

GOLIK

GOLIK HOLDINGS LIMITED

ANNUAL
REPORT
2004

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Corporate Information

Executive Directors

Mr. Pang Tak Chung (*Chairman*)
Mr. Ho Wai Yu, Sammy (*Vice Chairman*)
Mr. John Cyril Fletcher

Non-Executive Director

Mr. Robert Keith Davies

Independent Non-Executive Directors

Mr. Yu Kwok Kan, Stephen
Mr. Chan Yat Yan
Mr. Lo Yip Tong

Qualified Accountant

Mr. Ho Wai Yu, Sammy
FCCA CPA MBIM

Company Secretary

Mr. Ho Wai Yu, Sammy
FCCA CPA MBIM

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

Suite 5608, Central Plaza
18 Harbour Road
Wanchai
Hong Kong
www.golik.com.hk

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Principal Bankers

China Construction Bank, Hong Kong Branch
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
HSH Nordbank AG, Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank

Hong Kong Branch Share Registrar and Transfer Office

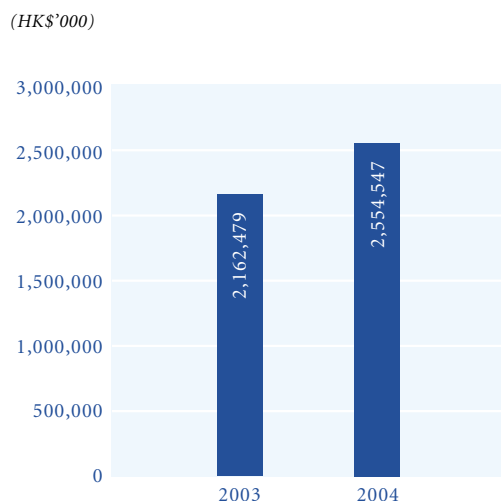
Secretaries Limited
Ground Floor
BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Investor and Media Relations

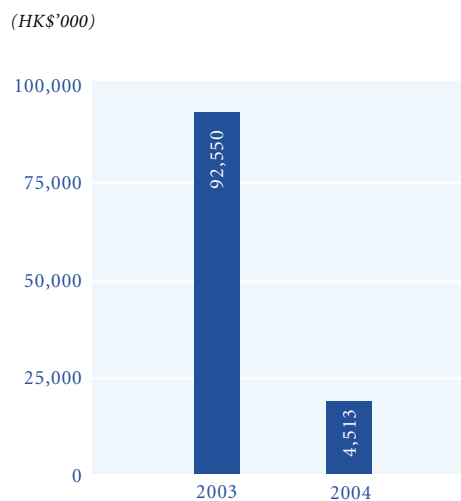
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Chairman's Statement

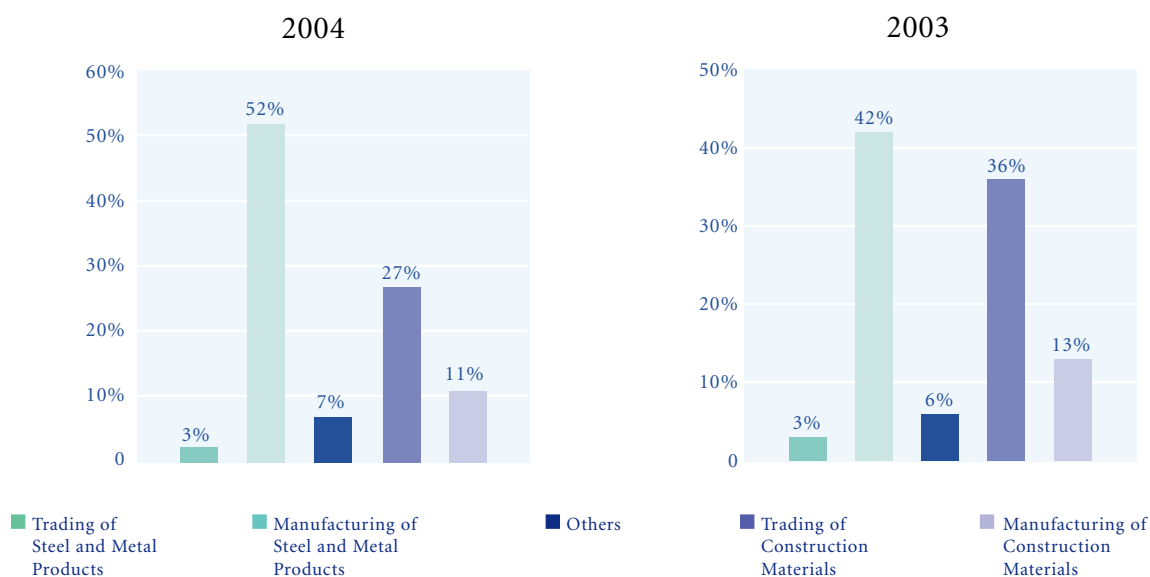
**Turnover for the years ended
31st December 2003 and 2004**



**Profit from operations for the years ended
31st December 2003 and 2004**



Turnover by products in 2003 and 2004



Chairman's Statement

I would like to present the annual results of Golik Holdings Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31st December, 2004.

BUSINESS REVIEW

For the year ended 31st December, 2004, the annual turnover of the Group has recorded HK\$2,554,547,000 approximately 18% increase compared to that of 2003. The primary reason for such increase is due to the sharp increase in prices of steel products. During the year, the performance of the Group has not been satisfactory.

After deduction of certain non-operating losses and minority interests, the Group recorded a HK\$52,271,000 loss.

For the year of 2004, the Group's "Construction Materials" related businesses experienced a number of market related difficulties. The steel re-bars stockholding and distribution business encountered tough times resulting from the sharp rise in steel prices over the past two years, an event that the Group has never seen before. In particular, during the 2nd half of the year, the loss from the steel re-bars and concrete products expanded further. Despite other core businesses of the Group, such as the "Metal Manufacturing" businesses experiencing satisfactory performance, the profit contribution from the Metal Manufacturing businesses has been diminished due to the losses from the Construction Materials businesses. Additionally, the revaluation deficit from the Group's properties, in preparation for later-on disposal arrangement, and the increase of impairment loss on goodwill, amounted to approximately HK\$20,879,000 and HK\$10,610,000 non-operating losses respectively and made the Group's performance even worse. However, before the above non-operating losses and minority interests, the Group did maintain an operating profit for the year.

Manufacturing and Sales of Steel and Metal Products

1. Steel Coil Processing

The operation of steel coil centers located in the Tai Po Industrial Estate, Hong Kong and Dongguan, Guangzhou of the PRC continued to



have a solid growth during the year despite difficulties from an increasingly competitive environment within the industry resulting from shortages of materials supplies and increasing operational cost.

With enormous effort contributed by the management team, along with firm support from material suppliers and valuable customers, this business has steadily contributed to the Group a continuous profit return for the past years. Following the Pearl River Delta Region becoming a global manufacturing base, the steel coil processing business will continue to have a bright outlook and remain profitable.

2. Wire Processing (Steel Wires, Wire Ropes, Pre-stressed Steel Strands)

Wire Processing is an important part of our "Metal Manufacturing" businesses and the Group intends to put enormous effort to make this a stable and growing income source. Results are pleasing this year and the operation is beginning to reap the rewards, especially with the pre-stressed steel strand products whose sales revenue and profit yield has increased substantially compared with that of last year. Pre-stressed steel strand products are continuing essential items for construction of upcoming and future large-scale development on road and transportation infrastructure projects in the PRC. The business continues to have an excellent outlook in the future years.

In an on-going effort to improve the quality of our range of wire rope products and update technical skill in the manufacturing frontier, the Group have recently engaged in a joint-venture with a global well-known British wire rope manufacturer ('Bridon') for further development of the wire rope industry in the PRC. The Group believes the current wire rope product's quality and values will be improved with the input from Bridon's expertise and knowledge.

Chairman's Statement

Manufacturing and Sales of Construction Materials Products

1. *Steel Re-bars Stockholding and Distribution*

Due to continually increased steel prices over the past two years, the business has suffered greatly resulting from this unstable situation. This is also the main reason for the Group's overall result suffering negative earnings.

The normal trade practice in Hong Kong for the steel re-bars distribution business requires the signing of long term fixed-price supply contracts with contractors. The supply contracts normally last for between 18-24 months according to the construction project requirements, however, a similar arrangement cannot be offered by supplier. For the past two years, steel price have significantly increased which is something the industry has rarely experienced in the past. The price increase has put this kind of trading business into a very disadvantaged situation. To maintain our reputation in the industry, the Group honoured all commitments and continued to supply materials to the customers. A severe cost difference from the increased steel prices was paid for the execution of the supply contracts and agreements with the customers and hence resulted in severe losses during the year. Along with other major industry players, the Group suffered heavy losses from this type of business for 2004.

In hindsight, valuable lessons have been obtained and the Group's management has reinforced the importance of risk management. The business strategy for our steel re-bars distribution has been re-evaluated and risk management has been strengthened by reducing the commitment of long-term supply contract with customers.

The worst period for the business has passed, most of the below-cost contracts have already been delivered. The Group believes the business will turn from loss to profit again in 2005 inline with our current business strategy.

2. *Concrete Products*

Our ready mixed concrete factory located in Guangzhou continues to grow in production capacity and maintains steadily improving profit.

In Hong Kong, because of the severe downturn in the construction industry, the return from our ready mixed concrete business did not meet with our expectation. During the year, the Group has restructured its ready mixed concrete business resulting in lower operating costs and a simplified logistic structure. With the focus on our plant on Lantau Island and the successful award of the supply contract for the Hong Kong Airport "Sky Plaza" project on Lantau Island, the business has become positive. The projected increased construction activity on Lantau Island over the medium term future resulting from the "Hong Kong-Zhuhai-Macau Bridge" being constructed within the next few years, gives our ready mixed concrete plant on Lantau Island a very positive outlook. The business prospect for this sector is optimistic.

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, there was no significant change in the capital and loan structure of the Group. As at 31st December, 2004, the Group's cash and bank balances reached HK\$109,653,000. As at 31st December, 2004, current ratio (current assets to current liabilities) for the Group was 1.18:1.

As at 31st December, 2004, interest-bearing borrowings for the Group was approximately HK\$627,221,000.

Chairman's Statement

The Group's monetary assets are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and the United States dollars is fixed, together with the minimal fluctuation in exchange rate between the Hong Kong dollars and Renminbi, the Group believes its exposure to exchange risk is not material.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31st December, 2004, shareholders' equity reached HK\$411,638,000.

