



**POLYTEC ASSET HOLDINGS LIMITED**  
(Incorporated in the Cayman Islands with limited liability)

Annual Report 2004

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Yeung Kwok Kwong (*Chairman*)  
Wong Yuk Ching

### Non-Executive Directors

Lai Ka Fai  
Anthony Francis Martin Conway #  
Siu Leung Yau #  
Liu Kwong Sang #

# *Independent Non-Executive Directors*

## COMPANY SECRETARY

Lau Sui Cheung

## AUTHORISED REPRESENTATIVES

Yeung Kwok Kwong  
Lai Ka Fai

## AUDITORS

Deloitte Touche Tohmatsu

## REGISTERED OFFICE

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23/F, Pioneer Centre  
750 Nathan Road  
Kowloon, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Harbour Trust Co., Ltd.  
P.O. Box 1787  
Grand Cayman  
Cayman Islands  
British West Indies

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited  
G/F, BEA Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited

# Financial and Operation Highlights

(All amounts are expressed in HK\$'000 unless otherwise stated and except for financial ratios)

	For the thirteen months ended		For the twelve months ended 30 November		
	31 December 2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Operating results</b>					
Turnover	152,882	17,672	24,994	7,108	17,375
Increase/(decrease)(%)	765	(29)	252	(59)	(95)
Net profit/(loss) attributable to shareholders	17,119	15,590	19,625	(8,767)	(155,792)
Increase/(decrease) (%)	10	(21)	N/A	N/A	N/A
<b>Financial position</b>					
Shareholders' fund/(deficiency in assets)	615,829	51,183	34,585	14,960	(153,189)
Total assets	863,199	52,795	62,918	86,102	25,941
Net assets/(liabilities) value per ordinary share (HK cents)	50.49	17.20*	11.62*	5.03*	(325.70)*
<b>Financial statistics</b>					
Current ratio	4.62	29.97	1.85	1.02	0.02
Bank borrowings to equity ratio	0.16	0.00	0.27	0.73	N/A
Total debts to equity ratio	0.16	0.00	0.32	0.84	N/A
Return on equity (%)	2.78	30.50	56.74	(58.60)	N/A
Basic earnings/(loss) per share (HK cents)	3.60	4.30#	5.41#	(7.28)#	(245.91)#

\* The amounts of net assets/(liabilities) value per ordinary share in 2000, 2001, 2002 and 2003 have been restated, as the Company has consolidated every 20 ordinary shares in issue into 1 ordinary share during the period.

# The basic earnings/(loss) per share in 2000, 2001, 2002 and 2003 have been restated, as the Company has consolidated every 20 ordinary shares in issue into 1 ordinary share and effected two rights issue during the period.

# Chairman's Statement

In January 2004, our Company changed its name to Polytec Asset Holdings Limited. This change of name signified the adoption of a new proactive business approach by our Group. In fact, through several acquisitions and two rights issues, our Group's net asset value has increased from HK\$51 million in last year to HK\$616 million in this year with, a turnaround from an operating loss of HK\$0.4 million to an operating profit of HK\$25 million compared with last year.

To date, in order to quickly improve our Group's position, we have acquired certain property interests located at the central district in Macao, including The Macau Square and China Plaza. As Macao has entered into an era of high growth and rapid development, the value of these properties has already appreciated and we believe that the value of these properties will further appreciate in future. We have also acquired a site at the main residential area in Taipa, Macao from which the properties to be produced upon completion of the development will generate a satisfactory return as expected. In view of the continuous economic growth and the promising property market in Macao, we intend to increase our participation in the property sector there. We believe the investments that we have made should result over the next few years in a substantial improvement to our Group's balance sheet and profitability.

It is also our strategy to explore opportunities in different sectors. In 2004, we have acquired a leading crushed tube ice manufacturer in Hong Kong, namely The Hong Kong Ice & Cold Storage Company Limited and expect that it will contribute a stable recurrent income.

Looking forward, we will continue to capitalise the strength and expertise of our business and proactively identify new potential markets and other suitable investment opportunities with aims to further widen and strengthen our income and asset base and to maximize our shareholders' return.

Finally, I would like to thank all our staff members for their hard work and fellow directors and our business partners for their dedication to our Group.

**Yeung Kwok Kwong**

*Chairman*

Hong Kong , 15 April 2005

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group recorded a turnover and net profit of HK\$152.9 million and HK\$17.1 million respectively for the period from 1 December 2003 to 31 December 2004. These results reflect an increase in turnover and net profit of HK\$135.2 million and HK\$1.5 million respectively compared with last year.

During the period, the Group acquired two subsidiaries for the purpose of acquiring certain properties interests situated at the central district in Macao at a total consideration of HK\$297.1 million. The property interests consist of a 50% interest in a substantial part of a commercial building situated at Avenida do Infante D. Henrique with an aggregate gross floor area of 45,453 square metres of retail, office and car parking spaces ("The Macau Square") and 70.5% interest in a parcel of properties which mainly comprises a substantial part of China Plaza situated at Avenida da Praia Grande with a gross floor area of 15,934 square metres of retail and office spaces. The turnover and result of the property activities were mainly attributable to the sale of some of the properties acquired during the period. Currently, the property related segment is the Group's main performance driver, contributing an operating profit of HK\$14.0 million and a net of tax property revaluation surplus of HK\$62.5 million. The Group also acquired, through the acquisition of a subsidiary, a 58% interest in a site situated at Lots TN25b and TN26d, near Estrada Coronel Nicolau de Mesquita, Taipa, Macao with a site area of 5,207.7 square metres for a consideration of HK\$78.3 million. The site will be developed into two residential buildings with a total gross floor area of 35,900 square metres and car parking spaces. The development is expected to be completed in 2007.

In November 2004, the Group has also acquired a leading crushed tube ice manufacturer in Hong Kong, namely The Hong Kong Ice & Cold Storage Company Limited ("HKICS"), which should provide a stable recurrent income to the Group. During the period, HKICS contributed an operating profit of HK\$2.0 million to the Group. Since the acquisition was only completed shortly before the period end, the full operating result of HKICS is effectively not reflected in the period.

During the period, the turnover derived from the investment and other activities was HK\$109.6 million, representing an increase of 5.2 times compared with last year, which generated an operating profit of HK\$16.4 million to the Group.

As at 31 December 2004, the total number of employees of the Group was about 70. The Group remunerates its employees by means of salary and bonus based on their respective performance, working experience, degree of hardship and prevailing market practice.

## FINANCIAL REVIEW

As at 31 December 2004, the Group had cash and bank balances of HK\$9.3 million and other liquid assets of HK\$75.6 million. The Group's gearing ratio, expressed as a percentage of its bank borrowings of HK\$99.8 million over the total equity of HK\$615.8 million, increased to 16.2% as compared with last year which had no external borrowings. The bank borrowings of the Group as at 31 December 2004 are repayable over 5 years by monthly instalments, denominated in Hong Kong dollars and bearing interest at the prevailing market rates.

# Management Discussion and Analysis

During the period, the Company completed a capital reorganisation scheme to facilitate the future dividend distribution of the Company. The capital reorganisation scheme involved:

- cancellation of the share premium and the capital reserve of HK\$118.8 million and HK\$59.8 million respectively;
- reduction of the par value of ordinary shares of HK\$0.01 in issue to HK\$0.005 each which gave rise a credit of HK\$30.5 million;
- application of the credit arising from the above to eliminate the accumulated losses of the Company; and
- consolidation of every 20 ordinary shares of HK\$0.005 each into one consolidated share of which par value is HK\$0.10 each in issue and every 10 unissued ordinary shares of HK\$0.01 into one unissued ordinary share of HK\$0.10 each.

Despite the fact that the issued capital of the Company has reduced from HK\$64.8 million immediate before the capital reduction to HK\$34.3 million upon completion of the capital reorganisation scheme, it would not affect any assets and liabilities positions of the Group or the shareholders' equity as a whole. A total credit of HK\$209.1 million was resulted from the capital reorganisation. After offsetting the credit with the accumulated losses, the Company had a retained profit of HK\$7.6 million as at 31 December 2004.

In order to strengthen the capital base, the Company also completed two rights issues during the period. For the first rights issue, the Company issued 304,953,621 ordinary shares at a subscription price of HK\$0.5 each on the basis of one rights share for every one ordinary share held by the shareholders on 28 May 2004 and, for the second rights issue, 609,907,242 ordinary shares at a subscription price of HK\$0.55 each on the basis of one rights share for every one ordinary share held by the shareholders on 9 November 2004. The total proceeds from the two rights issues of HK\$487.9 million, before related expenses, were received by the Company. The main purpose of the two rights issues was to finance the acquisition of The Macau Square and HKICS and the repayment of the loans due to the ultimate holding company of the Company and to provide additional working capital to the Group. After completion of the rights issues, the issued capital of the Company increased to HK\$125.8 million.

