to the Financial Statements

For the year ended December 31, 2004

35. Disposal of subsidiaries

A summary of the effects of disposal of subsidiaries is as follows:

	2004	2003
	HK\$'000	HK\$'000
Net assets disposed of:		
Property held for sale, at net realisable value	9,448	2,745
Trade and other receivables	59	–
Trade and other payables	–	(14)
	<hr/>	<hr/>
	9,507	2,731
Loss on disposal of subsidiaries	(1,745)	(524)
	<hr/>	<hr/>
Total consideration	7,762	2,207
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash	7,762	2,207
	<hr/> <hr/>	<hr/> <hr/>
Net cash inflow arising on disposal:		
Cash consideration	7,762	2,207
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries disposed of for both years did not have any significant impact on the Group's cash flows, turnover and operating results.



Notes to the Financial Statements

For the year ended December 31, 2004

36. Major non-cash transactions

During the year ended December 31, 2004, minority shareholders of a Group's subsidiary contributed to the increase in share capital of the subsidiary by offsetting to the amounts of totalling HK\$2,000,000 due to the minority shareholders by the Group.

During the year ended December 31, 2003, the Group has used the proceeds from right issue of the Company to offset the loans advanced from a Director, loans advanced from related companies, and amounts due to related companies amounted to HK\$19,633,000 directly.

37. Events after the balance sheet date

On February 24, 2005, the Group and a supplier, Mitsubishi Heavy Industries, Ltd ("MHI"), have entered into a deed of settlement in relation to the settlement of the debt due from the Group to MHI under the loan agreement dated June 28, 2002. In accordance with the deed of settlement, the debt, being the aggregate of the principal plus accrued interest thereon of HK\$135.9 million as at December 31, 2004, have been settled in full with the amount of HK\$47.7 million, resulting in a gain of HK\$88.2 million by the Group to be included in the Group's results for the following year. The settlement has been fulfilled by a new long term bank loan borrowed by the Group and the Group's internal resources.

Notes to the Financial Statements

For the year ended December 31, 2004

38. Related party transactions

In addition to the balances with related parties disclosed under notes 24 and 28 above, during the year, the Group entered into the following transactions with related parties:

	2004	2003
	HK\$'000	HK\$'000
Interest expense paid to a Director (a)	–	1,053
Interest expense paid to a related company (b)	–	192
Interest income received from a related party (b)	30	106
Management and agency fee paid to a related company (c)	61	29
Sales of goods to a Director (c)	900	4,958
Underwriting commission fees paid to a related company (d)	–	234
Acquisition of further interest in a subsidiary from a related party	2,287	–
Management and agency fee paid to a related company which received the amounts on behalf of a building management fund (c), (e)	4,187	3,349
Consultancy service fee paid to a related company (c)	20	–
	<u>20</u>	<u>–</u>

Notes:

- (a) The interest expense paid to a Director was agreed between the relevant parties. The interest rate was 10% per annum.
- (b) The interest expense paid to a related company was 1% above the best lending rate. The interest income received from a related party borne interest at the best lending rate offered by the Hongkong and Shanghai Banking Corporation Limited.
- (c) The pricing of transactions regarding management and agency fees, consultancy service fee and goods sold to a related company or Director were determined by the Directors on the basis of estimated market value.
- (d) The underwriting commission fees paid to a related company was 2.5% of the total issue price of the rights share underwritten by the related company.



Notes to the Financial Statements

For the year ended December 31, 2004

38. Related party transactions (continued)

Notes: (continued)

- (e) The related company acted as a building manager to operate a building management fund for a building owned by the Group and collected the management and agency fee from the Group on behalf of the building management fund. During the year, management fee of HK\$417,000 (2003: HK\$417,000) and accounting service fee of HK\$162,000 (2003: nil) were paid to the related company by the building management fund.
- (f) The related companies are controlled by certain Directors of the Company.

39. Operating lease arrangements

The Group as lessor

Property rental income earned, net of outgoings of HK\$5,537,000 (2003: HK\$4,733,000) during the year was HK\$902,000 (2003: HK\$6,492,000). The property held has committed tenants for the next two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments which fall due:

	2004	2003
	HK\$'000	HK\$'000
Within one year	4,435	5,338
In the second to fifth year inclusive	2,804	2,218
	7,239	7,556

The Group as lessee

	2004	2003
	HK\$'000	HK\$'000
Minimum lease payments under operating leases recognised in the income statement for the year	7,294	10,586

Notes to the Financial Statements

For the year ended December 31, 2004

39. Operating lease arrangements (continued)

The Group as lessee (continued)

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

	2004	2003
	HK\$'000	HK\$'000
Within one year	5,317	5,428
In the second to fifth year inclusive	3,527	2,369
	8,844	7,797

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of one year.