As at 31st December, 2004, net gearing ratio (interest-bearing borrowings minus cash and bank balances to shareholders' equity and minority interests) was 0.998:1.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2004, the total number of staff of the Group in Hong Kong and the PRC was 1,321. The Group also provided Mandatory Provident Fund entitlement to Hong Kong's employees.

PROSPECTS

The Group's management is deeply concerned and feels sorry for the loss incurred to the shareholders for the past year.

The strategy of the Group will continue to develop metal processing businesses to generate stable returns and further develop similar kind of business opportunities in the PRC. The Group will further optimize their assets by eliminating those high-risk and low-return operations so as to make the overall business organization operate under a more structured and stable condition.

Despite the increasing market competition in steel coil and wire rope processing business, the Group is still optimistic of their future prospects over the coming year and confident that pleasing results in this segment will be able to be retained and continue. Further, the construction material business has moved toward more positive territory through improvement of market environment and the new structured operating format. The Group expect this business segment to also move forward to profit this year.

With the management's continuing efforts, the Group is confident that pleasing returns will be obtained for shareholders in the coming year.

ACKNOWLEDGMENTS

I would like to take this opportunity to express my deepest gratitude and sincere thank to all of our staff and fellow directors for their contributions and efforts to the Group in the past. I would also like to thank our customers, shareholders, bankers and business associates. With your continuous support to the Group, I am looking forward to bringing fruitful returns in the coming year.

Pang Tak Chung

Chairman

Hong Kong, 21st April, 2005

Directors of the Group

Mr. Pang Tak Chung, aged 56, is the chairman of the Group and founder of Golik Metal Industrial Company Limited (“Golik Metal”). Mr. Pang is responsible for strategic planning, overall management and corporate development of the Group. He has over 27 years’ experience in the trading and manufacturing industry in Hong Kong and the PRC. In addition, he also has extensive experience in international trading practices.

Mr. Ho Wai Yu, Sammy, aged 49, is the vice chairman of the Company and finance director of the Group responsible for finance, accounting and information technology development. Mr. Ho is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Management in the United Kingdom, a full member of the Hong Kong Computer Society and a founder and honorable president of the IT Accountants Association. He has over 25 years’ experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

Mr. John Cyril Fletcher, aged 61, was appointed as executive director of the Group and the managing director of the Concrete Division of the Group on 5th January, 2004. Mr. Fletcher is responsible for running the manufacturing operations, marketing strategy planning and overall management of the Concrete Division of the Group. He is a qualified engineer and a registered Chartered Practising Engineer (CPE), a member of Institute of Engineers Australia and a fellow member of Institute of Production Engineers in London. Educated in Western Australia, he has worked in various management positions in Hong Kong, the PRC, Malaysia and Australia. He has extensive hands on experience at both operational and executive level in engineering, factory management, sale and marketing and general management. Mr. Fletcher has resided in Hong Kong for more than 21 years.

Mr. Robert Keith Davies, aged 48, is a non-executive director of the Company who was re-designated from executive director of the Company with effect from 1st March, 2004. Educated in England, Mr. Davies has a engineering background with worked in various management positions in the United Kingdom, Middle East, Australia as well as Hong Kong. He has extensive experience in trade and structured finance, trading practices, management of manufacturing plants and negotiation procedures, more recently he assists the Group in its international M&A activities with international partners wishing to manufacture in China. Mr. Davies has resided in Hong Kong for more than 20 years and joined Golik Metal in 1991.

Mr. Yu Kowk Kan, Stephen, aged 48, was appointed as an independent non-executive director of the Company on 23rd July, 1997. Mr. Yu is a partner of J. K. Wong, Teh & Yu Proprietary, Certified Practising Accountants in Australia. He holds a Bachelor of Commerce Degree from the University of New South Wales. He has over 22 years’ advisory experience on taxation in Australia, Hong Kong and the PRC.

Mr. Chan Yat Yan, aged 50, MBA from the University of East Asia, Macau, is the Managing Director of Uniplan Exhibition Engineering Appliances (Beijing) Co., Ltd. Mr. Chan is a senior executive with over 17 years of corporate management, strategic business development and marketing experience in China for various multi-national corporations, including leading Fortune 500 such as BBDO of Omnicom Group, H.J. Heinz, Time Warner as well as the World Gold Council. He has intensive knowledge and experience in the PRC market.

Mr. Lo Yip Tong, aged 48, is the proprietor of Y.T. Lo & Co., certified public accountants. Mr. Lo has over 16 years of experience in statistical, accountancy, audit and financial re-arrangement work. He is currently a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants and a Certified Public Accountants (Practising) of Hong Kong. He is also a nominee approved by the Court for voluntary arrangement.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 18 to the financial statements.

During the year, the Group acquired a further 18% interest in 廣東水利混凝土有限公司 for a consideration of HK\$3,470,000. In addition, the Group acquired a further 20% interest in Golik Technology Limited at a consideration of HK\$1,090,000.

During the year, the Group disposed of 80% interest in Locusrite Limited. In addition, the Group disposed of 84% and 51.24% interest in Full Glory Corporation Limited and Changzhou Golik Color Coated Steel Manufactory Co., Ltd. respectively. Details are set out in note 34 to the financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 14.

INVESTMENT PROPERTIES

Details of movements during the year in the investment properties of the Group are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$29 million. In addition, during the year, property, plant and equipment with net book values of approximately HK\$47 million were disposed of through the disposal of subsidiaries.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the authorised and issued share capital and share options of the Company are set out in notes 28 and 29 respectively to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors

Mr. Pang Tak Chung (*Chairman*)

Mr. Ho Wai Yu, Sammy (*Vice Chairman*)

Mr. John Cyril Fletcher

(appointed on 5th January, 2004)

Mr. Robert Keith Davies

(resigned on 1st March, 2004)

Non-executive director

Mr. Robert Keith Davies

(appointed on 1st March, 2004)

Independent non-executive directors

Mr. Yu Kwok Kan, Stephen

Mr. Chan Yat Yan

(appointed on 28th September, 2004)

Mr. Lo Yip Tong

(appointed on 28th September, 2004)

Mr. Li Chiu Wah, Joseph

(resigned on 28th September, 2004)

In accordance with Clauses 86(2) and 87 of the Company's Bye-Laws, Messrs. Robert Keith Davies, Chan Yat Yan and Mr. Lo Yip Tong retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Non-executive directors are not appointed for a specific term. All directors (including non-executive director and independent non-executive directors) are subject to retirement by rotation in accordance with the Company's Bye-Laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 2004, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follow:

(1) Long position

Shares of the Company

Name of directors	Number of ordinary shares held			Percentage of issued shares
	Personal interest	Held by controlled corporation	Total	
Mr. Pang Tak Chung (<i>Note</i>)	116,144,708	195,646,500	311,791,208	54.95%
Mr. Ho Wai Yu, Sammy	2,000	–	2,000	0.00%
Mr. Robert Keith Davies	21,104,292	–	21,104,292	3.72%

Note:

The 195,646,500 shares are held by Golik Investments Ltd. ("GIL") which is wholly owned by Mr. Pang Tak Chung.

Share options

Particulars of the share option scheme of the Company are set out in note 29 to the financial statements.

The original share option scheme of the Company adopted on 25th June, 1994 was terminated on 27th May 2004, and a new share option scheme was adopted on the same date.

No share option was outstanding as at 1st January, 2004 and 31st December, 2004.

(2) Shares in subsidiaries

At 31st December, 2004, Mr. Pang Tak Chung has 5,850 and 20,000 non-voting deferred shares in Golik Metal Industrial Company Limited held by himself and held by a controlled corporation, World Producer Limited, respectively. World Producer Limited is wholly owned by Mr. Pang Tak Chung.

Save as disclosed above, as at 31st December, 2004, none of the directors and chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Directors' Report

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' Interests in Securities" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2004, so far as known to any director of the Company, the following person, had interests in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company:

Long position in shares of the Company

<u>Name</u>	<u>Number of ordinary shares held</u>	<u>Percentage of issued shares</u>
GIL	195,646,500	34.48%
Pang Tak Chung (<i>Note</i>)	311,791,208	54.95%

Note: Including 195,646,500 shares (approximately 34.48%) held through a controlled corporation, GIL and 116,144,708 shares (approximately 20.47%) held by himself.

Save as disclosed above, the directors are not aware of any other person who, as at 31st December, 2004, had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 45% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 26% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have any interest in any of the Group's five largest customers or suppliers.

Directors' Report

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 31st December, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the non-executive director and independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-Laws.

The Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out by the Stock Exchange in the Model Code in Appendix 10 to the Listing Rules and all directors have complied with the required standard of dealing set out therein.

The Board had obtained written confirmations from all independent non-executive directors of the Company concerning their independence in accordance with Rule 3.13 of the Listing Rules. The Board believed that the existing independent non-executive directors are independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Board confirms that the Company has maintained during the year the amount of public float as required under the Listing Rules.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 43 to the financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Pang Tak Chung

Chairman

21st April, 2005

Auditors' Report



TO THE MEMBERS OF GOLIK HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 14 to 67 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21st April, 2005

Consolidated Income Statement

FOR THE YEAR ENDED 31ST DECEMBER, 2004

	NOTES	2004 HK\$'000	2003 HK\$'000
Turnover	5	2,554,547	2,162,479
Cost of sales		<u>(2,321,589)</u>	<u>(1,942,575)</u>
Gross profit		232,958	219,904
Other operating income	6	40,600	65,838
Interest income		3,386	2,772
Selling and distribution costs		(83,839)	(69,945)
Administrative expenses		(150,258)	(121,807)
Amortisation of goodwill		(4,473)	(4,502)
Release of negative goodwill		1,005	720
(Loss) gain on disposal of property, plant and equipment		(739)	110
Revaluation decrease on investment properties		(5,930)	(540)
Revaluation decrease on property, plant and equipment		(14,949)	–
Impairment loss on goodwill		(10,610)	–
Impairment loss on property, plant and equipment		<u>(2,638)</u>	<u>–</u>
Profit from operations	7	4,513	92,550
Finance costs	8	(27,079)	(27,850)
Loss on disposal of subsidiaries/discontinued operations	9	(313)	(23,088)
Share of results of jointly controlled entities		190	(148)
(Loss) profit before taxation		(22,689)	41,464
Income taxes	12	<u>806</u>	<u>(8,009)</u>
(Loss) profit after taxation		(21,883)	33,455
Minority interests		<u>(30,388)</u>	<u>(20,808)</u>
Net (loss) profit for the year		<u>(52,271)</u>	<u>12,647</u>
Dividend proposed of nil (2003: 1.5 HK cents) per share	13	<u>–</u>	<u>8,510</u>
(Loss) earnings per share	14		
Basic		<u>(9.21 cents)</u>	<u>2.22 cents</u>