As at 31 December 2004, certain assets of the Group with an aggregate net book value of HK\$237.6 million were pledged to secure credit facilities granted to the Group.

As at 31 December 2004, the Group's capital commitment of HK\$3.6 million had been authorised of which HK\$1.0 million had been contracted for and HK\$2.6 million had not been contracted for and is expected to be financed by the Group's internal resource.

## PROSPECTS

In view of the booming of the Macao economy, the Group will continue to seek property projects with good returns in Macao. The Group will also explore new potential markets and other business opportunities to further broaden the income and asset base and to strengthen the growth potential of the Group and hence to continue to deliver high earnings and asset growth to the shareholders of the Company.

# Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the period from 1 December 2003 to 31 December 2004.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 12 to the financial statements. During the period, the Group has expanded its business into property investment, trading and development and manufacturing of ice and provision of cold storage.

## **CHANGE OF FINANCIAL YEAR END DATE**

During the period, the Company changed its financial year end date from 30 November to 31 December. The financial statements presented therefore cover the 13 months period from 1 December 2003 to 31 December 2004.

## **CHANGE OF COMPANY NAME**

The name of the Company was changed from "Kin Don Holdings Limited" to "Polytec Asset Holdings Limited 保利達資產控股有限公司" pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 9 January 2004, which took effect upon the approval of the Registrar of Companies in the Cayman Islands granted on 21 January 2004.

## **RESULTS AND DIVIDENDS**

The Group's profit for the period from 1 December 2003 to 31 December 2004 and the state of affairs of the Company and of the Group at 31 December 2004 are set out in the financial statements on pages 18 to 64.

The directors do not recommend the payment of any dividend in respect of the period.

# Report of the Directors

## SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results, and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate.

	For the thirteen months ended		For the twelve month ended 30 November			
	31 December		2003	2002	2001	2000
	2004		2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<b>152,882</b>	17,672	24,994	7,108	17,375	
Profit/(loss) from operating activities	<b>25,055</b>	(445)	(12,065)	(21,057)	(91,556)	
Finance costs	<b>(249)</b>	(2,362)	(2,131)	(12,249)	(20,623)	
Gain on disposal of subsidiaries	—	18,397	33,658	252	—	
Gain on a debt restructuring	—	—	—	18,114	—	
Share of results of jointly-controlled entities	<b>(12)</b>	—	—	—	(44,690)	
Profit/(loss) before tax	<b>24,794</b>	15,590	19,462	(14,940)	(156,869)	
Tax	<b>(4,213)</b>	—	—	—	38	
Profit/(loss) before minority interests	<b>20,581</b>	15,590	19,462	(14,940)	(156,831)	
Minority interests	<b>(3,462)</b>	—	163	6,173	1,039	
Net profit/(loss) attributable to shareholders	<b>17,119</b>	15,590	19,625	(8,767)	(155,792)	
	At 31 December		At 30 November			
	2004	2003	2002	2001	2000	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total assets	<b>863,199</b>	52,795	62,918	86,102	25,941	
Total liabilities	<b>(206,642)</b>	(1,612)	(28,333)	(70,979)	(172,794)	
Minority interests	<b>(40,728)</b>	—	—	(163)	(6,336)	
Net assets/(liabilities)	<b>615,829</b>	51,183	34,585	14,960	(153,189)	

## **MAJOR CUSTOMERS AND SUPPLIERS**

Due to the nature of the Group's business, no major suppliers were identified. During the period, less than 30% of the Group's turnover were attributable to the Group's five largest customers.

None of the directors of the Company or any of their associates or any shareholders (which to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's customer and supplier during the period.

## **FIXED ASSETS**

Details of the movements in the fixed assets of the Group during the period are set out in note 11 to the financial statements.

## **SHARE CAPITAL**

Details of the movements in the authorised and issued share capital of the Company during the period are set out in note 20 to the financial statements.

## **RESERVES**

Details of the movements in the reserves of the Company and of the Group during the period are set out in note 22 to the financial statements and in the consolidated statement of changes in equity, respectively.

## **DISTRIBUTABLE RESERVES**

As at 31 December 2004, the retained profits of the Company available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands amounted to HK\$7,608,000. Further the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2004, the Company's share premium account amounted to HK\$396,215,000.

# Report of the Directors

## DIRECTORS

The directors of the Company during the period were:

### Executive directors

Mr. Yeung Kwok Kwong (*Chairman*)

Ms. Wong Yuk Ching

Mr. Zhou Ge (resigned on 15 March 2004)

### Non-executive director

Mr. Lai Ka Fai

### Independent non-executive directors

Mr. Anthony Francis Martin Conway

Mr. Siu Leung Yau

Mr. Liu Kwong Sang

In accordance with articles 108(A) and (B) and 112 of the Company's articles of association, Mr. Siu Leung Yau will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

The directors of the Company, including the non-executive director and independent non-executive directors, but excluding the Chairman, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

## DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2004, the interests and short positions of the directors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long positions in ordinary shares of the Company

Name of director	Capacity and nature of interests	Number of shares held	Percentage of the Company's issued share capital
Mr. Yeung Kwok Kwong	Directly beneficially owned	1,200,000	0.10
Ms. Wong Yuk Ching	Directly beneficially owned	6,000,000	0.49

In addition to the above, Mr. Yeung Kwok Kwong has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

Detailed disclosures relating to the Company's share option schemes are set out in note 21 to the financial statements.

# Report of the Directors

## DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the period.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2004, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
<b>Ordinary shares</b>			
Marble King International Limited	Directly beneficially owned	698,975,374 (Note)	57.3
Mr. Or Wai Sheun	Through a controlled corporation	698,975,374 (Note)	57.3

Note: Marble King International Limited, a company incorporated in the British Virgin Islands, is beneficially owned by Mr. Or Wai Sheun.

In addition, Marble King International Limited held the entire 3,851,300,000 convertible preference shares in the Company, issued partly paid as to 10% of the subscription price of HK\$0.02 per share as at 31 December 2004.

Save as disclosed above, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

### Executive directors

**Mr. Yeung Kwok Kwong**, aged 46, joined the Company in September 2000 as the Chairman and managing director of the Company. Mr. Yeung is also a non-executive director of Kowloon Development Company Limited. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 20 years of experience in finance, accounting, financial management and corporate planning. He is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Yeung is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

**Ms. Wong Yuk Ching**, aged 48, joined the Company in January 2002 as an executive director. Prior to joining the Company, she held managerial and director positions in a number of large garment trading and manufacturing companies. She has over 20 years of experience in the garments industry. She is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group.

**Mr. Zhou Ge**, aged 33, joined the Company in August 2002 as an executive director and resigned on 15 March 2004. Prior to joining the Company, he was a director of UBS Warburg Asia Limited. He was currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Zhou graduated from the University of Manchester Institute of Science and Technology with a bachelor's degree in chemical engineering. He also holds a degree of Master of Business and Administration from the Massachusetts Institute of Technology Sloan School of Management.

### Non-executive director

**Mr. Lai Ka Fai**, aged 40, joined the Company in September 2000 as an executive director, and was re-designated as a non-executive director in January 2002. Mr. Lai is also an executive director of Kowloon Development Company Limited. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 15 years of experience in finance, accounting, financial and operational management, and corporate planning. Mr. Lai graduated from the University of East Anglia in the United Kingdom with a bachelor's degree in science. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

# Report of the Directors

## BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS *(continued)*

### Independent non-executive directors

**Mr. Anthony Francis Martin Conway**, aged 64, joined the Company in September 2000 as an independent non-executive director. Mr. Conway has over 40 years' experience in information technology and telecommunications, having held director and senior management positions in various renowned telecommunication and information technology companies. He is currently the chairman of both I.Tel Holdings Ltd., an investment holding company for information technology related activities, and the Hong Kong Management Association Information Technology Committee. Mr. Conway is a fellow member of the Hong Kong Institute of Directors, the Hong Kong Management Association, the British Computer Society and the Hong Kong Institution of Engineers.

**Mr. Siu Leung Yau**, aged 51, joined the Company in September 2000 as an independent non-executive director. Mr. Siu has over 24 years' experience in property agency, investment and development. He is currently the managing director of Pan-Win Holdings Limited. Mr. Siu is a member of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited and a member of the Hong Kong Institute of Real Estate Administration.