At the balance sheet date, the Company had no commitments under non-cancellable operating leases (2003: nil).

40. Contingent liabilities

(a) At the balance sheet date, the Group and the Company had the following outstanding contingent liabilities which are not provided for in the financial statements in respect of:

	The Group		The Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given for banking and other facilities made available to subsidiaries	–	–	162,954	165,430
Other guarantees issued for subsidiaries	–	–	138,328	138,909
	–	–	301,282	304,339

(b) At the balance sheet date, the Group had contingent liabilities of approximately HK\$29.2 million arising out of a court proceedings involving a subsidiary of the Company in PRC and HK\$1.3 million in respect of proceedings involving a subsidiary of the Company in India.



Notes to the Financial Statements

For the year ended December 31, 2004

41. Pledge of assets

At the balance sheet date, certain of the Group's land and buildings of approximately HK\$112,208,000 (2003: HK\$173,494,000), properties held for sale of approximately HK\$34,000,000 (2003: HK\$60,963,000), inventories stated at lower of cost or net realisable value amounting HK\$nil (2003: HK\$4,663,000), deposits in bank of approximately HK\$1,214,000 (2003: nil) and all assets of a subsidiary of approximately HK\$18,491,000 (2003: HK\$15,095,000) have been pledged to secure facilities granted by banks to the Group. The investment properties of approximately HK\$159,481,000 (2003: HK\$87,783,000) have been pledged to secure facilities granted by banks and a supplier to the Group.

42. Share options schemes

1991 Scheme

The Company's share option scheme was adopted on June 22, 1991 ("1991 Scheme") for the primary purpose of providing incentives to Directors and eligible employees and expired on June 21, 2001. The Directors may, at their discretion, grant options to all eligible employees, including executive Directors of the Company and its subsidiaries.

The total number of shares in respect of which options may be granted under the 1991 Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares of the Company for the time being issued and issuable under the 1991 Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per grant. Options are exercisable within a period of 6 years commencing one month from the date of acceptance of options.

The subscription price is determined by the Directors, and will not be less than the higher of a price being not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant, and the nominal value of a share of the Company.

Notes to the Financial Statements

For the year ended December 31, 2004

42. Share option schemes (continued)

2001 Scheme

Another share option scheme ("2001 Scheme") was subsequently adopted pursuant to a resolution passed on June 28, 2001 for the primary purpose of providing incentives to Directors and eligible employees, and was terminated on May 30, 2002 pursuant to a resolution passed on that date.

Under the 2001 Scheme, the Directors may grant options to any full-time employees, including executive and non-executive Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 2001 Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares of the Company for the time being issued and issuable under the 2001 Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per grant. Options are exercisable within a period of 6 years commencing one month from the date of acceptance of options.

The subscription price is determined by the Directors, and will not be less than the higher of a price being not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant, and the nominal value of a share of the Company.

Upon termination of the 2001 Scheme, no further options will be granted but in all other respects, the provisions of the 2001 Scheme shall remain in force and all granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

2002 Scheme

On August 23, 2001, the Stock Exchange has announced amendments to Chapter 17 of the Listing Rules, which has come into effect on September 1, 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the Company adopted a new share option scheme ("2002 Scheme") and terminated the 2001 Scheme on May 30, 2002 pursuant to a resolution passed on that date. The purpose of the 2002 Scheme is to provide incentives or rewards to participants for their contribution to the Group and enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any companies in which the Group holds any equity interest. The 2002 Scheme will expire on the 10th anniversary of date of adoption.



Notes to the Financial Statements

For the year ended December 31, 2004

42. Share option schemes (continued)

2002 Scheme (continued)

Under the 2002 Scheme, the Board of Directors of the Company may at their discretion grant options to the following participants of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

1. eligible employees, including Directors; or
2. suppliers or customers; or
3. any person or entity that provides research, development or other technological support; or
4. shareholders; or
5. employees, partners or Directors of any business partners, joint venture partners, financial advisers and legal advisers.