Consolidated Balance Sheet

AT 31ST DECEMBER, 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current Assets			
Goodwill (negative goodwill)	15	5,402	25,195
Investment properties	16	38,630	44,560
Property, plant and equipment	17	398,178	416,843
Interests in jointly controlled entities	19	1,299	1,109
Amount due from a jointly controlled entity	20	1,500	–
Long-term receivables	21	804	1,865
Rental deposits and other assets		3,778	3,728
		<u>449,591</u>	<u>493,300</u>
Current Assets			
Inventories	22	304,388	277,472
Trade and other receivables	23	489,239	568,823
Amount due from a jointly controlled entity	20	5,322	–
Tax recoverable		179	184
Pledged bank deposits	24	16,980	22,414
Bank balances and cash	25	92,673	125,157
		<u>908,781</u>	<u>994,050</u>
Current Liabilities			
Trade and other payables	26	184,325	262,204
Amounts due to minority shareholders	27	7,580	16,298
Tax payable		6,988	4,875
Bank borrowings	32	568,506	515,077
Obligations under finance leases	33	5,553	7,011
		<u>772,952</u>	<u>805,465</u>
Net Current Assets		<u>135,829</u>	<u>188,585</u>
		<u>585,420</u>	<u>681,885</u>

Consolidated Balance Sheet

AT 31ST DECEMBER, 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Capital and Reserves			
Share capital	28	56,736	56,736
Reserves		<u>354,902</u>	<u>367,959</u>
		411,638	424,695
Minority Interests			
		<u>107,024</u>	<u>104,769</u>
Non-current Liabilities			
Deferred tax liabilities	31	13,596	10,808
Bank borrowings	32	48,235	134,476
Obligations under finance leases	33	<u>4,927</u>	<u>7,137</u>
		66,758	152,421
		585,420	681,885

The financial statements on pages 14 to 67 were approved and authorised for issue by the Board of Directors on 21st April, 2005 and are signed on its behalf by:

PANG TAK CHUNG
Chairman

HO WAI YU, SAMMY
Vice Chairman

Balance Sheet

AT 31ST DECEMBER, 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment	17	1,314	586
Investments in subsidiaries	18	248,096	251,896
Rental deposits and other assets		259	210
		<u>249,669</u>	<u>252,692</u>
Current Assets			
Other receivables		4,793	6,215
Amounts due from subsidiaries		401,256	334,456
Pledged bank deposits	24	7,501	–
Bank balances and cash		313	1,435
		<u>413,863</u>	<u>342,106</u>
Current Liabilities			
Other payables		723	1,197
Amounts due to subsidiaries		118,738	10,820
Bank borrowings	32	48,000	48,000
Obligation under a finance lease	33	223	–
		<u>167,684</u>	<u>60,017</u>
Net Current Assets		<u>246,179</u>	<u>282,089</u>
		<u>495,848</u>	<u>534,781</u>
Capital and Reserves			
Share capital	28	56,736	56,736
Reserves	30	420,286	408,020
		<u>477,022</u>	<u>464,756</u>
Non-current Liabilities			
Bank borrowings	32	18,516	70,025
Obligation under a finance lease	33	310	–
		<u>18,826</u>	<u>70,025</u>
		<u>495,848</u>	<u>534,781</u>

PANG TAK CHUNG
CHAIRMAN

HO WAI YU, SAMMY
VICE CHAIRMAN

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31ST DECEMBER, 2004

	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000 (note 1)	Goodwill reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits HK\$'000 (note 2)	Total HK\$'000
At 1st January, 2003	56,736	318,118	19,367	(172,176)	320	202,534	424,899
Exchange difference arising from the translation of financial statements of subsidiaries operate outside Hong Kong not recognised in the consolidated income statement	-	-	-	-	(549)	-	(549)
Realised to income statement on disposal of interests in subsidiaries	-	-	-	1,882	-	-	1,882
Net profit for the year	-	-	-	-	-	12,647	12,647
Dividend paid	-	-	-	-	-	(14,184)	(14,184)
At 31st December, 2003	56,736	318,118	19,367	(170,294)	(229)	200,997	424,695
Gain (loss) not recognised in the consolidated income statement:							
Exchange difference arising from the translation of financial statements of subsidiaries operate outside Hong Kong	-	-	-	-	636	-	636
Revaluation surplus on properties	-	-	56,846	-	-	-	56,846
Deferred tax liabilities arising on revaluation of properties	-	-	(10,780)	-	-	-	(10,780)
Net gain not recognised in the consolidated income statement	-	-	46,066	-	636	-	46,702
Realised to income statement on disposal of interests in subsidiaries	-	-	-	1,279	(257)	-	1,022
Net loss for the year	-	-	-	-	-	(52,271)	(52,271)
Dividend paid	-	-	-	-	-	(8,510)	(8,510)
At 31st December, 2004	56,736	318,118	65,433	(169,015)	150	140,216	411,638

Notes:

- (1) Included in property revaluation reserve is a surplus of HK\$19,367,000 arising on revaluation of leasehold properties in 1994 which was credited to the revaluation reserve, and is frozen upon the transfer of leasehold properties to properties held for sale. These properties held for sale were transferred to investment properties in 2000. On subsequent sale or retirement of these properties, the attributable revaluation surplus will be transferred to accumulated profits.
- (2) The accumulated profits of the Group include profits of HK\$42,000 (2003: losses of HK\$148,000) retained by its jointly controlled entities.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
OPERATING ACTIVITIES			
Profit from operations		4,513	92,550
Adjustments for:			
Interest income		(3,386)	(2,772)
Depreciation		37,848	37,359
Allowance for (write back of allowance for) bad and doubtful debts, net		12,066	(7,970)
Amortisation of goodwill		4,473	4,502
Release of negative goodwill		(1,005)	(720)
Loss (gain) on disposal of property, plant and equipment		739	(110)
Revaluation decrease on investment properties		5,930	540
Revaluation decrease on property, plant and equipment		14,949	–
Impairment loss on goodwill		10,610	–
Impairment loss on property, plant and equipment		2,638	–
Gain on disposal of investment in a security		–	(2,000)
Operating cash flows before movements in working capital		89,375	121,379
Increase in inventories		(51,756)	(35,893)
Decrease (increase) in trade and other receivables		18,922	(150,409)
Decrease in amounts due from customers for contract work		–	7
Decrease in amounts due to customers for contract work		–	(7,254)
Increase in trade and other payables		18,388	77,393
Effect of foreign exchange rate changes		(322)	(1,496)
Cash generated from operations		74,607	3,727
Hong Kong Profits Tax paid		(2,126)	(5,546)
Taxation outside Hong Kong paid		(1,902)	(461)
Hong Kong Profits Tax refunded		16	438
Taxation outside Hong Kong refunded		–	13
NET CASH FROM (USED IN) OPERATING ACTIVITIES		70,595	(1,829)
INVESTING ACTIVITIES			
Increase in pledged bank deposits		(39,593)	(7,894)
Purchase of property, plant and equipment		(25,671)	(59,952)
Consideration on acquisition of further interests in subsidiaries		(4,560)	(12,028)
Advance to jointly controlled entities		(6,822)	–
Net inflow (outflow) of cash and cash equivalents in respect of disposal of subsidiaries	34	8,609	(18,309)
Interest received		3,046	6,593
Proceeds from disposal of property, plant and equipment		2,604	3,489
Repayment of loans advanced		1,838	26,324
Receipt of deferred consideration on disposal of property, plant and equipment		2,157	938
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	35	–	(75,631)
Advance of loans		–	(20,885)
Payment of deferred consideration on acquisition of a subsidiary and further interests in subsidiaries		–	(2,525)
Proceeds from disposal of investment in a security		–	7,000
NET CASH USED IN INVESTING ACTIVITIES		(58,392)	(152,880)

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER, 2004

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
FINANCING ACTIVITIES		
Bank loans raised	173,030	232,058
Net borrowing of trust receipt loans	62,505	53,737
Mortgage loans raised	9,111	3,938
Repayment of bank loans	(215,191)	(112,428)
Interest paid	(27,213)	(29,956)
Repayment of mortgage loans	(14,514)	(20,218)
Dividend paid to minority shareholders of subsidiaries	(11,500)	(11,185)
Dividend paid	(8,510)	(14,184)
Repayment of obligations under finance leases	(7,313)	(6,374)
(Repayment to) advance from minority shareholders	(3,350)	145
Other loans raised	–	75,000
Injection from minority shareholders	–	16,536
	<u> </u>	<u> </u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(42,945)	187,069
	<u> </u>	<u> </u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(30,742)	32,360
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	116,493	84,683
	<u> </u>	<u> </u>
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	304	(550)
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	86,055	116,493
	<u> </u>	<u> </u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	92,673	125,157
Bank overdrafts	(6,618)	(8,664)
	<u> </u>	<u> </u>
	86,055	116,493
	<u> </u>	<u> </u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Group are manufacturing and sales of steel and metal products and construction materials.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRSs”) (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. CHANGE IN ACCOUNTING POLICY

In the current year, the Group has changed its accounting policy with respect to the measurement of land and buildings. In previous year, land and buildings of the Group were stated at cost less depreciation and any identified impairment losses. As the revalued amount of the land and buildings can reflect the up-to-date value of its properties and its business, and to provide more relevant information to the users than out-of-date depreciated cost information, the Group has decided to state land and buildings at their revalued amount, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. This change in accounting policy has been accounted for in accordance with Statement of Standard Accounting Practice 17 “Property, plant and equipment”.

The change in accounting policy has resulted in an increase in the loss of HK\$5,873,000 for the year ended 31st December, 2004. This change in accounting policy may also have a significant effect on the results of operations and financial position of the Group following the adoption of new HKFRSs.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and land and buildings.

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

Basis of consolidation

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

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

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

Negative goodwill

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

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

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

Investments in subsidiaries

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

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities on acquisition less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Construction contracts

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

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

Others

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

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

Rental income, including rentals invoiced in advance from properties or assets held under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

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 that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of such land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Property, plant and equipment, other than land and buildings, assets under installation and construction in progress, are stated at cost less depreciation and any identified impairment losses.

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

Leasehold land	Over the terms of the leases
Buildings	Over the shorter of the terms of the leases, or 20 to 50 years
Leasehold improvements	Over the shorter of the terms of the leases or 10 years
Furniture and fixtures	10% – 33 $\frac{1}{3}$ %
Motor vehicles	10% – 33 $\frac{1}{3}$ %
Plant and machinery and equipment	5% – 50%

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leased assets

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

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case, the impairment loss is treated as a revaluation decrease under that other standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case, the reversal of the impairment loss is treated as a revaluation increase under that other standard.