**Mr. Liu Kwong Sang**, aged 43, joined the Company in July 2000 as an independent non-executive director. He is a certified public accountant (practising) in Hong Kong with more than 14 years' experience. Mr. Liu graduated with honours from the Hong Kong Polytechnic University with a bachelor degree in accountancy and obtained the Master in Business Administration degree from the University of Lincoln, the United Kingdom. He is also a fellow member of The Taxation Institute of Hong Kong, the Hong Kong Institute of Certified Public Accountants, The Society of Registered Financial Planners Limited and the Association of Chartered Certified Accountants in the United Kingdom.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

# Report of the Directors

## FINANCIAL ASSISTANCES TO AFFILIATED COMPANIES

As at 31 December 2004, the Group had the following financial assistances to its affiliated companies:

	<i>HK\$'000</i>
South Bay Centre Company Limited	225,712
Li Yang Broadcasting & Advertising (HK) Limited ("Li Yang")	25,750
Eastford Development Limited	9,867
	<u>261,329</u>

The above financial assistances to affiliated companies are unsecured and interest-free cash advances with no fixed repayment terms. The cash advances due from Li Yang was fully written off in previous period and its repayment is subject to approval from all of the shareholders of Li Yang.

The unaudited proforma combined balance sheet of affiliated companies of the Group as at 31 December 2004 is as follows:

	<i>HK\$'000</i>
Non-current assets	600,126
Current assets	39,130
Current liabilities	(36,471)
Non-current liabilities	(517,971)
Shareholders' funds	<u>84,814</u>
Interest attributable to the Group	<u>43,209</u>

As the Group's share of deficit of each affiliated company has been restricted to their respective investment cost, interest in affiliated companies attributable to the Group as reflected in the consolidated balance sheet amounted to HK\$62,488,000, instead of HK\$43,209,000.

## CONNECTED TRANSACTIONS

Details of the connected transactions of the Group during the period disclosed pursuant to rule 14A.45 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out in notes 24(iii) and 24(v) to the financial statements.

# Report of the Directors

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the independent non-executive directors are not appointed for any specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

## AUDIT COMMITTEE

The Company established an audit committee in March 2000 in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The present members of the audit committee are two of the independent non-executive directors of the Company, namely Mr. Liu Kwong Sang and Mr. Siu Leung Yau and one non-executive director of the Company, namely Mr. Lai Ka Fai.

## AUDITORS

During the period, Messrs. Ernst & Young, who acted as auditors of the Company for the past three years, resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company and will retire at the forthcoming annual general meeting. A resolution for the reappointment of Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

**Yeung Kwok Kwong**

*Chairman*

Hong Kong

15 April 2005

# Deloitte.

## 德勤

To the members of  
**Polytec Asset Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 18 to 64 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 statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liabilities 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 an 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, 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 31 December 2004 and of the profit and cash flows of the Group for the period from 1 December 2003 to 31 December 2004 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  
15 April 2005

# Consolidated Income Statement

Period from 1 December 2003 to 31 December 2004

	Notes	From 1 December 2003 to 31 December 2004 HK\$'000	From 1 December 2002 to 30 November 2003 HK\$'000
TURNOVER	4	152,882	17,672
Cost of sales		(121,827)	(17,166)
Gross profit		31,055	506
Other revenue and gains	4	11,297	9,074
Selling and distribution costs		(3,719)	(63)
Administrative expenses		(11,402)	(10,411)
Other operating expenses, net		(2,176)	449
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	25,055	(445)
Finance costs	7	(249)	(2,362)
Gain on disposal of subsidiaries	23(b)	—	18,397
Share of results of jointly-controlled entities		(12)	—
PROFIT BEFORE TAX		24,794	15,590
Tax	8	(4,213)	—
PROFIT BEFORE MINORITY INTERESTS		20,581	15,590
Minority interests		(3,462)	—
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	9	17,119	15,590
EARNINGS PER SHARE	10		
— Basic		3.60 cents	(Restated) 4.30 cents
— Diluted		2.63 cents	(Restated) 3.92 cents

# Consolidated Balance Sheet

31 December 2004

	Notes	31 December 2004 HK\$'000	30 November 2003 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	11	154,523	40
Interests in jointly-controlled entities	13	298,067	4,450
Goodwill	14	16,994	—
		<b>469,584</b>	4,490
<b>CURRENT ASSETS</b>			
Short term investments	15	75,563	24,865
Inventories	16	300,466	—
Trade and other receivables	17	8,313	838
Cash and bank balances		9,273	22,602
		<b>393,615</b>	48,305
<b>CURRENT LIABILITIES</b>			
Other payables		18,651	1,612
Bank loans — current portion	18	12,050	—
Taxation		4,465	—
Amount due to a related company	24(vi)	2,878	—
Amounts due to minority shareholders	24(vii)	47,241	—
		<b>85,285</b>	1,612
<b>NET CURRENT ASSETS</b>		<b>308,330</b>	46,693
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>777,914</b>	51,183
<b>NON-CURRENT LIABILITIES</b>			
Bank loans — non-current portion	18	87,750	—
Deferred taxation	19	33,607	—
		<b>121,357</b>	—
<b>MINORITY INTERESTS</b>		<b>40,728</b>	—
		<b>615,829</b>	51,183
<b>CAPITAL AND RESERVES</b>			
Issued capital	20	125,833	63,504
Reserves	22(a)	489,996	(12,321)
		<b>615,829</b>	51,183

**Yeung Kwok Kwong**  
Director

**Wong Yuk Ching**  
Director

# Consolidated Statement of Changes in Equity

Period from 1 December 2003 to 31 December 2004

	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Fixed asset revaluation reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 December 2002	63,504	122,818	1,699	—	35	(1,043)	(152,428)	34,585
Release on disposal of subsidiaries	—	—	(1,699)	—	(35)	1,043	1,699	1,008
Net profit for the period	—	—	—	—	—	—	15,590	15,590
At 30 November 2003 and 1 December 2003	63,504	122,818	—	—	—	—	(135,139)	51,183
Share of revaluation surplus of jointly-controlled entities not recognised in the income statement	—	—	—	62,488	—	—	—	62,488
Cancellation of share premium	—	(118,818)	—	—	—	—	118,818	—
Capital reduction	(30,495)	—	—	—	—	—	30,495	—
Paid up and conversation into ordinary shares of convertible preference shares	1,338	1,338	—	—	—	—	—	2,676
Net proceeds from issue of ordinary shares by way of rights issues	91,486	390,877	—	—	—	—	—	482,363
Net profit for the period	—	—	—	—	—	—	17,119	17,119
<b>At 31 December 2004</b>	<b>125,833</b>	<b>396,215</b>	<b>—</b>	<b>62,488</b>	<b>—</b>	<b>—</b>	<b>31,293</b>	<b>615,829</b>

The retained profits of the Group included accumulated losses of HK\$50,012,000 (30/11/2003: accumulated losses of HK\$50,000,000) attributable to jointly-controlled entities.

# Consolidated Cash Flow Statement

Period from 1 December 2003 to 31 December 2004

	From <b>1 December 2003</b> to <b>31 December 2004</b> <i>HK\$'000</i>	From 1 December 2002 to 30 November 2003 <i>HK\$'000</i>
<i>Notes</i>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>24,794</b>	15,590
Adjustments for:		
Gain on disposal of subsidiaries	—	(18,397)
Share of loss in jointly-controlled entities	<b>12</b>	—
Dividend income from listed securities	<b>(1,498)</b>	(397)
Interest income	—	(69)
Unrealised holding gains on trading securities	<b>(7,622)</b>	(5,754)
Write back of provision for other receivables	—	(1,500)
Depreciation	<b>516</b>	328
Provision for other receivables	—	1,051
Amortisation of goodwill	<b>107</b>	—
Finance costs	<b>249</b>	2,362
Operating cash flow before working capital changes	<b>16,558</b>	(6,786)
Increase in short term investments	<b>(43,076)</b>	(12,673)
Increase in inventories	<b>(148,883)</b>	—
Decrease in rental and other deposits	—	191
Decrease in trade and other receivables	<b>17,649</b>	868
Increase in amount due from a jointly-controlled entity	<b>(260)</b>	(1,910)
Increase in other payables	<b>9,409</b>	182
Cash used in operations	<b>(148,603)</b>	(20,128)
Interest received	—	69
Interest paid	<b>(82)</b>	(124)
Interest element on finance lease rental payments	—	(1)
Dividends from listed securities	<b>1,323</b>	217
Tax paid	<b>(106)</b>	—
Net cash outflow from operating activities	<b>(147,468)</b>	(19,967)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	<b>(38)</b>	(6)
Acquisition of subsidiaries	<b>(308,148)</b>	—
Disposal of subsidiaries	—	(43)
Advances to jointly-controlled entities	<b>(167,131)</b>	—
Net cash used in investing activities	<b>(475,317)</b>	(49)