Options granted to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the Independent Non-executive Directors of the Company (excluding any Independent Non-executive Director who is the grantee).

The total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. Subject to the above rule, the total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes must not in aggregate, exceed 10% of the issued share capital of the Company at the adoption date of the 2002 Scheme without prior approval from the Company's shareholders.

The number of shares in respect of which options may be granted to any participant in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder, or an Independent Non-executive Director of the Company, or any of their respective associates under the 2002 Scheme and any other schemes in any one year in excess of 0.1% of the Company's issued share capital or with a value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Notes to the Financial Statements

For the year ended December 31, 2004

42. Share option schemes (continued)

Options granted must be taken up within 28 days of the date of grant upon payment of HK\$1 per each grant of options. The exercise period of the share options granted under the 2002 Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end later than 6 years from the date of grant. The subscription price is determined by the Board of Directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, or the average closing price of the shares for the five trading days immediately preceding the date of grant, or the nominal value of a share of the Company.

At December 31, 2004, the number of shares in respect of which options had been granted and remained outstanding under the 1991 Scheme, 2001 Scheme and 2002 Scheme were 45,843,275, 118,930,658 and 91,226,162 (2003: 91,247,671, 175,092,363 and 129,117,007 respectively), representing 2.1%, 5.4% and 4.1% (2003: 4.1%, 7.9% and 5.8% respectively) of the issued share capital of the Company at that date respectively.

The following table discloses details of the Company's share options held by employees (including Directors) and movements in such holdings during the year:

Scheme type	Date of grant	Outstanding at January 1, 2004	Option Lapsed
1991	January 19, 1998	12,125,838	12,125,838
1991	June 10, 1998	1,573,156	1,573,156
1991	December 21, 1999	23,133,184	242,256
1991	February 11, 2000	11,531,229	–
1991	September 8, 2000	4,719,470	–
1991	January 18, 2001	409,019	–
1991	May 28, 2001	37,755,775	31,463,146
2001	August 10, 2001	166,754,668	55,060,504
2001	August 29, 2001	6,764,539	1,101,201
2001	November 23, 2001	1,573,156	–
2002	June 4, 2002	80,702,927	15,731,565
2002	September 24, 2002	48,414,080	22,159,280
Grand Total:		<u>395,457,041</u>	<u>139,456,946</u>



Notes to the Financial Statements

For the year ended December 31, 2004

Outstanding at December 31, 2004	Exercisable period	Exercise price HK\$
–	February 19, 1998 – March 12, 2004	0.3655
–	July 24, 1998 – July 23, 2004	0.1749
22,890,928	February 1, 2000 – March 21, 2006	0.2325
11,531,229	March 18, 2000 – March 21, 2006	0.5422
4,719,470	November 5, 2000 – November 4, 2006	0.2347
409,019	March 6, 2001 – March 14, 2007	0.1661
6,292,629	June 29, 2001 – June 29, 2007	0.1661
111,694,164	September 14, 2001 – September 18, 2007	0.1661
5,663,338	September 30, 2001 – September 30, 2007	0.1661
1,573,156	December 23, 2001 – December 22, 2007	0.1661
64,971,362	June 4, 2002 – June 3, 2008	0.1000
26,254,800	September 24, 2002 – September 23, 2008	0.1000
<u>256,000,095</u>		

Notes to the Financial Statements

For the year ended December 31, 2004

42. Share option schemes (continued)

Scheme type	Date of grant	Outstanding at		Lapsed during the period	Outstanding at	
		January 1, 2003			June 30, 2003	
		Before adjustment	After adjustment(b)		Before adjustment	After adjustment(c)
1991	July 28, 1997	15,951,594	17,546,751	17,546,751 (d)	-	-
1991	January 19, 1998	4,305,815	4,736,391	18,151	4,718,240	12,267,415
1991	June 10, 1998	550,055	605,060	-	605,060	1,573,156
1991	December 21, 1999	8,150,137	8,965,145	27,831	8,937,314	23,237,007
1991	February 11, 2000	4,031,901	4,435,088	-	4,435,088	11,531,229
1991	September 8, 2000	1,650,165	1,815,182	-	1,815,182	4,719,470
1991	January 18, 2001	143,014	157,315	-	157,315	409,019
1991	May 28, 2001	13,201,320	14,521,452	-	14,521,452	37,755,775
2001	August 10, 2001	58,305,830	64,136,411	-	64,136,411	166,754,668
2001	August 29, 2001	2,475,242	2,722,759	-	2,722,759	7,079,170
2001	November 23, 2001	550,055	605,060	-	605,060	1,573,156
2002	June 4, 2002	29,867,981	32,854,769	-	32,854,769	85,422,395
2002	September 24, 2002	16,928,000	18,620,800	-	18,620,800	48,414,080
Grand Total:		<u>156,111,109</u>	<u>171,722,183</u>	<u>17,592,733</u>	<u>154,129,450</u>	<u>400,736,540</u>