Inventories

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

Other than the cost of inventories of concrete products and printing materials which are calculated using the weighted average cost method, the cost of all other products of the Group is calculated using the first-in first-out method.

Construction contracts

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts *(Continued)*

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme for staff in Hong Kong and retirement and pension schemes for the staff in the People's Republic of China ("PRC") are charged as an expense as they fall due.

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's operations which are denominated in currencies other than Hong Kong dollars and which operate in the PRC and overseas are translated into Hong Kong dollars at the rates of exchange prevailing on the balance sheet date. Income and expenses 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 as expenses in the period in which the operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Taxation

Income taxes represent 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 items that are never taxable or deductible.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, 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 taxable profit nor the accounting profit.

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

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

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

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group is organised into four operating divisions – manufacturing of steel and metal products, sales of steel and metal products, manufacturing of construction materials and sales of construction materials. These principal operating activities are the basis on which the Group reports its primary segment information.

The Group's construction work contracting and sales of autoclaved aerated lightweight concrete products ("ALC concrete products") and property investment businesses were discontinued on 9th July, 2003 (see note 9).

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

5. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment information about these businesses is presented below:

2004

	Continuing operations					Eliminations HK\$'000	Consolidated HK\$'000
	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000		
TURNOVER							
External sales	1,336,709	74,956	286,241	684,866	171,775	-	2,554,547
Inter-segment sales	2,844	311,121	1,477	82,821	-	(398,263)	-
Total turnover	<u>1,339,553</u>	<u>386,077</u>	<u>287,718</u>	<u>767,687</u>	<u>171,775</u>	<u>(398,263)</u>	<u>2,554,547</u>
Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.							
SEGMENT RESULT	<u>118,203</u>	<u>262</u>	<u>(36,958)</u>	<u>(51,811)</u>	<u>(2,846)</u>	<u>(86)</u>	<u>26,764</u>
Amortisation of goodwill	-	-	(365)	(25)	(4,083)	-	(4,473)
Release of negative goodwill	-	-	1,005	-	-	-	1,005
Unallocated other operating income							10,055
Unallocated corporate expenses							<u>(28,838)</u>
Profit from operations							4,513
Finance costs							(27,079)
Gain (loss) on disposal of subsidiaries	301	-	(548)	-	(66)	-	(313)
Share of results of jointly controlled entities	-	-	-	-	190	-	<u>190</u>
Loss before taxation							(22,689)
Income taxes							<u>806</u>
Loss after taxation							(21,883)
Minority interests							<u>(30,388)</u>
Net loss for the year							<u>(52,271)</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

5. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2004 (Continued)

BALANCE SHEET

	Continuing operations					Eliminations HK\$'000	Consolidated HK\$'000
	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000		
ASSETS							
Segment assets	656,631	226,771	314,639	254,029	107,422	(284,693)	1,274,799
Interests in jointly controlled entities	-	-	-	-	1,299	-	1,299
Amounts due from jointly controlled entities	-	1,500	-	-	5,322	-	6,822
Unallocated corporate assets							75,452
Consolidated total assets							<u>1,358,372</u>
LIABILITIES							
Segment liabilities	113,436	47,816	176,633	118,917	44,311	(304,965)	196,148
Unallocated corporate liabilities							643,562
Consolidated total liabilities							<u>839,710</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

5. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2004 (Continued)

OTHER INFORMATION

	Continuing operations					Unallocated HK\$'000	Consolidated HK\$'000
	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000		
Capital expenditures	15,113	4,016	4,285	23	4,878	1,097	29,412
Addition to goodwill	-	-	1,331	-	-	-	1,331
Addition to negative goodwill	-	-	(5,456)	-	-	-	(5,456)
Depreciation	15,686	989	19,106	292	911	864	37,848
Amortisation of goodwill	-	-	365	25	4,083	-	4,473
Release of negative goodwill	-	-	(1,005)	-	-	-	(1,005)
Allowance for bad and doubtful debts	3,078	2,106	4,594	818	1,226	244	12,066
Loss on disposal of property, plant and equipment	326	26	365	2	20	-	739
Revaluation decrease on investment properties	-	-	-	-	-	5,930	5,930
Revaluation decrease on property, plant and equipment	1,820	-	12,129	-	-	1,000	14,949
Impairment loss on goodwill	-	-	518	-	9,551	541	10,610
Impairment loss on property, plant and equipment	-	-	2,638	-	-	-	2,638

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

5. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2003

	Continuing operations					Discontinued operations				Consolidated HK\$'000
	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Construction work contracting and sales of ALC concrete products HK\$'000	Property investment HK\$'000	Eliminations HK\$'000		
TURNOVER										
External sales	900,728	63,129	245,595	783,869	134,980	34,178	-	-	2,162,479	
Inter-segment sales	15,086	220,077	7,997	51,326	-	-	-	(294,486)	-	
Total turnover	<u>915,814</u>	<u>283,206</u>	<u>253,592</u>	<u>835,195</u>	<u>134,980</u>	<u>34,178</u>	<u>-</u>	<u>(294,486)</u>	<u>2,162,479</u>	

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

SEGMENT RESULT	<u>54,532</u>	<u>9,019</u>	<u>(994)</u>	<u>9,557</u>	<u>6,101</u>	<u>23,380</u>	<u>1,382</u>	<u>(516)</u>	102,461
Amortisation of goodwill	-	-	(251)	(8)	(4,008)	(185)	(50)	-	(4,502)
Release of negative goodwill	-	-	720	-	-	-	-	-	720
Unallocated other operating income									15,311
Unallocated corporate expenses									<u>(21,440)</u>
Profit from operations									92,550
Finance costs									<u>(27,850)</u>
Loss on disposal of subsidiaries/ discontinued operations	-	-	-	-	-	(23,088)	-	-	<u>(23,088)</u>
Share of results of a jointly controlled entity	-	-	-	-	(148)	-	-	-	<u>(148)</u>
Profit before taxation									41,464
Income taxes									<u>(8,009)</u>
Profit after taxation									33,455
Minority interests									<u>(20,808)</u>
Net profit for the year									<u>12,647</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

5. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2003 (Continued)

BALANCE SHEET

	Continuing operations						Eliminations	Consolidated
	Manufacturing of steel and metal products <i>HK\$'000</i>	Sales of steel and metal products <i>HK\$'000</i>	Manufacturing of construction materials <i>HK\$'000</i>	Sales of construction materials <i>HK\$'000</i>	Other operations <i>HK\$'000</i>			
ASSETS								
Segment assets	687,995	180,218	327,841	263,688	109,894	(229,659)	1,339,977	
Interest in a jointly controlled entity	-	-	-	-	1,109	-	1,109	
Unallocated corporate assets							146,264	
Consolidated total assets							<u>1,487,350</u>	
LIABILITIES								
Segment liabilities	182,157	24,391	174,123	160,348	38,090	(374,717)	204,392	
Unallocated corporate liabilities							753,494	
Consolidated total liabilities							<u>957,886</u>	

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

5. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2003 (Continued)

OTHER INFORMATION

	Continuing operations					Discontinued operations			
	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Construction work contracting and sales of ALC concrete products HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditures	46,703	1,588	25,775	643	2,864	963	505,986	40	584,562
Addition to goodwill	-	-	1,725	2	213	-	5,552	-	7,492
Addition to negative goodwill	-	-	(854)	-	-	-	-	-	(854)
Depreciation	14,206	1,137	17,407	401	605	2,712	-	891	37,359
Amortisation of goodwill	-	-	251	8	4,008	185	50	-	4,502
Release of negative goodwill	-	-	(720)	-	-	-	-	-	(720)
(Write back of allowance for) allowance for bad and doubtful debts, net	(1,115)	240	(5,356)	378	319	(536)	-	(1,900)	(7,970)
(Gain) loss on disposal of property, plant and equipment	(8)	(32)	(134)	(20)	41	6	-	37	(110)
Revaluation decrease on investment properties	-	-	-	-	-	-	-	(540)	(540)

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

5. SEGMENT INFORMATION *(Continued)*

Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market		Contribution to profit from operations	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,594,012	1,335,242	(2,640)	71,957
Other regions in the PRC	831,774	722,399	38,647	27,243
Macau	39,890	46,335	(2,562)	674
United Kingdom	33,061	23,761	2,192	1,015
Others	55,810	34,742	1,737	1,572
	<u>2,554,547</u>	<u>2,162,479</u>	37,374	102,461
Amortisation of goodwill			(4,473)	(4,502)
Release of negative goodwill			1,005	720
Impairment loss on goodwill			(10,610)	–
Unallocated other operating income			10,055	15,311
Unallocated corporate expenses			(28,838)	(21,440)
Profit from operations			4,513	92,550
Finance costs			(27,079)	(27,850)
Loss on disposal of subsidiaries/discontinued operations			(313)	(23,088)
Share of results of jointly controlled entities			190	(148)
(Loss) profit before taxation			(22,689)	41,464
Income taxes			806	(8,009)
(Loss) profit after taxation			<u>(21,883)</u>	<u>33,455</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

5. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

The following is an analysis of the carrying amount of segment assets, and additions to investment properties, property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment		Addition to goodwill		Addition to negative goodwill	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	772,351	861,550	4,005	526,758	1,331	7,492	-	-
Other regions in the PRC	570,877	593,210	24,334	55,786	-	-	(5,456)	(854)
United Kingdom	-	24,284	1,063	1,998	-	-	-	-
Others	7,023	7,197	10	20	-	-	-	-
	<u>1,350,251</u>	<u>1,486,241</u>	<u>29,412</u>	<u>584,562</u>	<u>1,331</u>	<u>7,492</u>	<u>(5,456)</u>	<u>(854)</u>

6. OTHER OPERATING INCOME

	2004	2003
	HK\$'000	HK\$'000

Included in other operating income are:

Exchange gain	-	2,045
Gain on disposal of investment in a security	-	2,000
Rental income, net of outgoing of nil (2003: HK\$898,000)	<u>3,645</u>	<u>19,860</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

7. PROFIT FROM OPERATIONS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging (crediting):		
Allowance for (write back of allowance for) bad and doubtful debts	12,066	(7,970)
Auditors' remuneration		
Current year	2,477	2,880
Underprovision in prior years	359	335
Depreciation		
Owned assets	36,590	35,416
Assets held under finance leases	1,258	1,943
Minimum lease payments for operating leases in respect of		
Land and buildings	16,851	16,843
Plant and machinery	2,380	2,522
Amount capitalised in assets under installation and construction in progress	–	(4,500)
	<u>19,231</u>	<u>14,865</u>
Staff costs including directors' emoluments and contributions to retirement benefits scheme	104,682	101,957
Amount capitalised in contract work	–	(3,073)
Amount capitalised in assets under installation and construction in progress	–	(1,658)
	<u>104,682</u>	<u>97,226</u>

Minimum lease payments for operating leases in respect of a director's and an employee's accommodation amounting to HK\$1,744,000 (2003: HK\$1,111,000) and nil (2003: HK\$230,000) respectively are included under staff costs.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

8. FINANCE COSTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	25,789	23,027
Bank borrowings not wholly repayable within five years	–	515
Finance leases	547	798
Other borrowings wholly repayable within five years	743	4,487
	<hr/>	<hr/>
Total borrowing costs	27,079	28,827
Less: amount capitalised in assets under installation and construction in progress	–	(977)
	<hr/>	<hr/>
	27,079	27,850

Borrowing costs capitalised in last year arose on borrowings specifically for the installation and construction works.