# Consolidated Cash Flow Statement

Period from 1 December 2003 to 31 December 2004

	From 1 December 2003 to 31 December 2004 <i>HK\$'000</i>	From 1 December 2002 to 30 November 2003 <i>HK\$'000</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of capital for cash, net of payment of related expenses	<b>295,038</b>	—
Loans advanced from ultimate holding company	<b>329,320</b>	—
Repayments of loans to ultimate holding company	<b>(136,441)</b>	—
Proceeds from bank loans	<b>100,000</b>	—
Repayments of bank loans	<b>(200)</b>	—
Loans advanced from minority shareholders	<b>32,029</b>	—
Repayments of loans to minority shareholders	<b>(10,290)</b>	—
Capital element of finance lease rental payments	<b>—</b>	(68)
Net cash generated from/(used in) from financing activities	<b>609,456</b>	(68)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(13,329)</b>	(20,084)
Cash and cash equivalents at beginning of the period	<b>22,602</b>	42,686
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>9,273</b>	22,602
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>9,273</b>	22,602

# Balance Sheet

31 December 2004

	<i>Notes</i>	<b>31 December 2004</b>	30 November 2003
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSET</b>			
Interests in subsidiaries	12	<b>532,179</b>	29,346
<b>CURRENT ASSETS</b>			
Other receivables		<b>198</b>	30
Cash and bank balances		<b>1,602</b>	22,173
		<b>1,800</b>	22,203
<b>CURRENT LIABILITIES</b>			
Other payables		<b>1,445</b>	1,101
Amount due to a related company	24(vi)	<b>2,878</b>	—
		<b>4,323</b>	1,101
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>(2,523)</b>	21,102
		<b>529,656</b>	50,448
<b>CAPITAL AND RESERVES</b>			
Issued capital	20	<b>125,833</b>	63,504
Reserves	22(b)	<b>403,823</b>	(13,056)
		<b>529,656</b>	50,448

**Yeung Kwok Kwong**  
*Director*

**Wong Yuk Ching**  
*Director*

# Notes to Financial Statements

31 December 2004

## 1. CORPORATE INFORMATION

The principal place of business of Polytec Asset Holdings Limited is located at 23/F, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong.

During the period, the Company's principal activity was investment holding. The principal activities of the Company's subsidiaries are set out in note 12 to the financial statements. During the period, the Group has expanded its business into property investment, trading and development and ice manufacturing and provision of cold storage.

The Company is a subsidiary of Marble King International Limited (the "Ultimate Holding Company"), a company incorporated in the British Virgin Islands, which is considered by the directors to be the Company's ultimate holding company as at the balance sheet date.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of short term investments as further explained below.

The financial statements for the current period cover the 13 months period from 1 December 2003 to 31 December 2004. The corresponding amounts shown for the income statement, statement of changes in equity, cash flows and related notes cover a 12 months period from 1 December 2002 to 30 November 2003 and therefore may not be comparable with the amounts shown for the current period.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the period from 1 December 2003 to 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the period from 1 December 2003 to 31 December 2004 in the current period and for the period from 1 December 2002 to 30 November 2003 for the prior period. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

### **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, associate or jointly controlled entity at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet.

### **Subsidiaries**

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

The Company's interests in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

### **Joint venture companies**

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Joint venture companies** *(continued)*

The joint venture agreement between the venturers stipulates the activities of the joint venture company, the capital contributions of the joint venture parties, the duration of the joint venture, the basis on which the assets are to be realised upon its dissolution and details regarding the appointment of the board of directors or equivalent governing body of the joint venture company. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control with other joint venture parties, directly or indirectly, over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's share/registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's share/registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture company.

### **Jointly-controlled entities**

A jointly-controlled entity is a joint venture company which is subject to joint control by the Group and other joint venture parties, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset, less any estimated residual value, over its estimated useful life.

Leasehold land and buildings	Over the lease terms
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	4 to 5 years

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

### **Leased assets**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing.

Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

# Notes to Financial Statements

31 December 2004

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment of assets**

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

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### **Inventories**

Properties held for sale and land held for development for sale are stated at the lower of cost and net realisable value. Net realisable value of properties held for sale represents the estimated selling price less costs to be incurred in selling the properties. Net realisable value of land held for development for sale represents the estimated selling price less costs to be incurred in development and selling of the properties.

### **Short term investments**

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Short term investments** *(continued)*

Equity-linked notes are debt securities with a maturity of usually less than one year, whose return is linked to the share price performance of a particular listed reference equity. The Group purchases such equity-linked notes at a discount and receives the full nominal amount of the notes (the "Nominal Value") at the maturity date, provided that the closing price of the particular reference equity on the maturity date is above a predetermined strike price (the "Strike Price"). If the closing price of the reference equity on the maturity date is at or below the Strike Price, the Group is obliged to redeem the equity-linked notes in exchange for shares in the underlying reference equity.

The equity-linked notes are stated at the lower of the cost of the notes plus cumulative amortisation of the difference between their purchase price and the Nominal Value at the maturity date, and the fair value of the particular reference equity on the basis of its quoted market price at the balance sheet date. The net gains or losses so arising are credited or charged to the income statement for the period in which they arise.

### **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.

### **Deferred tax**

In prior years, deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

With effect from 1 December 2003, the Group adopted a new accounting policy for deferred tax in order to comply with the revised SSAP 12 "Income Taxes" issued by the HKICPA. Deferred tax is provided using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carry amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against with the temporary difference can be utilized. The adoption of the revised SSAP 12 had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

# Notes to Financial Statements

31 December 2004

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Deferred tax** (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liabilities is settled or the asset is realized. Deferred tax is recognized in the income statement except when it relates to items recognized directly in equity, in which case the deferred tax is also recognized in equity.

### **Provisions**

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

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

### **Related parties**

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

### **Employee benefits**

#### *Employment Ordinance long service payments*

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

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Employee benefits** *(continued)*

#### *Pension scheme*

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

#### *Share option scheme*

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

### **Foreign currencies**

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

On consolidation, the financial statements of overseas subsidiaries, associates and jointly-controlled entities are translated into Hong Kong dollars using the net investment method. The incomes and expenses of overseas subsidiaries, associates and jointly-controlled entities are translated into Hong Kong dollars at the weighted average exchange rates for the period, and their assets and liabilities are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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

# Notes to Financial Statements

31 December 2004

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue recognition

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

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- from the sale of properties, upon the execution of a binding sale agreement;
- interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- consultancy service fee income, when the services are rendered;
- from the sale of investments, on a trade date basis or on the date on which the relevant sales contracts become or are deemed unconditional, where appropriate;
- service income, when the services are rendered to the customers;
- dividends, when the shareholders' right to receive payment has been established; and
- rental income, on straight-line basis over the lease term.

## 3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment. For the period from 1 December 2003 to 31 December 2004, the Group had three business segments which related to properties investment, trading and development related activities ("Properties"), manufacturing of ice and provision of cold storage and related services ("Ice and Cold Storage") and financial investment and other miscellaneous activities ("Investment and others"). As the Group has only one business segment, namely Investments and Others, during the period from 1 December 2002 to 30 November 2003, except that the interest in a jointly-controlled entity amounted to HK\$4,450,000 was related to the Properties segment, no business segment analysis is presented for that period. As over 90% of the Group's revenue, results, assets and liabilities were derived from operations in the People's Republic of China, including Hong Kong and Macao, further segment information has not been disclosed in respect of the Group's geographical segments.

# Notes to Financial Statements

31 December 2004

## 3. SEGMENT INFORMATION (Continued)

### Business segments

	From 1 December 2003 to 31 December 2004			From 1 December 2002 to 30 November 2003	Consolidated
	Properties	Ice and Cold Storage	Investments and Others	Consolidated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	38,270	5,043	109,569	152,882	17,672
Segment result	14,072	2,006	16,437	32,515	(445)
Unallocated group expenses				(7,460)	—
Profit/(loss) from operating activities				25,055	(445)
Finance costs				(249)	(2,362)
Gain on disposal of subsidiaries				—	18,397
Share of results of jointly-controlled entities	(12)			(12)	—
Profit before tax				24,794	15,590
Tax				(4,213)	—
Profit before minority interests				20,581	15,590
Minority interests				(3,462)	—
Net profit attributable to shareholders				17,119	15,590
Depreciation and amortisation	—	604	—	623	328
Capital expenditure incurred					
— through acquisition of subsidiaries	—	172,062	—	172,062	—
— others	11	—	—	38	6

# Notes to Financial Statements

31 December 2004

## 3. SEGMENT INFORMATION (Continued)

### Business segments (continued)

	At 31 December 2004			At 30 November 2003	
	Properties	Ice and Cold Storage	Investments and Others	Consolidated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	302,437	176,914	76,068	555,419	48,345
Interests in jointly-controlled entities	298,067			298,067	4,450
Unallocated group assets				9,713	—
				<b>863,199</b>	52,795
Segment liabilities	2,805	6,563	605	9,973	1,612
Unallocated group liabilities				196,669	—
				<b>206,642</b>	1,612