Notes to the Financial Statements

For the year ended December 31, 2004

Lapsed during the period	Outstanding at December 31, 2003	Exercisable period	Exercise price		
			Before adjustment	After adjustment(b)	After adjustment(c)
			HK\$	HK\$	HK\$
-	-	August 28, 1997 – September 10, 2003	1.5858	1.4416	0.8855
141,577	12,125,838	February 19, 1998 – March 12, 2004	0.6546	0.5951	0.3655
-	1,573,156	July 24, 1998 – July 23, 2004	0.3132	0.2847	0.1749
103,823	23,133,184	February 1, 2000 – March 21, 2006	0.4165	0.3786	0.2325
-	11,531,229	March 18, 2000 – March 21, 2006	0.9711	0.8828	0.5422
-	4,719,470	November 5, 2000 – November 4, 2006	0.4204	0.3822	0.2347
-	409,019	March 6, 2001 – March 14, 2007	0.2975	0.2705	0.1661
-	37,755,775	June 29, 2001 – June 29, 2007	0.2975	0.2705	0.1661
-	166,754,668	September 14, 2001 – September 18, 2007	0.2975	0.2705	0.1661
314,631	6,764,539	September 30, 2001 – September 30, 2007	0.2975	0.2705	0.1661
-	1,573,156	December 23, 2001 – December 22, 2007	0.2975	0.2705	0.1661
4,719,468	80,702,927	June 4, 2002 – June 3, 2008	0.1440	0.1309	0.1000
-	48,414,080	September 24, 2002 – September 23, 2008	0.1000	0.1000	0.1000
<u>5,279,499</u>	<u>395,457,041</u>				

Notes to the Financial Statements

For the year ended December 31, 2004

42. Share option schemes (continued)

Details of the share options held by the Directors included in the above table are as follows:

Scheme type	Date of grant	Outstanding at January 1, 2004	Option Lapsed
1991	January 19, 1998	9,596,253 (a)	9,596,253 (a)
1991	June 10, 1998	1,573,156	1,573,156
1991	December 21, 1999	21,237,613 (a)	–
1991	February 11, 2000	11,012,093	–
1991	January 18, 2001	409,019	–
1991	May 28, 2001	6,292,629	–
2001	August 10, 2001	111,694,164	–
2001	August 29, 2001	1,573,150 (a)	–
2002	June 4, 2002	13,843,779	–
2002	September 24, 2002	26,254,800	–
Grand Total:		203,486,656	11,169,409



Notes to the Financial Statements

For the year ended December 31, 2004

Outstanding at December 31, 2004	Exercisable period	Exercise price HK\$
–	February 19, 1998 – February 21, 2004	0.3655
–	July 24, 1998 – July 23, 2004	0.1749
21,237,613 (a)	February 6, 2000 – February 10, 2006	0.2325
11,012,093	March 18, 2000 – March 21, 2006	0.5422
409,019	March 6, 2001 – March 5, 2007	0.1661
6,292,629	June 29, 2001 – June 29, 2007	0.1661
111,694,164	September 14, 2001 – September 18, 2007	0.1661
1,573,150 (a)	September 30, 2001 – September 29, 2007	0.1661
13,843,779	June 4, 2002 – June 3, 2008	0.1000
26,254,800	September 24, 2002 – September 23, 2008	0.1000
<u>192,317,247</u>		