9. LOSS ON DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Continuing operations		
Loss on disposal of subsidiaries	(313)	–
Discontinued operations		
Loss on disposal of subsidiaries	–	(23,088)
	<hr/>	<hr/>
	(313)	(23,088)

On 15th May, 2003, the Group entered into an agreement to dispose of the 61.11% interest in Daido Group Limited (“Daido”) and its subsidiaries for a consideration of HK\$91,672,000 and acquire the entire issued share capital of certain subsidiaries of Daido for a consideration of HK\$100,479,000. The subsidiaries disposed of principally carried out all of the Group’s construction work contracting and sales of ALC concrete products operation and property investment operation. The disposal had been completed on 9th July, 2003, on which date control of Daido passed to the acquirer.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

9. LOSS ON DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (Continued)

The results of the construction work contracting and sales of ALC concrete products operation and property investment operation for the period from 1st January, 2003 to 9th July, 2003, which had been included in the consolidated financial statements, were as follows:

	Period ended 9.7.2003 HK\$'000
Turnover	34,178
Other operating income	25,877
Operating expenses	(35,293)
Finance costs	(2,467)
Profit before taxation	22,295
Income taxes	–
Profit after taxation	22,295

The discontinued operations utilised HK\$66,901,000 in respect of the Group's net operating cash flows, utilised HK\$86,000 in respect of investing activities and utilised HK\$15,581,000 in respect of financing activities.

The carrying amounts of the assets and liabilities of the discontinued operations at the date of disposal are disclosed in note 34.

10. DIRECTORS' EMOLUMENTS

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive	–	–
Non-executive	94	–
Independent non-executive	311	166
	405	166
Other emoluments:		
Executive		
Salaries and other benefits	6,181	5,771
Performance related bonus	1,143	1,143
Contributions to retirement benefits scheme	326	384
	7,650	7,298
	8,055	7,464

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

10. DIRECTORS' EMOLUMENTS (Continued)

The directors' emoluments were within the following bands:

	2004 Number of directors	2003 Number of directors
Nil to HK\$1,000,000	5	2
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$2,000,001 – HK\$2,500,000	1	2
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	1	–
	<u>8</u>	<u>5</u>

No director waived any emoluments for the two years ended 31st December, 2004.

11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included two directors (2003: three directors), details of whose emoluments are set out in note 10 above. The emoluments of the remaining three individuals (2003: two individuals), excluding commission on sales generated by the employees, are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	6,735	4,285
Contributions to retirement benefits scheme	36	24
	<u>6,771</u>	<u>4,309</u>

Their emoluments were within the following bands:

	2004 Number of employees	2003 Number of employees
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	1	–
	<u>3</u>	<u>2</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

12. INCOME TAXES

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current year		
Hong Kong	3,778	3,923
Outside Hong Kong	2,434	412
	<u>6,212</u>	<u>4,335</u>
Under(over)provision in prior years		
Hong Kong	512	(946)
	<u>6,724</u>	<u>3,389</u>
Deferred tax (<i>note 31</i>)		
Current year	(7,530)	2,284
Underprovision in prior years	–	1,756
Attributable to a change in tax rate	–	580
	<u>(7,530)</u>	<u>4,620</u>
	<u>(806)</u>	<u>8,009</u>

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's subsidiaries operating in the PRC are exempted from PRC income tax for two years starting from their first profit-marking year, followed by a 50% reduction for the next three years.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

12. INCOME TAXES (Continued)

The taxation for the year can be reconciled from taxation based on (loss) profit per the income statement as follows:

	Hong Kong		PRC and others		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
(Loss) profit before taxation	<u>(60,484)</u>	<u>19,923</u>	<u>37,795</u>	<u>21,541</u>	<u>(22,689)</u>	<u>41,464</u>
Domestic income tax rate	<u>17.5%</u>	<u>17.5%</u>	<u>33%</u>	<u>33%</u>		
Tax at the domestic income tax rate	(10,585)	3,487	12,472	7,109	1,887	10,596
Tax effect of expenses not deductible for tax purpose	4,752	5,119	454	57	5,206	5,176
Tax effect of income not taxable for tax purpose	(720)	(770)	(22)	(87)	(742)	(857)
Tax effect of offshore manufacturing profits on 50:50 apportionment basis	(7,878)	(4,550)	-	-	(7,878)	(4,550)
Tax effect of tax losses not recognised	10,989	2,921	(62)	1,356	10,927	4,277
Tax effect of other deductible temporary difference not recognised	(754)	(344)	-	(3,466)	(754)	(3,810)
Increase in opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	-	580	-	-	-	580
Effect of tax exemption granted to PRC subsidiaries	-	-	(10,082)	(3,852)	(10,082)	(3,852)
Others	604	47	(486)	(408)	118	(361)
Underprovision in prior year, net	<u>512</u>	<u>810</u>	<u>-</u>	<u>-</u>	<u>512</u>	<u>810</u>
Taxation for the year	<u>(3,080)</u>	<u>7,300</u>	<u>2,274</u>	<u>709</u>	<u>(806)</u>	<u>8,009</u>

Details of deferred taxation are set out in note 31.

13. DIVIDEND

On 27th May, 2004 a dividend of 1.5 HK cents per share, amounting to HK\$8,510,000, was paid to shareholders as final dividend in respect of 2003.

The directors do not recommend the payment of a dividend for the year ended 31st December, 2004.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

14. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the net (loss) earnings for the year and on the 567,362,500 (2003: 567,362,500) ordinary shares in issue.

15. GOODWILL (NEGATIVE GOODWILL)

	Goodwill <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>	Total <i>HK\$'000</i>
GROSS AMOUNTS			
At 1st January, 2004	44,207	(15,506)	28,701
Arising on acquisition of further interests in subsidiaries	1,331	(5,456)	(4,125)
Released on disposal of subsidiaries	(2,109)	–	(2,109)
At 31st December, 2004	43,429	(20,962)	22,467
AMORTISATION AND IMPAIRMENT/ RELEASED TO INCOME			
At 1st January, 2004	(5,187)	1,681	(3,506)
(Amortised) released for the year	(4,473)	1,005	(3,468)
Impairment loss	(10,610)	–	(10,610)
Released on disposal of subsidiaries	519	–	519
At 31st December, 2004	(19,751)	2,686	(17,065)
CARRYING AMOUNTS			
At 31st December, 2004	23,678	(18,276)	5,402
At 31st December, 2003	39,020	(13,825)	25,195

Goodwill is amortised on a straight-line basis over the estimated useful life of 10 years.

Negative goodwill is presented as a deduction from assets and is released to income on a straight-line basis over the range of 8 years to 28 years, being the remaining useful life of the non-monetary assets acquired.

The impairment loss is estimated with reference to the future cash flow of the subsidiaries using discount rate based on the cost of capital of the Group.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

16. INVESTMENT PROPERTIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	44,560	45,100
Acquired on acquisition of a subsidiary	–	505,986
Eliminated on disposal of a subsidiary	–	(505,986)
Decrease on revaluation	(5,930)	(540)
At end of the year	<u>38,630</u>	<u>44,560</u>

The Group's investment properties comprise:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held under medium term leases:		
In Hong Kong	35,560	41,490
Other regions in the PRC	3,070	3,070
	<u>38,630</u>	<u>44,560</u>

Investment properties situated in Hong Kong and the PRC were revalued at 31st December, 2004 by LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, an independent firm of professional valuer, on an open market existing use basis. The decrease arising on revaluation of HK\$5,930,000 (2003: HK\$540,000) had been charged to the consolidated income statement.

The investment properties of the Group are rented out under operating leases.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Motor vehicles	Plant and machinery and equipment	Assets under installation	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP								
COST								
At 1st January, 2004	312,549	23,174	15,778	46,924	295,520	–	17,765	711,710
Exchange differences	193	3	19	167	533	–	2	917
Additions	1,331	155	964	6,926	10,446	4,373	5,217	29,412
Disposals	(510)	–	(265)	(3,526)	(3,913)	–	(9)	(8,223)
On disposal of subsidiaries	(15,708)	–	(582)	(1,182)	(18,085)	–	(16,060)	(51,617)
Reclassification	–	–	–	–	946	–	(946)	–
At 31st December, 2004	297,855	23,332	15,914	49,309	285,447	4,373	5,969	682,199
Comprising:								
At cost	–	23,332	15,914	49,309	285,447	4,373	5,969	384,344
At valuation – 2004	297,855	–	–	–	–	–	–	297,855
	297,855	23,332	15,914	49,309	285,447	4,373	5,969	682,199
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2004	136,194	16,357	12,106	23,173	107,037	–	–	294,867
Exchange differences	50	1	11	75	139	–	–	276
Provided for the year	7,666	1,227	1,600	5,024	22,331	–	–	37,848
Eliminated on disposals	(61)	–	(241)	(1,673)	(2,905)	–	–	(4,880)
On disposal of subsidiaries	(859)	–	(259)	(216)	(3,497)	–	–	(4,831)
Impairment loss	–	–	–	–	–	–	2,638	2,638
Eliminated on revaluation	(41,897)	–	–	–	–	–	–	(41,897)
At 31st December, 2004	101,093	17,585	13,217	26,383	123,105	–	2,638	284,021
NET BOOK VALUES								
At 31st December, 2004	196,762	5,747	2,697	22,926	162,342	4,373	3,331	398,178
At 31st December, 2003	176,355	6,817	3,672	23,751	188,483	–	17,765	416,843

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
COST				
At 1st January, 2004	617	540	709	1,866
Additions	–	19	1,069	1,088
At 31st December, 2004	617	559	1,778	2,954
DEPRECIATION				
At 1st January, 2004	617	436	227	1,280
Provided for the year	–	43	317	360
At 31st December, 2004	617	479	544	1,640
NET BOOK VALUES				
At 31st December, 2004	–	80	1,234	1,314
At 31st December, 2003	–	104	482	586

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book values of leasehold land and buildings and construction in progress shown above comprises:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land and buildings:		
Situated in Hong Kong held under short term leases	3,171	12,822
Situated in Hong Kong held under medium term leases	131,908	94,615
Situated in other regions in the PRC held under medium term leases	61,683	54,104
Situated in other regions in the PRC held under long term leases	–	6,386
Situated outside Hong Kong held under freehold	–	8,428
	<u>196,762</u>	<u>176,355</u>
Construction in progress:		
Situated in Hong Kong held under short term leases	–	38
Situated in Hong Kong held under medium term leases	–	2,638
Situated in other regions in the PRC held under medium term leases	3,331	15,089
	<u>3,331</u>	<u>17,765</u>
	<u>200,093</u>	<u>194,120</u>

Plant and machinery and equipment of the Group includes assets carried at cost of HK\$8,288,000 (2003: HK\$8,288,000) with accumulated depreciation of HK\$897,000 (2003: HK\$483,000) held for used under operating leases. Depreciation charged in respect of these assets during the year amounted to HK\$414,000 (2003: HK\$414,000).