**4. TURNOVER AND OTHER REVENUE AND GAINS**

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

	<b>From 1 December 2003 to 31 December 2004 HK\$'000</b>	<b>From 1 December 2002 to 30 November 2003 HK\$'000</b>
<b>Turnover</b>		
Sale of goods	2,458	475
Sale of properties	38,270	—
Service income	2,585	—
Proceeds from sale of trading securities	109,569	17,197
	<b>152,882</b>	<b>17,672</b>
<b>Other revenue and gains</b>		
Unrealised holding gain on trading securities	7,622	5,754
Rental income, net of outgoings	1,514	—
Dividend income from listed securities	1,498	397
Interest income	—	69
Consultancy service fee income	553	240
Gain on equity-linked notes, net	—	2,607
Others	110	7
	<b>11,297</b>	<b>9,074</b>
	<b>164,179</b>	<b>26,746</b>

# Notes to Financial Statements

31 December 2004

## 5. PROFIT/LOSS FROM OPERATING ACTIVITIES

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

	<b>From 1 December 2003 to 31 December 2004 HK\$'000</b>	From 1 December 2002 to 30 November 2003 HK\$'000
Staff costs (excluding directors' remuneration):		
Wages and salaries	<b>2,868</b>	1,774
Provident fund contributions	<b>272</b>	57
	<b>3,140</b>	1,831
Depreciation	<b>516</b>	328
Minimum lease payments under operating leases		
in respect of land and buildings	<b>706</b>	809
Auditors' remuneration	<b>640</b>	318
Provision for other receivables	—	1,051
Write back of provision for an other receivable	—	(1,500)
Amortisation of goodwill (included in administrative expenses)	<b>107</b>	—
Cost of inventories recognised as expenses	<b>21,803</b>	437

# Notes to Financial Statements

31 December 2004

## 6. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	<b>The Group</b>	
	<b>From 1 December 2003 to 31 December 2004 HK\$'000</b>	<b>From 1 December 2002 to 30 November 2003 HK\$'000</b>
Fees:		
Executive directors	—	—
Non-executive directors	40	20
Independent non-executive directors	120	40
	<b>160</b>	<b>60</b>
Other emoluments to executive directors:		
Salaries and allowances	2,430	3,558
Provident fund contributions	165	162
	<b>2,595</b>	<b>3,720</b>
	<b>2,755</b>	<b>3,780</b>

The number of directors whose remuneration fell within the bands set out below is as follows:

	<b>The Group</b>	
	<b>Number of directors From 1 December 2003 to 31 December 2004</b>	<b>Number of directors From 1 December 2002 to 30 November 2003</b>
Nil to HK\$1,000,000	6	5
HK\$1,500,001 to HK\$2,000,000	—	2
HK\$2,000,001 to HK\$2,500,000	1	—
	<b>7</b>	<b>7</b>

# Notes to Financial Statements

31 December 2004

## 6. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

(Continued)

The five highest paid individuals during the period from 1 December 2003 to 31 December 2004 included two (01/12/2002 – 30/11/2003: two) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining three (01/12/2002 – 30/11/2003: three) non-director, highest paid individuals are as follows:

	The Group	
	From 1 December 2003 to 31 December 2004 <i>HK\$'000</i>	From 1 December 2002 to 30 November 2003 <i>HK\$'000</i>
Salaries and allowances	1,507	959
Provident fund contributions	36	33
	<b>1,543</b>	<b>992</b>

The remuneration of each of the remaining three non-director, highest paid individuals fell within the nil – HK\$1,000,000 band for the current and prior periods.

During the current and prior periods, no emoluments were paid by the Group to any directors of the Company or any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

## 7. FINANCE COSTS

	The Group	
	From 1 December 2003 to 31 December 2004 <i>HK\$'000</i>	From 1 December 2002 to 30 November 2003 <i>HK\$'000</i>
Interest expense on:		
Bank and other loans wholly repayable within five years	82	2,361
Advances from minority shareholders with no fixed repayment terms	167	—
Finance leases	—	1
	<b>249</b>	<b>2,362</b>

# Notes to Financial Statements

31 December 2004

## 8. TAX

	The Group	
	From 1 December 2003 to 31 December 2004 <i>HK\$'000</i>	From 1 December 2002 to 30 November 2003 <i>HK\$'000</i>
Current tax		
— Hong Kong Profits Tax	2,116	—
— Overseas income tax	2,194	—
	4,310	—
Deferred tax	(97)	—
	4,213	—

Hong Kong Profits Tax has been provided for at the rate of 17.5% (01/12/2002 – 30/11/2003: 17.5%) on the estimated assessable profits of the period. No provision for income tax in prior period had been made as the Group had no assessable profit arising. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdictions.

The charge for the period can be reconciled to the profit before tax per the income statement as follows:

	The Group	
	From 1 December 2003 to 31 December 2004 <i>HK\$'000</i>	From 1 December 2002 to 30 November 2003 <i>HK\$'000</i>
Profit before tax	24,794	15,590
Tax charges at the average income tax rate	3,843	1,707
Tax effect of expenses not deductible in determining taxable profit	181	717
Tax effect of income not taxable in determining taxable profit	(320)	(3,748)
Utilisation of tax losses previously not recognised	(509)	—
Others	1,115	1,324
Tax expense for the period	4,310	—

# Notes to Financial Statements

31 December 2004

## 8. TAX (Continued)

The average income tax rate represents the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of net profit before tax and the relevant statutory rates.

## 9. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders for the period from 1 December 2003 to 31 December 2004 dealt with in the financial statements of the Company was a net loss of HK\$5,831,000 (01/12/2002 – 30/11/2003: net profit of HK\$125,000) (note 22(b)).

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share for the period from 1 December 2003 to 31 December 2004 is based on the net profit attributable to shareholders for the period of HK\$17,119,000 (01/12/2002 – 30/11/2003: HK\$15,590,000) and the weighted average of 475,802,608 (01/12/2002 – 30/11/2003: 362,930,516) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period from 1 December 2003 to 31 December 2004 is based on the net profit attributable to shareholders for the period of HK\$17,119,000 (01/12/2002 – 30/11/2003: HK\$15,590,000). The weighted average number of ordinary shares used in the calculation is 651,168,204 (01/12/2002 – 30/11/2003: 397,251,366), being the weighted average of 475,802,608 (01/12/2002 – 30/11/2003: 362,930,516) ordinary shares in issue during the period as used in the basic earnings per share calculation and the effect of 175,365,596 (01/12/2002 – 30/11/2003: 34,320,850) dilutive potential ordinary shares in respect of 3,851,300,000 (01/12/2002 – 30/11/2003: 4,000,000,000) convertible preference shares in issue.

The comparative amount of earnings per share has been restated, as the number of ordinary shares in prior period has been adjusted for the consolidation of every 20 ordinary shares in issue into 1 ordinary share and for two rights issues effected during the current period.

**11. FIXED ASSETS****The Group**

	<b>Leasehold land and buildings</b>	<b>Plant and machinery</b>	<b>Furniture, fixtures and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:					
At beginning of period	—	—	267	—	267
Additions	—	—	38	—	38
Acquisition of subsidiaries	153,000	1,520	277	164	154,961
Written off	—	—	(48)	—	(48)
At 31 December 2004	153,000	1,520	534	164	155,218
Accumulated depreciation:					
At beginning of period	—	—	227	—	227
Depreciation provided during the period	449	38	25	4	516
Eliminated on written off	—	—	(48)	—	(48)
At 31 December 2004	449	38	204	4	695
Net book values:					
At 31 December 2004	152,551	1,482	330	160	154,523
At 30 November 2003	—	—	40	—	40

The leasehold land and buildings are held under medium-term lease in Hong Kong.

# Notes to Financial Statements

31 December 2004

## 12. INTERESTS IN SUBSIDIARIES

	The Company	
	31 December 2004	30 November 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost	101,039	101,039
Provision for impairment of investments	(101,039)	(101,039)
	—	—
Amounts due from subsidiaries	619,871	114,999
Provision for amounts due from subsidiaries	(87,692)	(85,653)
	<b>532,179</b>	29,346

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, repayment will not be required in the next twelve months from the balance sheet date and, accordingly, the amounts are shown as non-current.