Notes to the Financial Statements

For the year ended December 31, 2004

42. Share option schemes (continued)

Scheme type	Date of grant	Outstanding at		Lapsed during the period	Outstanding at	
		January 1, 2003			June 30, 2003	
		Before adjustment	After adjustment(b)		Before adjustment	After adjustment(c)
1991	July 28, 1997	14,851,484 (a)	16,336,630 (a)	16,336,630 (d)	-	-
1991	January 19, 1998	3,355,335 (a)	3,690,867 (a)	-	3,690,867 (a)	9,596,253 (a)
1991	June 10, 1998	550,055	605,060	-	605,060	1,573,156
1991	December 21, 1999	7,425,741 (a)	8,168,313 (a)	-	8,168,313 (a)	21,237,613 (a)
1991	February 11, 2000	3,850,384	4,235,421	-	4,235,421	11,012,093
1991	January 18, 2001	143,014	157,315	-	157,315	409,019
1991	May 28, 2001	2,200,220	2,420,242	-	2,420,242	6,292,629
2001	August 10, 2001	39,053,905	42,959,294	-	42,959,294	111,694,164
2001	August 29, 2001	550,054 (a)	605,058 (a)	-	605,058 (a)	1,573,150 (a)
2002	June 4, 2002	4,840,484	5,324,531	-	5,324,531	13,843,779
2002	September 24, 2002	9,180,000	10,098,000	-	10,098,000	26,254,800
Grand Total:		<u>86,000,676</u>	<u>94,600,731</u>	<u>16,336,630</u>	<u>78,264,101</u>	<u>203,486,656</u>

(a) Share options granted to Mr. Richard Man Fai LEE's spouse were included. Mr. Richard Man Fai LEE is a Director of the Company.

(b) The number of share options granted under 1991, 2001 and 2002 Schemes and their respective subscription prices have been adjusted for the bonus issue taken place in May 2003.

(c) The number of share options granted under 1991, 2001 and 2002 Schemes and their respective subscription prices have been adjusted for the rights issue with the bonus share issue taken place in September 2003.

(d) The share options expired before the rights issue taken place in September 2003.



Notes to the Financial Statements

For the year ended December 31, 2004

Outstanding at December 31, 2003	Exercisable period	Exercise price		
		Before adjustment	After adjustment(b)	After adjustment(c)
		HK\$	HK\$	HK\$
-	August 28, 1997 – August 30, 2003	1.5858	1.4416	0.8855
9,596,253 (a)	February 19, 1998 – February 21, 2004	0.6546	0.5951	0.3655
1,573,156	July 24, 1998 – July 23, 2004	0.3132	0.2847	0.1749
21,237,613 (a)	February 6, 2000 – February 10, 2006	0.4165	0.3786	0.2325
11,012,093	March 18, 2000 – March 21, 2006	0.9711	0.8828	0.5422
409,019	March 6, 2001 – March 5, 2007	0.2975	0.2705	0.1661
6,292,629	June 29, 2001 – June 29, 2007	0.2975	0.2705	0.1661
111,694,164	September 14, 2001 – September 18, 2007	0.2975	0.2705	0.1661
1,573,150 (a)	September 30, 2001 – September 29, 2007	0.2975	0.2705	0.1661
13,843,779	June 4, 2002 – June 3, 2008	0.1440	0.1309	0.1000
26,254,800	September 24, 2002 – September 23, 2008	0.1000	0.1000	0.1000
<u>203,486,656</u>				

In 2004, no consideration was received during the year from employees (including Directors) for taking up the options granted (2003: nil).

Notes to the Financial Statements

For the year ended December 31, 2004

43. Principal subsidiaries

Particulars of the Company's principal subsidiaries at December 31, 2004 are as follows:

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Direct subsidiary				
Wo Kee Hong (B.V.I.) Limited	British Virgin Islands	100.0	30,000 shares of US\$0.01 each	Investment holding
Indirect subsidiaries				
Auto Italia Limited	Hong Kong	89.9	10,000 shares of HK\$10 each	Trading of cars and related accessories and provision of car repairing services
Bodyworld International (B.V.I.) Ltd.	British Virgin Islands	100.0	1 share of US\$1 each	Trading brand holding
Cliven Pte Ltd	Singapore	100.0	10 ordinary shares of S\$1 each	Investment holding



Notes to the Financial Statements

For the year ended December 31, 2004

43. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Indirect subsidiaries (continued)				
Corich Enterprises Inc.	British Virgin Islands	100.0	100 shares of US\$1 each	Investment holding
Elbright Limited	Hong Kong	100.0	2 shares of HK\$1 each	Property leasing agent
Ever Rising Investments Limited	Hong Kong	100.0	2 shares of HK\$1 each	Property investment
Italian Motors (Sales & Service) Limited	Hong Kong	89.9	60,000 shares of HK\$10 each	Investment holding
Martview Limited	Hong Kong	100.0	2 shares of HK\$1 each	Property holding
Mega Warehouse Company Limited	Hong Kong	100.0	2 shares of HK\$1 each	Trading brand holding