The net book values of motor vehicles, plant and machinery and equipment of the Group include an amount of HK\$1,465,000 (2003: HK\$822,000) and HK\$28,065,000 (2003: HK\$27,122,000) respectively in respect of assets held under finance leases.

The net book value of motor vehicles of the Company include an amount of HK\$639,000 (2003: Nil) in respect of assets held under finance leases.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Land and buildings were revalued at 31st December, 2004 by LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, an independent firm of professional valuer, on an open market existing use basis. The increase arising on revaluation of HK\$56,846,000 had been credited to property revaluation reserve. The decrease arising on revaluation of HK\$14,949,000 had been charged to consolidated income statement.

At 31 December 2004, if land and buildings of the Group had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and accumulated impairment losses of approximately HK\$154,865,000.

The impairment loss is estimated with reference to the value in use of the construction in progress using discount rate based on the cost of capital of the Group.

18. INVESTMENTS IN SUBSIDIARIES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted shares, at cost	251,896	251,896
Impairment loss	<u>(3,800)</u>	<u>–</u>
	<u>248,096</u>	<u>251,896</u>

The impairment loss is estimated with reference to the future cash flow of the subsidiaries using discount rate based on the cost of capital of the Group.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

Name	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Advance Concord Development Limited	Incorporated	Hong Kong	HK\$1,000,000 Ordinary shares	100%	Property holding
China Metal Technology Holdings Limited	Incorporated	Hong Kong	HK\$1,000,000 Ordinary shares	100%	Investment holding and trading of steel and metal products
Dah Bang Printing Ink Manufactory Limited	Incorporated	Hong Kong	HK\$10,000 Ordinary shares HK\$10,100,000 Non-voting deferred shares **	95%	Sales of printing materials, spare parts and machines
Dah Bang Printing Supplies Limited	Incorporated	Hong Kong	HK\$2 Ordinary shares	95%	Sales of printing materials, spare parts and machines
Daido Concrete (H.K.) Limited	Incorporated	Hong Kong	HK\$750,000,000 Ordinary shares	100%	Investment and properties holding
Daido Precast Company Limited	Incorporated	Hong Kong	HK\$2 Ordinary shares	100%	Manufacturing and sales of semi-precast concrete slab
Ding Cheong Limited	Incorporated	Hong Kong	HK\$500,000 Ordinary shares	55%	Sales of construction materials
Golik Concrete Limited	Incorporated	Hong Kong	HK\$60,000,000 Ordinary shares	100%	Manufacturing and sales of concrete pipes and related products
Fulwealth Metal Factory Limited *	Incorporated	Hong Kong	HK\$20,000,000 Ordinary shares	77%	Decoiling centre
Golik Godown Limited	Incorporated	Hong Kong	HK\$2 Ordinary shares	100%	Provision of warehouse services

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Golik Metal Industrial Company Limited *	Incorporated	Hong Kong	HK\$10,000 Ordinary shares HK\$5,135,000 Non-voting deferred shares **	100%	Investment holding and sales of metal products
Golik Metal Manufacturing Co. Limited	Incorporated	Hong Kong	HK\$30,000,000 Ordinary shares	100%	Manufacturing and sales of welded wire mesh and metal products
Golik Properties Limited *	Incorporated	Hong Kong	HK\$2 Ordinary shares	100%	Property investment
Golik Steel Company Limited	Incorporated	Hong Kong	HK\$80,000,000 Ordinary shares	100%	Sales of steel bars
Heshan Hang Kei Steel Wire Manufacturing Company Limited ("Heshan Hang Kei")	Equity joint venture	PRC	US\$3,880,000 Registered capital	60% (note)	Manufacturing and sales of steel wire products and steel ropes
Luenik Construction Material Company Limited	Incorporated	Hong Kong	HK\$400,000 Ordinary shares	67.5%	Sales of construction materials
Orient Smart Industrial Limited	Incorporated	Hong Kong	HK\$1,000,000 Ordinary shares	40.8% ***	Sales of PVC plastic products
Stahl Trading Pty Limited	Incorporated	Australia	AUS\$100 Ordinary shares	100%	Sales of steel and metal products
The Spacers & Bar Chairs Manufacturer Company Limited	Incorporated	Hong Kong	HK\$800,000 Ordinary shares	80%	Manufacturing and sales of construction materials

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Tianjin Golik – No. 1 Steel Wire Rope Co., Limited	Equity joint venture	PRC	US\$1,000,000 Registered capital	51%	Manufacturing and sales of steel wire rope for elevators
Tianjin Golik – The First PC Steel Strand Co., Limited	Equity joint venture	PRC	RMB49,000,000 Registered capital	51%	Manufacturing and sales of prestressed steel wire
Worldlight Group Limited *	Incorporated	British Virgin Islands/ Hong Kong	US\$2 Ordinary shares	100%	Investment holding
定昌 (江門) 五金製品有限公司	Wholly owned foreign enterprise	PRC	HK\$3,000,000 Registered capital	55%	Manufacturing and sales of metal products
廣東水利混凝土有限公司	Equity joint venture	PRC	RMB27,800,000 Registered capital	100%	Operating a concrete batching plant
廣州保稅區高力金屬貿易有限公司	Equity joint venture	PRC	HK\$5,000,000 Registered capital	80%	Sales of steel and metal products
鶴山高力金屬製品有限公司	Equity joint venture	PRC	US\$1,030,163 Registered capital	81.6%	Manufacturing and sales of steel wire products and steel ropes

* Subsidiaries held directly by the Company

** The deferred shares, which are not held by the Group, practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective company or to participate in any distribution on winding up.

*** The Group has 51% interest in the subsidiary through a 80% owned subsidiary.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Note

Under a joint venture agreement, the Group has contributed 60% of the registered capital in Heshan Hang Kei, an equity joint venture company in the PRC, with a term of 20 years commencing from 21st March, 1995. However, under a supplemental joint venture agreement, the Group will be entitled to 100% of the joint venture company's profit after deducting a fixed annual amount attributable to assets contributed by the PRC joint venture partner. On cessation of the joint venture company, the Group will be entitled to all assets of Heshan Hang Kei other than those contributed by the PRC joint venture partner.

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

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	<u>1,299</u>	<u>1,109</u>

Particulars of the jointly controlled entities are as follows:

Company	Form of business structure	Place of incorporation/ registration/ operation	Class of shares	Percentage of ownership attributable to the Group	Principal activities
Kunshan Rosathal Printing Ink Limited	Equity joint venture	PRC	Registered capital	33.25%	Manufacturing and sales of printing ink
Hi-Net Business Limited	Incorporated	British Virgin Island/ Hong Kong	Ordinary shares	50%	Investment holding

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

20. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Gross amount	6,822	–
Less: amount due after one year	(1,500)	–
Amount repayable on demand shown under current assets	5,322	–

The amount is unsecured. Included in above is an amount of HK\$2,949,000 which bears interest at 5% per annum. The remaining is interest-free.

21. LONG-TERM RECEIVABLES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Building mortgage loans (<i>note a</i>)	425	514
Other loans (<i>note b</i>)	11,878	13,627
Trade receivables (<i>note c</i>)	718	961
	13,021	15,102
Less: amounts due within one year shown under trade and other receivables	(12,217)	(13,237)
Amounts due after one year	804	1,865

(a) The building mortgage loans bear interest at 3% to 4% above the Hong Kong Prime Rate per annum and are repayable by monthly instalments up to year 2009.

(b) Other loans are unsecured, bear interest at 4% to 6% (2003: 4% to 6%) per annum and repayable up to November 2005.

(c) The amounts are aged over 120 days and are repayable by yearly instalments up to 2006.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

22. INVENTORIES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	169,715	146,016
Work in progress	12,026	12,994
Finished goods	120,409	116,084
Supplies	2,238	2,378
	<u>304,388</u>	<u>277,472</u>

Included above are raw materials of HK\$13,573,000 (2003: HK\$10,778,000), work in progress of HK\$1,116,000 (2003: HK\$741,000) and finished goods of HK\$5,966,000 (2003: HK\$34,038,000) which are carried at net realisable value.

23. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 0 to 180 days to its customers.

Included in trade and other receivables are trade receivables with an aged analysis as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0 – 30 days	165,479	189,809
31 – 60 days	116,324	143,128
61 – 90 days	60,336	77,250
91 – 120 days	21,772	32,116
More than 120 days	38,406	45,366
	<u>402,317</u>	<u>487,669</u>

24. PLEDGED BANK DEPOSITS

THE GROUP AND THE COMPANY

The amount represents deposits pledged to banks to secure bank overdrafts, bank loans repayable within one year and import loan facilities. Accordingly, the pledged bank deposits are classified as current assets.

Pledged bank deposits of the Group of approximately HK\$12,735,000 were utilised for repayment of bank borrowings subsequent to the balance sheet date.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

25. BANK BALANCES AND CASH

THE GROUP

At the balance sheet date, bank balances and cash of the Group include currency denominated in Renminbi of HK\$49,416,000 (2003: HK\$59,192,000) are considered not freely convertible into other currencies.

26. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an aged analysis as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0 – 30 days	72,268	88,252
31 – 60 days	12,921	22,060
61 – 90 days	4,509	8,187
91 – 120 days	1,274	3,564
More than 120 days	16,113	2,104
	<u>107,085</u>	<u>124,167</u>

27. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts are unsecured, interest-free and are repayable on demand.

28. SHARE CAPITAL

	Number of shares	Amount
		HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1st January, 2003, 31st December, 2003 and 2004	<u>1,800,000,000</u>	<u>180,000</u>
<i>Issued and fully paid:</i>		
At 1st January, 2003, 31st December, 2003 and 2004	<u>567,362,500</u>	<u>56,736</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

29. SHARE OPTION SCHEMES

The share option scheme of the Company was first adopted on 25th June, 1994 and was terminated on 27th May, 2004 upon the adoption of a new scheme and effective on the same date (the “New Scheme”).