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

Name	Place of incorporation/ registration and operations	Nominal value	Percentage of equity attributable to the Company	Principal activities
		of issued ordinary/ registered share capital		
<b>Directly held:</b>				
City Power Services Limited	British Virgin Islands	US\$1	100	Investment holding
Newcott Limited	British Virgin Islands	US\$10,000	100	Investment holding
Noble Prime International Limited	British Virgin Islands	US\$1	100	Investment holding
Sinocharm Trading Limited **	British Virgin Islands	US\$1	100	Investment holding

# Notes to Financial Statements

31 December 2004

## 12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
<b>Indirectly held:</b>				
Glentech International Company Limited	Hong Kong	HK\$2	100	Investment holding, provision of consultancy services and trading of garment
Imperial Profit Investment Limited	British Virgin Islands/ Hong Kong	US\$1	100	Financial investment
Kam Yuen Property Investment Limited ##	Macao	MOP30,000	58	Property investment and development
New Cosmos Holdings Limited ##	British Virgin Islands	US\$100	58	Investment holding
Noble Gainer Limited	Hong Kong	HK\$2	100	Inactive
Power Giant Limited	British Virgin Islands/Macao	US\$1	100	Property trading and investment
Profit Sphere International Limited	British Virgin Islands	US\$1	100	Investment holding

# Notes to Financial Statements

31 December 2004

## 12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
<b>Indirectly held: (Continued)</b>				
Sheen Concord Enterprises Limited	Hong Kong	HK\$2	100	Securities investment and trading
Success Ever Limited *	British Virgin Islands	US\$1	100	Investment holding
The Hong Kong Ice & Cold Storage Company Limited **	Hong Kong	HK\$500,000	100	Ice manufacturing and provision of cold storage
Think Bright Limited #	British Virgin Islands/Macao	US\$200	70.5	Property trading and investment
Top Vision Assets Limited	British Virgin Islands	US\$1	100	Investment holding

\* The equity interests in the subsidiary was acquired on 16 June 2004.

# The equity interests in the subsidiary was acquired on 2 July 2004.

\*\* The equity interests in the subsidiaries was acquired on 16 November 2004.

## The equity interests in the subsidiaries was acquired on 23 December 2004.

## 13. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	The Group	
	31 December 2004	30 November 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	62,488	—
Loans to jointly-controlled entities	27,750	27,750
Due from jointly-controlled entities	233,579	2,450
	<b>323,817</b>	30,200
Provision against a loan to a jointly-controlled entity	<b>(25,750)</b>	(25,750)
	<b>298,067</b>	4,450

The loan advanced to a jointly-controlled entity of HK\$25,750,000 (30/11/2003: HK\$25,750,000) is unsecured, interest-free and will not be repaid until approval from all of the shareholders of the jointly-controlled entity is obtained. The other loan to a jointly-controlled entity of HK\$2,000,000 (30/11/2003: HK\$2,000,000) is unsecured, interest-free and has no fixed terms of repayment.

The amounts due from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, repayment will not be required in the next twelve months from the balance sheet date and, accordingly, the amounts are shown as non-current.

Particulars of the jointly-controlled entities at 31 December 2004 are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity attributable to the Group	Principal activities
Li Yang Broadcasting & Advertising (HK) Limited	Corporate	Hong Kong	48	Television advertisement design and production, and the provision of advertising agency and advertisement publication services, including the export and import of advertising and related products

# Notes to Financial Statements

31 December 2004

## 13. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Name	Business structure	Place of incorporation and operations	Percentage of equity attributable to the Group	Principal activities
Eastford Development Limited	Corporate	Hong Kong	48	Property development
South Bay Centre Company Limited	Corporate	Macao	50	Property investment and trading

All of the above investments in jointly-controlled entities are indirectly held by the Company.

The following is the financial information of the Group's significant jointly-controlled entity:

South Bay Centre Company Limited:

	From 7 June 2004 (date of incorporation) to 31 December 2004 <i>HK\$'000</i>
Income	716
Loss for the period	367
	<b>At 31 December 2004</b>
Non-current assets	600,126
Current assets	605
Current liabilities	(833)
Non-current liabilities	(474,922)
Net assets	124,976

# Notes to Financial Statements

31 December 2004

## 14. GOODWILL

	<b>The Group</b>
	<i>HK\$'000</i>
Cost:	
Arising on acquisitions of subsidiaries during the period and at 31 December 2004	17,101
Amortisation:	
Charge for the period and at 31 December 2004	107
Net book value	
At 31 December 2004	16,994

The amortisation period adopted for goodwill is 20 years.

## 15. SHORT TERM INVESTMENTS

	<b>The Group</b>	
	<b>31 December 2004</b>	30 November 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trading securities listed in Hong Kong, at market value	75,563	24,865

## 16. INVENTORIES

	<b>The Group</b>	
	<b>31 December 2004</b>	30 November 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held for sale	148,883	—
Land held for development for sale	151,583	—
	300,466	—

# Notes to Financial Statements

31 December 2004

## 17. TRADE AND OTHER RECEIVABLES

	The Group	
	31 December 2004	30 November 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Ageing analysis of trade receivables:		
Within 30 days	1,597	—
31 days to 60 days	918	—
61 days to 180 days	1,664	—
Over 180 days	20	—
Trade receivables	4,199	—
Other receivables	4,114	838
	<b>8,313</b>	<b>838</b>

The Group has established different credit policies for each of the Group's businesses and allows a credit period of not more than 90 days to its trade customers.

## 18. BANK LOANS

The secured bank loans were repayable as follows:

	The Group	
	31 December 2004	30 November 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	12,050	—
In the second year	15,050	—
In the third to fifth years inclusive	72,700	—
	<b>99,800</b>	<b>—</b>
Less: Amounts repayable within one year shown under current liabilities	<b>(12,050)</b>	<b>—</b>
Amount due after one year	<b>87,750</b>	<b>—</b>

**19. DEFERRED TAXATION**

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior period:

**The Group**

	<b>Accelerated depreciation allowances</b> <i>HK\$'000</i>	<b>Revaluation of assets</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 December 2002	—	1,160	1,160
Release on disposal of subsidiaries	—	(1,160)	(1,160)
At 30 November 2003 and 1 December 2003	—	—	—
Acquisition of subsidiaries	2,994	30,710	33,704
Credit to the income statement	(97)	—	(97)
<b>At 31 December 2004</b>	<b>2,897</b>	<b>30,710</b>	<b>33,607</b>

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. At the balance sheet date, the Group has unrecognised tax losses of HK\$15,561,000 (30/11/2003: HK\$12,094,000) available for offset against future profits of which HK\$39,000 (30/11/2003: Nil) will be expired in 2008 and the remaining losses may be carried forward indefinitely.

# Notes to Financial Statements

31 December 2004

## 20. SHARE CAPITAL

	31 December 2004	30 November 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
10,000,000,000 (30/11/2003: 100,000,000,000) ordinary shares of HK\$0.1 (30/11/2003: HK\$0.01) each	1,000,000	1,000,000
5,000,000,000 convertible preference shares of HK\$0.01 each	50,000	50,000
	<b>1,050,000</b>	1,050,000
Issued:		
1,219,814,484 (30/11/2003: 5,950,372,434) fully paid ordinary shares of HK\$0.1 (30/11/2003: HK\$0.01) each	121,982	59,504
3,851,300,000 (30/11/2003: 4,000,000,000) partly paid convertible preference shares of HK\$0.01 each	3,851	4,000
	<b>125,833</b>	63,504

### (a) Capital reorganisation

During the period from 1 December 2003 to 31 December 2004, the Company implemented a capital reorganisation scheme (*note 22 (b)*), which involves:

- a reduction (the “Capital Reduction”) in the par value of each existing ordinary share of HK\$0.01 in issue to HK\$0.005 each (the “Reduced Share”) and the application of HK\$30,495,000 of the credit arising to eliminate the accumulated losses of the Company;
- a consolidation of (i) every 20 Reduced Shares into one consolidated share of which par value is HK\$0.1 each and (ii) every 10 unissued ordinary shares of HK\$0.01 each into one unissued consolidated ordinary share of which par value is HK\$0.1 each;
- the cancellation of the share premium of HK\$118,818,000 and the application of the same amount of the credit arising to eliminate the accumulated losses of the Company; and

## 20. SHARE CAPITAL *(Continued)*

### (a) Capital reorganisation *(continued)*

- the cancellation of the capital reserve amounting to HK\$59,789,000 and the application of the same amount of the credit arising to eliminate the accumulated losses of the Company.

### (b) Issue of capital

On 24 March 2004, the Ultimate Holding Company, which is also the holder of all convertible preference shares of HK\$0.01 each (“CPS”) of the Company in issue, contributed HK\$2,676,000 to the Company to pay up 148,700,000 10% partly paid CPS in full. On the same day, the Ultimate Holding Company exercised the conversion right of CPS to convert 148,700,000 fully paid CPS into 148,700,000 fully paid ordinary shares of HK\$0.01 each.

On 18 June 2004, the Company issued 304,953,621 ordinary shares of HK\$0.1 each (the “Consolidated Shares”) by way of a rights issue at a subscription price of HK\$0.5 each on the basis of one rights share for every one Consolidated Share held by the shareholders on 28 May 2004 (the “First Rights Issue”). The proceeds from the First Rights Issue of HK\$152,477,000, before related expenses, were received by the Company.

On 29 November 2004, the Company issued 609,907,242 Consolidated Shares by way of a rights issue at a subscription price of HK\$0.55 each on the basis of one rights share for every one Consolidated Share held by the shareholders on 9 November 2004 (the “Second Rights Issue”). The proceeds from the Second Rights Issue of HK\$335,449,000, before related expenses, were received by the Company.