Notes to the Financial Statements

For the year ended December 31, 2004

43. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Indirect subsidiaries (continued)				
Mega Warehouse (Hong Kong) Limited	Hong Kong	100.0	1,000,000 shares of HK\$1 each	Warehouse stores operation
Metro Global Limited	Hong Kong	100.0	2 non-voting deferred shares of HK\$1 each and 1,000 ordinary shares of HK\$1 each	Investment holding
Most Advance International Ltd.	British Virgin Islands	100.0	1 share of US\$1 each	Investment holding
Rogers International Limited	Bahamas	100.0	2 shares of US\$1 each	Trading brand holding
Shinwa Engineering Company, Limited	Hong Kong	100.0	5,000,000 non-voting deferred shares of HK\$1 each and 2 ordinary shares of HK\$1 each	Investment holding



Notes to the Financial Statements

For the year ended December 31, 2004

43. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Indirect subsidiaries (continued)				
Stoneycroft Estates Limited	Hong Kong	100.0	20,000,000 non-voting deferred shares of HK\$1 each and 1,000 ordinary shares of HK\$1 each	Property investment
Technorient Limited	Hong Kong	89.9	461,687 shares of HK\$100 each	Investment holding
Wo Kee Hong Distribution Pte Ltd	Singapore	100.0	4,500,000 ordinary shares of S\$1 each	Distribution of home audio and car audio equipment and accessories
Wo Kee Hong Electronics Sdn. Bhd.	Malaysia	100.0	1,000,000 ordinary shares of M\$1 each	Distribution of audio-visual equipment
Wo Kee Hong Finance Limited	Hong Kong	100.0	2 shares of HK\$1 each	Finance and money lending

Notes to the Financial Statements

For the year ended December 31, 2004

43. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Indirect subsidiaries (continued)				
Wo Kee Hong Limited	Hong Kong	100.0	10,000 non-voting deferred shares of HK\$1,000 each and 2 ordinary shares of HK\$1,000 each	Investment holding and distribution of audio-visual equipment, car audio and electronic products, air-conditioning and refrigeration products, electrical appliances and electronic appliances
Wo Kee Hong Professional Air Conditioning Pte Ltd	Singapore	93.5	5,000,000 shares of S\$1 each	Distribution of air-conditioning products
Wo Kee Hong Trading Sdn. Bhd.	Malaysia	100.0	5,100,000 ordinary shares of M\$1 each	Distribution of audio-visual equipment
Wo Kee Joyful Limited	Hong Kong	100.0	2,000,000 shares of HK\$1 each	Company secretarial service
Wo Kee Services Limited	Hong Kong	100.0	2 non-voting deferred shares of HK\$100 each and 19,998 ordinary shares of HK\$100 each	Provision of warehousing, delivery, repairs and maintenance services



Notes to the Financial Statements

For the year ended December 31, 2004

43. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Indirect subsidiaries (continued)				
東莞市先和亞太電器有限公司 (limited liability company)	PRC	100.0	Registered and fully paid capital of RMB1,000,000	Distribution of air-conditioning, electrical and electronic products
東莞市先和制冷設備有限公司 (limited liability company)	PRC	100.0	Registered and fully paid capital of RMB500,000	Sales and production of air-conditioning electrical and electronic products and parts, and provision of repairs and maintenance services of air-conditioning, electrical and electronic products
東莞長興制冷設備有限公司 (joint venture (HK capital))	PRC	92.0	Registered capital of HK\$30,000,000 paid-up capital of HK\$14,800,000	Production and sales of heat exchanger

None of the subsidiaries had issued any debt securities at the end of the year.

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

Notes to the Financial Statements

For the year ended December 31, 2004

44. Principal associates

Particulars of the Group's principal associates at December 31, 2004 are as follows:–

Name of associate	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
Ferrari Maserati Cars International Trading (Shanghai) Co., Ltd.	PRC	30.0	Registered and fully paid capital of USD3,000,000	Import, distribution and trading of cars and related accessories
Jin Ling Electrical Company Limited	PRC	50.0	Registered and fully paid capital of RMB263,500,000	Manufacturing and trading of washing machines