Summary of the New Scheme

- a. The primary purpose of the New Scheme is to provide incentives or rewards to Participants (see below defined) thereunder for their contribution to the Group and any entity in which the Group holds any equity interest (“Invested Entity”) and/or to enable the Group and an Invested Entity to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any Invested Entity.
- b. The directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants (“Participants”), to take up options to subscribe for shares of HK\$0.10 each in the capital of the Company (“Shares”).
 - (i) any eligible employee;
 - (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
 - (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
 - (iv) any customer of the Group or Invested Entity;
 - (v) any person or entity acting in their capacities as advisers or consultants that provides research, development or other technological support to the Group or any Invested Entity; and
 - (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity from time to time determined by the directors having contributed or may contribute to the development and growth of the Group and any Invested Entity.
- c. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Scheme and any other share option scheme of the Company) to be granted under the New Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of adoption of the New Scheme (i.e. 27th May, 2004). The Company can grant options to subscribe up to 56,736,250 Shares which is the 10% of the total issued share capital of the Company as at 31st December, 2004. The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme of the Company must not in aggregate exceed 30 per cent. of the issued share capital of the Company from time to time.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

29. SHARE OPTION SCHEMES *(Continued)*

Summary of the New Scheme *(Continued)*

- d. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme of the Company (including both exercised or outstanding options) to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.
- e. An option may be exercised in accordance with the terms of the New Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.
- f. An offer of grant of an option may be accepted by a Participant within 28 days from the date of the offer of grant of the option. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.
- g. The subscription price per Shares under the New Scheme shall be a price determined by the directors, but shall not be lower than the highest of:
 - (i) the closing price of the Share as stated in the Stock Exchange's daily quotation sheet on the date of the grant, which must be a trading day;
 - (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and
 - (iii) the nominal value of a Share.
- h. The New Scheme has a life of 10 years and will expire on 26th May, 2014.

No share option was granted since the adoption of the New Scheme.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

30. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1st January, 2003	318,118	65,891	29,409	413,418
Net profit for the year	–	–	8,786	8,786
Dividend paid	–	–	(14,184)	(14,184)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2003	318,118	65,891	24,011	408,020
Net profit for the year	–	–	20,776	20,776
Dividend paid	–	–	(8,510)	(8,510)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2004	318,118	65,891	36,277	420,286

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

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

- (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 account.

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Contributed surplus	65,891	65,891
Accumulated profits	36,277	24,011
	<hr/>	<hr/>
	102,168	89,902

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

31. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior reporting periods:

THE GROUP

	Accelerated accounting depreciation <i>HK\$'000</i>	Revaluation on properties <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2003	–	–	(20,188)	13,656	(6,532)
Exchange adjustments	–	–	(41)	–	(41)
On acquisition of subsidiaries	–	–	(7,123)	–	(7,123)
On disposal of subsidiaries	–	–	7,508	–	7,508
Charge to income for the year	–	–	(2,259)	(1,781)	(4,040)
Effect of change in tax rate – (charge) credit to income	–	–	(1,860)	1,280	(580)
At 31st December, 2003	–	–	(23,963)	13,155	(10,808)
Underprovision in prior year	–	–	(198)	198	–
On disposal of subsidiaries	–	–	462	–	462
Charge to equity for the year	–	(10,780)	–	–	(10,780)
Credit to income for the year	2,408	–	1,083	4,039	7,530
At 31st December, 2004	2,408	(10,780)	(22,616)	17,392	(13,596)

For the purposes of balance sheet presentation, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

At the balance sheet date, the Group has unused tax losses of HK\$730,229,000 (2003: HK\$645,366,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$99,386,000 (2003: HK\$75,185,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$630,843,000 (2003: HK\$570,181,000) due to the unpredictability of future profit streams.

At the balance sheet date, the Group has deductible temporary differences of HK\$40,122,000 (2003: HK\$30,970,000) in respect of accelerated accounting depreciation and allowance for doubtful debts. A deferred tax asset has been recognised in respect of HK\$13,760,000 (2003: Nil) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK\$26,362,000 (2003: HK\$30,970,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the balance sheet date, the Company has unused tax losses of HK\$83,911,000 (2003: HK\$73,534,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

32. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank overdrafts	6,618	8,664	–	–
Bank loans	210,942	289,981	66,516	118,025
Mortgage loans	19,075	33,307	–	–
Trust receipt loans	380,106	317,601	–	–
	<u>616,741</u>	<u>649,553</u>	<u>66,516</u>	<u>118,025</u>
Analysed as:				
Secured	147,958	195,245	66,516	118,025
Unsecured	468,783	454,308	–	–
	<u>616,741</u>	<u>649,553</u>	<u>66,516</u>	<u>118,025</u>
The bank borrowings are repayable as follows:				
On demand or within one year	568,506	515,077	48,000	48,000
More than one year, but not exceeding two years	36,175	77,792	18,516	48,000
More than two years, but not exceeding five years	11,040	50,878	–	22,025
More than five years	1,020	5,806	–	–
	<u>616,741</u>	<u>649,553</u>	<u>66,516</u>	<u>118,025</u>
Less: amounts due within one year shown under current liabilities	<u>(568,506)</u>	<u>(515,077)</u>	<u>(48,000)</u>	<u>(48,000)</u>
Amounts due after one year	<u>48,235</u>	<u>134,476</u>	<u>18,516</u>	<u>70,025</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

33. OBLIGATIONS UNDER FINANCE LEASES THE GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	5,974	7,537	5,553	7,011
In the second to fifth year inclusive	5,081	7,507	4,927	7,137
	11,055	15,044		
<i>Less:</i> future finance charges	(575)	(896)		
Present value of lease obligations	10,480	14,148	10,480	14,148
<i>Less:</i> amounts due within one year shown under current liabilities			(5,553)	(7,011)
Amounts due after one year			4,927	7,137

THE COMPANY

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	238	–	223	–
In the second to fifth year inclusive	318	–	310	–
	556	–		
<i>Less:</i> future finance charges	(23)	–		
Present value of lease obligations	533	–	533	–
<i>Less:</i> amounts due within one year shown under current liabilities			(223)	–
Amounts due after one year			310	–

It is the Group's and the Company's policy to lease certain of its motor vehicles and plant and machinery and equipment under finance leases. The lease terms are ranging from 1 to 5 years. For the year ended 31st December, 2004, the average effective borrowing rates were ranging from 2.35% to 12.5% (2003: 2.35% to 12.5%) per annum. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's and the Company's obligations under finance leases are secured by the lessor's charge over the leased assets.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

34. DISPOSAL OF SUBSIDIARIES

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed of		
Goodwill	1,590	6,408
Investments properties	–	505,986
Property, plant and equipment	46,786	42,399
Inventories	25,191	5,585
Trade and other receivables	47,000	29,236
Amount due from customers for contract work	–	72
Pledged bank deposits	45,155	–
Bank balances and cash	3,444	21,526
Amount due to customers for contract work	–	(14,707)
Trade and other payables	(96,822)	(12,803)
Amounts due to minority shareholders	(2,837)	–
Tax payable	(621)	–
Bank and other borrowings	(46,242)	(488,140)
Bank overdrafts	(6,596)	(3,217)
Obligations under finance leases	(108)	–
Deferred tax liabilities	(462)	(7,508)
Minority interests	(10,730)	(32,641)
	<u>4,748</u>	<u>52,196</u>
Goodwill reserve realised	1,279	1,882
Exchange reserve realised	(257)	–
Loss on disposal	(313)	(23,088)
	<u>5,457</u>	<u>30,990</u>
Total consideration		
Satisfied by:		
Consideration offset with consideration paid for acquisition of further interests in subsidiaries	–	30,990
Cash consideration	5,457	–
	<u>5,457</u>	<u>30,990</u>
Net cash inflow (outflow) arising on disposal:		
Cash consideration	5,457	–
Bank balances and cash disposed of	(3,444)	(21,526)
Bank overdrafts disposed of	6,596	3,217
	<u>8,609</u>	<u>(18,309)</u>
Net inflow (outflow) of cash and cash equivalents in respect of disposal of subsidiaries		

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

34. DISPOSAL OF SUBSIDIARIES (Continued)

During the year, the Group disposed of 80% interest in Locusrite Limited for a consideration of HK\$5,449,000. In addition, the Group disposed of 84% and 51.24% interest in Full Glory Corporation Limited and Changzhou Golik Color Coated Manufactory Co., Ltd. respectively for a consideration of HK\$8,000.

Details of the disposal of subsidiaries in prior year are set out in note 9.

The subsidiaries disposed of during the year contributed approximately HK\$124 million (2003: HK\$34 million) to the Group's turnover and approximately HK\$5 million (2003: HK\$25 million) to the Group's profit from operations.

35. ACQUISITION OF SUBSIDIARIES

On 1st March, 2003, the Group acquired a 61.11% interest in Lubrano Properties Limited for a cash consideration of HK\$75,635,000. No acquisition was noted during the year.

	2003
	<i>HK\$'000</i>
Net assets acquired	
Investments properties	505,986
Trade and other receivables	967
Bank balances and cash	4
Trade and other payables	(3,111)
Bank and other borrowings	(426,640)
Deferred tax liabilities	(7,123)
	<u>70,083</u>
Goodwill	5,552
	<u>75,635</u>
Total consideration	<u>75,635</u>
Satisfied by:	
Cash consideration	<u>75,635</u>
Net cash outflow arising on acquisition:	
Cash consideration	(75,635)
Bank balances and cash acquired	4
	<u>(75,631)</u>

The subsidiaries acquired in prior year did not have significant contribution to the Group's turnover and contributed approximately HK\$1.4 million to the Group's profit from operations.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

36. MAJOR NON-CASH TRANSACTIONS

- (i) During the year, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK\$3,741,000 (2003: HK\$1,710,000).
- (ii) In 2003, the consideration in respect of the disposal of subsidiaries of HK\$30,990,000 was offset with the consideration paid for acquisition of further interests in subsidiaries.
- (iii) In 2003, the consideration in respect of the disposal of property, plant and equipment of HK\$2,157,000 had not been received at 31st December, 2003.
- (iv) In 2003, the consideration in respect of the purchase of property, plant and equipment of HK\$15,937,000 had not been paid at 31st December, 2003.