### (c) CPS

In previous year, 4,000,000,000 CPS were issued partly paid as to 10% of the subscription price of HK\$0.02 per share pursuant to the subscription agreement entered into with the Ultimate Holding Company and were subscribed by the Ultimate Holding Company. There is no time restriction for the unpaid amount of HK\$72,000,000 of the CPS to be fully paid up. The Company has no right to make calls with respect to amounts unpaid on any partly paid convertible preference shares.

# Notes to Financial Statements

31 December 2004

## 20. SHARE CAPITAL (Continued)

### (c) CPS (continued)

The holder may convert fully paid CPS into new ordinary shares of the Company at any time during the period commencing on 14 September 2001 and ending on the date five years thereafter, inclusive. Since 14 September 2001, the conversion rate was every one fully paid CPS for one fully paid ordinary shares of HK\$0.01 each (subject to adjustment). During the period from 1 December 2003 to 31 December 2004, the Company consolidated every 20 ordinary shares in issue into one ordinary share in issue and effected the First Rights Issue which constituted events giving rise to adjustments to the conversion rate of the outstanding CPS. Accordingly, the conversion rate of the CPS has been adjusted to 14.771 fully paid CPS for one fully paid Consolidated Share.

During the period commencing on 14 September 2001 and ending on the date five years thereafter, inclusive, at any time, the holders of the CPS, whether partly paid or fully paid, may require the Company to redeem, to the extent that conversion has not been elected by the holders of the CPS, the outstanding convertible preference shares for the amount paid up. The holder of the CPS has informed the Company in writing that it has no intention to redeem the CPS. The Company does not have the right to redeem the CPS.

If the CPS are still in issue after five years commencing on 14 September 2001, the holders of the CPS will automatically forfeit all of their redemption/conversion rights under the CPS and the CPS will become preference shares without carrying any conversion or redemption features thereafter. Any paid-up capital of the CPS will continue to be retained in the accounts of the Company.

Any CPS which have been fully paid up will rank *pari passu* for dividends with the ordinary shares from time to time in issue. Partly paid convertible preference shares are not entitled to any dividends.

The holders of the CPS are entitled to receive notices of general meetings, but not to attend or vote.

## 20. SHARE CAPITAL (Continued)

A summary of the above movements in share capital of the Company is as follows:

### (i) Ordinary shares

	Number of ordinary shares of HK\$0.01 each	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Authorised ordinary shares:			
At 1 December 2002, 30 November 2003 and 1 December 2003	100,000,000,000	—	1,000,000
Consolidation of 10 existing ordinary shares of HK\$0.01 each into 1 ordinary share of HK\$0.10 each	(100,000,000,000)	10,000,000,000	—
<b>At 31 December 2004</b>	<b>—</b>	<b>10,000,000,000</b>	<b>1,000,000</b>
Issued and fully paid ordinary shares:			
At 1 December 2002, 30 November 2003 and 1 December 2003	5,950,372,434	—	59,504
Conversion of CPS	148,700,000	—	1,487
The Capital Reduction and consolidation of 20 existing ordinary shares of HK\$0.005 each into 1 ordinary share of HK\$0.10 each	(6,099,072,434)	304,953,621	(30,495)
The First Rights Issue	—	304,953,621	30,495
The Second Rights Issue	—	609,907,242	60,991
<b>At 31 December 2004</b>	<b>—</b>	<b>1,219,814,484</b>	<b>121,982</b>



## 21. SHARE OPTIONS *(Continued)*

No option may be granted under the Old Scheme to any eligible participant which, if exercised in full, would result in such eligible participant being entitled to subscribe for such number of the shares of the Company as, when aggregated with the total number of the Company's shares already issued and issuable to him/her under the Old Scheme, would exceed 25% of the aggregate number of the Company's shares in issue and issuable under the Old Scheme.

No consideration is payable by the grantee of an option upon acceptance of the grant of the option under the Old Scheme. The exercise period of the share options granted under the Old Scheme is determinable by the directors, and in any event is not later than 10 years commencing on the date on which the share options are granted.

The exercise price of the share options granted under the Old Scheme is determinable by the directors, but may not be less than the higher of (i) 80% of the average of the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of the offer of the option; and (ii) the nominal value of the shares.

In order to comply with the new requirements of Chapter 17 of the Listing Rules on granting options under share option schemes, which took effect on 1 September 2001, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted pursuant to the ordinary resolutions passed by the shareholders at the extraordinary general meeting of the Company held on 9 January 2004.

Under the New Scheme, eligible participants include any employees (including full-time and part-time employee), directors (including executive, non-executive and independent non-executive director), suppliers of goods and services, customers, business partners or business associates of the Group, consultant or adviser providing consultancy or advisory services in relation to the businesses, trading agents or holders of any securities issued by any member of the Group or any entity in which the Group holds an equity interest. The New Scheme became effective on 9 January 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

# Notes to Financial Statements

31 December 2004

## 21. SHARE OPTIONS *(Continued)*

Under the New Scheme, share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the New Scheme may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences from the date the grantee accepts the share options and ends on the expiry date of the New Scheme.

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

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

There was no share option granted under the Old Scheme or the New Scheme during the current and prior periods or remaining outstanding as at 31 December 2004.

## 22. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the consolidated statement of changes in equity.

In accordance with the relevant regulations of Mainland China, two ex-subsiaries of the Group established in Mainland China which were disposed of during the period 1 December 2002 to 30 November 2003, were required to transfer a certain percentage of their respective profit after tax, if any, to the statutory reserve. Subject to certain restrictions as set out in the relevant Mainland China regulations, the statutory reserve may be used to offset against the respective accumulated losses, if any, of these two ex-subsiaries.

## 22. RESERVES

### (b) Company

	Share premium account <i>HK\$'000</i>	Capital reserve <sup>#</sup> <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 December 2002	122,818	59,789	(195,788)	(13,181)
Net profit for the period	—	—	125	125
At 30 November 2003 and 1 December 2003	122,818	59,789	(195,663)	(13,056)
Capital reduction	—	—	30,495	30,495
Cancellation of share premium and capital reserve	(118,818)	(59,789)	178,607	—
Paid up and conversion into ordinary shares of convertible preference shares	1,338	—	—	1,338
Issue of ordinary shares by way of rights issues	390,877	—	—	390,877
Net loss for the period	—	—	(5,831)	(5,831)
<b>At 31 December 2004</b>	<b>396,215</b>	<b>—</b>	<b>7,608</b>	<b>403,823</b>

# The capital reserve of the Company represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the Group reorganisation completed in 1998 over the nominal value of the Company's shares issued in exchange therefor.

# Notes to Financial Statements

31 December 2004

## 23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Acquisition of subsidiaries

	From 1 December 2003 to 31 December 2004 <i>HK\$'000</i>	From 1 December 2002 to 30 November 2003 <i>HK\$'000</i>
Net assets acquired:		
Fixed assets	154,961	—
Amount due from a jointly-controlled entity	63,750	—
Inventories	151,583	—
Trade and other receivables	24,949	—
Cash and bank balances	6,003	—
Other payables	(7,630)	—
Loans advanced	(288,024)	—
Taxation	(261)	—
Deferred taxation	(33,704)	—
	71,627	—
Goodwill	17,101	—
Minority interests	(37,266)	—
	51,462	—
Satisfied by cash:		
For the acquisition of net assets	51,462	—
For the acquisition of loans advanced	262,689	—
	314,151	—

**23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** *(Continued)***(a) Acquisition of subsidiaries** *(continued)*

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

	<b>From</b>	From
	<b>1 December 2003 to</b>	1 December 2002 to
	<b>31 December 2004</b>	30 November 2003
	<b>HK\$'000</b>	HK\$'000
Cash consideration	<b>(314,151)</b>	—
Cash and bank balances acquired	<b>6,003</b>	—
Net outflow of cash and bank balances in respect of the acquisition of subsidiaries	<b>(308,148)</b>	—

The subsidiaries acquired during the period from 1 December 2003 to 31 December 2004 contributed HK\$43,313,000 to the Group's turnover and a profit of HK\$8,660,000 to the net profit attributable to shareholders for the period.

# Notes to Financial Statements

31 December 2004

## 23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

### (b) Disposal of subsidiaries

	From 1 December 2003 to 31 December 2004 HK\$'000	From 1 December 2002 to 30 November 2003 HK\$'000
Net liabilities disposed of:		
Fixed assets	—	9,506
Other receivables	—	118
Cash and bank balances	—	63
Trade and other payables	—	(16,791)
Interest-bearing bank and other borrowings	—	(11,121)
Deferred taxation	—	(1,160)
	—	(19,385)
Release of reserves on disposal	—	1,008
Gain on disposal of subsidiaries	—	18,397
	—	20
Satisfied by:		
Cash	—	20

**23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** *(Continued)***(b) Disposal of subsidiaries** *(Continued)*

An analysis of the net outflow of cash and bank balances in respect of the disposal of subsidiaries is as follows:

	From 1 December 2003 to 31 December 2004 HK\$'000	From 1 December 2002 to 30 November 2003 HK\$'000
Cash consideration	—	20
Cash and bank balances disposed of	—	(63)
Net outflow of cash and bank balances in respect of the disposal of subsidiaries	—	(43)

The subsidiaries disposed of during the period from 1 December 2002 to 30 November 2003 made no contribution to the Group's turnover and contributed a loss of HK\$3,454,000 to the net profit attributable to shareholders for that period.

**(c) Major non-cash transactions**

During the period from 1 December 2003 to 31 December 2004, 350,689,349 Consolidated Shares were issued and allotted to the Ultimate Holding Company under the Second Rights Issue through a setting-off arrangement pursuant to the underwriting agreement for the Second Rights Issue. Under the setting-off arrangement, the subscription monies for the 350,689,349 Consolidated Shares of HK\$192,879,000 were set off against the loans due to the Ultimate Holding Company.

**24. RELATED PARTY TRANSACTIONS**

During the period from 1 December 2002 to 30 November 2003 and the period from 1 December 2003 to 31 December 2004, the Group had the following transactions with related parties:

- (i) As at 30 November 2003 the Group has guaranteed certain proposed banking facilities granted by a bank to a jointly-controlled entity of the Group, of up to HK\$4,800,000. As at 30 November 2003, the banking facilities were not taken up. The guarantee was terminated during the period from 1 December 2003 to 31 December 2004.

# Notes to Financial Statements

31 December 2004

## 24. RELATED PARTY TRANSACTIONS *(Continued)*

- (ii) During the period from 1 December 2003 to 31 December 2004, the Group received consultancy service fee income of HK\$260,000 (01/12/2002 – 30/11/2003: HK\$240,000) from a jointly-controlled entity. The consultancy service fee income was charged on a monthly basis of HK\$20,000 as agreed by both parties.
- (iii) On 13 April 2004, Mr. Or Wai Shuen (the “Controlling Shareholder”), the beneficial owner of the Ultimate Holding Company, granted the right to the Group to acquire a substantial part of a commercial building at Rua do Dr. Pedro Jose Lobo, Av. Do Infante D. Henrique, and Av. Doutor Mario Soares in Macao together with an independent third party through the entering of a sale and purchase agreement by Polytec Holdings International Limited (the “Vendor”), a company beneficially owned by him with a subsidiary of the Group, Profit Sphere International Limited, to transfer of the entire interest in Success Ever Limited for the consideration of HK\$63,750,000 which represents the par value of the acquired share capital plus the face value of outstanding loans due from Success Ever Limited to the Vendor. The arrangement was to enable the Group to acquire, effectively, a 50% interest in such properties for a consideration of HK\$212,500,000.
- (iv) On 13 April 2004, the Company, the Ultimate Holding Company and a company (the “Underwriter”) beneficially owned by the Controlling Shareholder, entered into an underwriting agreement relating to the First Rights Issue. Pursuant to the underwriting agreement, an underwriting commission of HK\$1,380,000, being 2% of the total subscription price of the rights shares underwritten by the Underwriter, were paid to the Underwriter. The Ultimate Holding Company also undertook to subscribe 166,923,012 Consolidated Shares. As the Ultimate Holding Company also applied for excess rights shares, on completion of the rights issue, 181,363,013 Consolidated Shares were issued and allotted to the Ultimate Holding Company.
- (v) On 10 September 2004, the Company entered into a sale and purchase agreement with the Vendor for the acquisition of the entire interests in Sinocharm Trading Limited in turn to acquire the entire interests in The Hong Kong Ice & Cold Storage Company Limited, a leading crushed tube ice manufacturer in Hong Kong, for the consideration of HK\$158,000,000 which represents the par value of the acquired share capital plus the face value of outstanding loans due from Sinocharm Trading Limited to the Vendor.

## 24. RELATED PARTY TRANSACTIONS (Continued)

- (vi) On 10 September 2004, the Company, the Ultimate Holding Company and the Underwriter entered into an underwriting agreement relating to the Second Rights Issue. Pursuant to the underwriting agreement, an underwriting commission of HK\$2,878,000, being 2% of the total subscription price of the rights shares underwritten by the Underwriter, were payable to the Underwriter. As at 31 December 2004, the underwriting commission was not settled. The Ultimate Holding Company also undertook to subscribe 348,286,025 Consolidated Shares. As the Ultimate Holding Company also applied for excess rights shares, on completion of the rights issue, 350,689,349 Consolidated Shares were issued and allotted to the Ultimate Holding Company.
- (vii) The amounts due to minority shareholders of subsidiaries were unsecured and with no fixed repayment terms, of which HK\$27,806,000 (30/11/2003: Nil) was bearing interest at prevailing market rate and HK\$19,435,000 (30/11/2003: Nil) was interest free. During the period from 1 December 2003 to 31 December 2004, interest of HK\$167,000 (01/12/2002 – 30/11/2003: Nil) was payable to such shareholders.
- (viii) During the period from 1 December 2003 to 31 December 2004, the Group paid rental expenses and building management fees amounting to HK\$761,000 (01/12/2002 – 30/11/2003: HK\$754,000) in aggregate to a company beneficially owned by the Controlling Shareholder for the leasing of an administrative office in Hong Kong. The rental expenses were charged with reference to the then prevailing market price and conditions.

## 25. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and vehicle parking spaces under operating lease arrangements. Leases for properties are negotiated for terms from three months to two years.

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

	The Group	
	31 December 2004	30 November 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	662	152
In the second year	91	—
	<b>753</b>	152

# Notes to Financial Statements

31 December 2004

## 26. CAPITAL COMMITMENTS

As at 31 December 2004, the Group's capital commitments in respect of acquisition of fixed assets not provided for in the accounts were as follows:

	The Group	
	31 December 2004	30 November 2003
	HK\$'000	HK\$'000
Contracted for	951	—
Authorised but not contracted for	2,631	—
	3,582	—

## 27. PLEDGE OF ASSETS

As at 31 December 2004, certain assets of the Group were pledged to secure credit facilities granted to the Group, as follows:

- (a) legal charges over all of the Group's medium term leasehold land and buildings with an aggregate net book value of HK\$152,551,000 (30/11/2003: Nil);
- (b) the pledge of certain trading securities of the Group with net book value of HK\$75,563,000 (30/11/2003: HK\$3,856,000);
- (c) floating charge over certain receivables of the Group of HK\$5,457,000 (30/11/2003: Nil); and
- (d) floating charge over certain cash in bank of the Group of HK\$4,032,000 (30/11/2003: HK\$5,000).

## 28. COMPARATIVE AMOUNTS

Certain comparative amounts for the prior period have been reclassified to conform with current presentation.

## 29. APPROVAL OF THE FINANCIAL STATEMENTS

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

# Particulars of Properties

31 December 2004

Property	Purpose	Gross floor area	Group interest (%)	Stage of completion	Expected completion date
<b>Properties held for sale of the Group:</b>					
37 shop units, 56 office units and 184 carparking spaces in China Plaza at Avenida da Praia Grande Nos. 730-804 and Avenida de D. Joao IV Nos. 2-6-B, Macao	Commercial	15,933.86 square metres and 184 carparking spaces	70.5	Completed	N/A
38 shop units and 14 carparking spaces of Va long at Praca da Amizade Nos. 6-52, Avenida do Infante D. Henrique Nos. 25-31 and Avenida Doutor Mario Soares Nos. 227-259, Macao	Commercial	1,887.31 square metres and 14 carparking spaces	100	Completed	N/A
<b>Land held for development for sale of the Group:</b>					
Lots TN25b and TN26d near Estrada Coronel Nicolau de Mesquita, Taipa, Macao	Residential/ Commercial	35,900 square metres	58	Not yet started construction	2007

# Particulars of Properties

31 December 2004

Property	Purpose	Gross floor area	Group interest (%)	Stage of completion	Expected completion date
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**Land held for development for sale of the jointly-controlled entities:**

Lot No. 67 and half share of Lots no. 12 and 16 in Demarcation District No. 175 and Lots no. 725, 722 and 726 in Demarcation District No. 171 Kau To, Shatin, New Territories, Hong Kong	Residential	1,806.03 square metres	48	Site formation	2006
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Property	Purpose	Gross floor area	Group interest (%)	Category of lease
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**Investment properties of the jointly-controlled entities:**

208 shop units, 208 office units and 265 carparking spaces of a commercial building at Rua do Dr. Pedro Jose Lobo No.2-16A, Avenida do Infante D. Henrique No. 43-53A and Avenida Doutor Mario Soares No. 81-113, Macao	Commercial	36,553.05 square metres and 265 carparking spaces	50	Medium term lease
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