37. PLEDGE OF ASSETS

At the balance sheet date, the Group and the Company had pledged the following assets to banks as securities against banking facilities granted to the Group:

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investment properties	35,560	44,560	–	–
Land and buildings	73,374	71,735	–	–
Furniture and fixtures	–	107	–	–
Plant and machinery and equipment	18,565	25,232	–	–
Bank deposits	16,980	22,414	7,501	–
	<u>144,479</u>	<u>164,048</u>	<u>7,501</u>	<u>–</u>

In addition, the Group had created a floating charge over other assets with a carrying value of HK\$25,000 (2003: HK\$17,161,000) to banks as securities against banking facilities granted to the Group.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

38. CONTINGENT LIABILITIES

The Group

- (i) Pursuant to an agreement entered on 21st August, 2003 in respect of disposal of Daido, the Group has given guarantees of HK\$3,000,000 to the former subsidiary in respect of certain claims from the workers with accidents occurred in previous years and the repayment of certain trade receivable balances of HK\$1,417,000. No demand notes have been received in respect of any claims for such guarantees. The directors are of the opinion that the claims are not probable and, accordingly, no provision has been made in the financial statements.
- (ii) At the balance sheet date, the Group had provided corporate guarantees to the extent of HK\$3,741,000 (2003: Nil) to a supplier to secure supply of goods to its former subsidiary.

The Company

- (i) At the balance sheet date, the Company had provided corporate guarantees to the extent of HK\$1,264,488,000 (2003: HK\$1,219,678,000) to banks to secure banking facilities granted to its subsidiaries. The total facilities utilised by the subsidiaries at 31st December, 2004 amounted to HK\$522,792,000 (2003: HK\$471,718,000).
- (ii) At the balance sheet date, the Company had provided corporate guarantees to the extent of HK\$36,578,000 (2003: HK\$17,578,000) to financial institutions to secure finance leases facilities granted to its subsidiaries. The total finance lease obligations outstanding as at 31st December, 2004 amounting to HK\$8,094,000 (2003: HK\$13,928,000).
- (iii) At the balance sheet date, the Company had provided corporate guarantees to the extent of HK\$3,741,000 (2003: Nil) to a supplier to secure supply of goods to its former subsidiary.

39. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee:

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

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Land and buildings				
Within one year	12,931	12,834	1,105	1,394
In the second to fifth year inclusive	31,664	35,066	125	355
After five years	15,473	14,291	—	—
	<u>60,068</u>	<u>62,191</u>	<u>1,230</u>	<u>1,749</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

39. OPERATING LEASE COMMITMENTS (Continued)

The Group and the Company as lessee: (Continued)

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Plant and machinery and equipment				
Within one year	2,380	2,659	–	–
In the second to fifth year inclusive	4,041	7,626	–	–
After five years	–	1,484	–	–
	<u>6,421</u>	<u>11,769</u>	<u>–</u>	<u>–</u>

Operating lease payments represent rentals payable by the Group and the Company for certain of its office premises, staff quarters and plant and machinery and equipment. Leases of office premises and staff quarters are negotiated for terms ranging from one to twenty-five years. Leases of plant and machinery and equipment are negotiated for terms ranging from five to ten years.

The Group as lessor:

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

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Land and buildings		
Within one year	1,288	1,345
In the second to fifth year inclusive	1,657	1,043
After five years	1,163	–
	<u>4,108</u>	<u>2,388</u>
Plant and machinery and equipment		
Within one year	1,656	1,661
In the second to fifth year inclusive	1,380	492
	<u>3,036</u>	<u>2,153</u>

All of the properties held have committed tenants for the next one to five years.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

40. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
Contracted for but not provided in the financial statements	797	3,825
Authorised but not contracted for	–	10,035
	<u>797</u>	<u>13,860</u>

As at 31st December, 2003, certain subsidiaries of the Group had entered into agreements to invest HK\$1,932,000 (equivalent to RMB2,054,000) in equity joint ventures in the PRC.

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

41. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the “ORSO Scheme”) and a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of independent trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes at amount ranging from 5% to 10% of relevant payroll costs to the Scheme.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contribution schemes.

During the year, the Group made retirement benefits scheme contributions of HK\$3,753,000 (2003: HK\$3,698,000) after forfeited contributions utilised in the Group’s ORSO Scheme of HK\$595,000 (2003: HK\$466,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2004

42. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Trade purchases		Rental charges		Acquisition of further interest in a subsidiary		Disposal of a subsidiary to		Interest income	
	<i>(note a)</i>		<i>(note b)</i>		<i>(note b)</i>		<i>(note b)</i>		<i>(note c)</i>	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
A jointly controlled entity	3,637	-	-	-	-	-	-	-	173	-
Minority shareholders of subsidiaries	-	-	1,435	1,434	1,090	-	5,449	-	-	-

Notes:

- (a) Purchases of goods from a related party were made at cost plus certain percentage of mark up.
- (b) Rental charges and consideration for acquisition and disposal of interest in subsidiaries were based on the terms agreed by both parties.
- (c) Interest income was charged at 5% per annum.

43. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to the balance sheet date:

- (a) The Group has entered into various agreements in relation to the disposal of investment properties and land and buildings of the Group with aggregate net proceeds of HK\$19 million. The aggregate loss on disposal is estimated to be approximately HK\$250,000.
- (b) The Group disposed of its 51% interest in a subsidiary, Tianjin Golik – No. 1 Steel Wire Rope Co., Limited to a newly established associate, China Rope Holdings Limited, after the balance sheet date for a cash consideration of US\$1,329,000 (approximately HK\$10 million). The gain on disposal is estimated to be approximately HK\$3 million.

Details of these transactions are set out in the circulars of the Company dated 22nd February, 2005 and 8th February, 2005 respectively.

Financial Summary

	Year ended 31st December,				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000 (restated)	2003 HK\$'000	2004 HK\$'000
RESULTS					
Turnover					
Continuing operations	951,524	944,697	1,177,175	2,128,301	2,554,547
Discontinued operations	169,932	63,461	62,306	34,178	–
	<u>1,121,456</u>	<u>1,008,158</u>	<u>1,239,481</u>	<u>2,162,479</u>	<u>2,554,547</u>
Operating profit					
Continuing operations	46,997	42,840	69,374	68,023	4,513
Discontinued operations	37,719	30,427	24,691	24,527	–
Finance costs	(23,648)	(19,810)	(19,041)	(27,850)	(27,079)
Loss on disposal of subsidiaries/ discontinued operations	–	–	(4,555)	(23,088)	(313)
Share of results of jointly controlled entities	(1,614)	–	–	(148)	190
	<u>59,454</u>	<u>53,457</u>	<u>70,469</u>	<u>41,464</u>	<u>(22,689)</u>
Income taxes	(762)	2,521	(9,766)	(8,009)	806
	<u>58,692</u>	<u>55,978</u>	<u>60,703</u>	<u>33,455</u>	<u>(21,883)</u>
Minority interests	(24,982)	(21,714)	(22,027)	(20,808)	(30,388)
	<u>33,710</u>	<u>34,264</u>	<u>38,676</u>	<u>12,647</u>	<u>(52,271)</u>

ASSETS AND LIABILITIES

	At 31st December,				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000 (restated)	2003 HK\$'000	2004 HK\$'000
Total assets	998,618	1,045,501	1,326,566	1,487,350	1,358,372
Total liabilities	(531,982)	(535,438)	(749,813)	(957,886)	(839,710)
Minority interests	(107,240)	(115,658)	(151,854)	(104,769)	(107,024)
	<u>359,396</u>	<u>394,405</u>	<u>424,899</u>	<u>424,695</u>	<u>411,638</u>

Note: The results of the Group for the year ended 31st December, 2002 and summary of assets and liabilities of the Group as at 31st December 2002 have been extracted from the Company's annual reports after restatement to reflect the effect of the prior period adjustments on adoption of Statement of Standard Accounting Practice 12 (Revised). No restatement was made from 2000 to 2001 in respect of the change in accounting policy as the directors of the Company considered it is not practical to do so.

Continuing Disclosure Obligation

1. DISCLOSURE PURSUANT TO RULES 13.13 AND 13.15 OF THE LISTING RULES

As at 31st December, 2004, there were 567,362,500 shares of the Company in issue. Based on the average closing price of the Company's shares of HK\$0.2388 as stated in the Stock Exchange's daily quotation sheets for the trading days from 23rd December, 2004 to 30th December, 2004 (both days inclusive), being five business days immediately preceding 31st December, 2004, the total market capitalization of the Company was approximately HK\$135 million as at 31st December, 2004 ("Market Capitalization").

As at 31st December, 2004, the aggregate amount of the receivables ("Receivables") due from the following entity (the "Entity") to the Group represented more than 8% of the Market Capitalization:

Name of the Entity	Aggregate Amount		Payment Terms	Nature of the transactions
	due to the Group as at 31st December, 2004	% to Market Capitalization		
Heshan Yue Ye Gong Mao Company Limited ("Heshan Yue Ye") (note 1)	Approximately HK\$15 million	11.4%	(a) For rental receivable: Unsecured, interest free and due on 3 months after presentation; (b) For management fee receivable: Unsecured, interest free and due on 3 months after presentation; (c) For commission: Unsecured and interest free (note 2)	(a) Rent of machineries; (b) Management fee (note 2); and (c) Commission (note 2)

Notes:

- All Receivables represented amounts due from services provided by the Group in the ordinary course of business and on normal commercial terms. The Entity is independent of and not connected with the directors, chief executives or substantial shareholders of the Group, or their respective associates and not otherwise a connected person of the Company within the meaning of the Listing Rules.
- Management fee is charged for provision of on-site training, management and technical services on overall factory management, etc. Commission is charged for referral of business contacts in the PRC to Heshan Yue Ye upon conclusion of a deal and will be settled by Heshan Yue Ye upon full satisfactory completion of relevant transaction.

Continuing Disclosure Obligation

2. DISCLOSURE PURSUANT TO RULES 13.18 OF THE LISTING RULES

The loan agreement dated 8th January, 2003 was entered into amongst, inter alias, the Company, CITIC Ka Wah Bank Limited (as arranger and agent) and a syndicate of banks (the “Loan Agreement”).

On 8th January, 2003, the Company entered into the Loan Agreement with, inter alias, a syndicate of banks for a term loan facility of up to HK\$120,000,000 and repayable in full on or before the last business day in January 2006. Under the provisions of the Loan Agreement, there would be an event of default if, at any time Mr. Pang Tak Chung, chairman and a substantial shareholder (as defined in the Listing Rules) ceased to own and control either directly or indirectly collectively at least 51% of the shareholdings and voting rights in the Company. Upon occurrence of an event of default, all amounts accrued or outstanding in respect of all loans (including accrued interest) under the Loan Agreement shall become immediately due and payable.

As at 31st December, 2004, the amount outstanding under the Loan Agreement is HK\$66,516,000.