

**1 PRINCIPAL ACCOUNTING POLICIES**

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with Hong Kong Financial Reporting Standards.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs and the Directors consider that these new HKFRSs would not have a significant impact on the results of operations and financial position of the Group.

The principal accounting policies adopted in the preparation of these accounts are set out below.

**(a) Basis of consolidation**

The consolidated accounts include the accounts of the Company and its subsidiary companies made up to 31st December and the Group’s attributable share of post-acquisition results and reserves of the associated companies.

The results of subsidiary and associated companies acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The profits or losses on the disposal of subsidiary and associated companies are calculated as the difference between the net disposal proceeds and the Group’s share of net assets at the date of disposal including the attributable amount of goodwill which remains unamortised or previously taken directly to reserves.

**(b) Goodwill**

Goodwill represents the difference between the costs of acquisition over the fair values ascribed to the Group’s share of the net assets of the acquired subsidiary or associated companies at the effective date of acquisition. Goodwill on acquisitions is included in the balance sheet as a separate asset and amortised using the straight-line method over its estimated useful life of not more than twenty years. Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised in the profit and loss account as income in the year of acquisition or over the weighted average useful life of the acquired non-monetary assets.

The carrying amount of goodwill is reviewed annually and provision is only made when, in the opinion of the Directors, there is impairment in value other than temporary in nature.

# Notes to the Accounts

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (c) Subsidiary companies

A company is a subsidiary company if more than 50% of the issued equity capital is held, directly and indirectly, for the long-term or if the composition of the board of directors is controlled by the Group. Investments in subsidiary companies are carried in the Company's balance sheet at or below cost. Provision is made when, in the opinion of the Directors, there is impairment in value other than temporary in nature.

### (d) Associated companies

An associated company is a company, not being a subsidiary company or a jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management. Associated companies are accounted for under the equity method whereby the Group's share of results is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet.

### (e) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and provision for significant permanent impairment in values.

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for their investment potential, any rental income being negotiated at arm's length. Investment properties held on leases of more than twenty years are carried at open market value based on annual valuations by independent valuers at the balance sheet date. Deficits in valuation are charged to the profit and loss account; increases are first credited to the profit and loss account to the extent of valuation deficits previously charged on a portfolio basis and thereafter credited to the investment property valuation reserve. Upon the disposal of an investment property, any relevant revaluation surplus is transferred to the profit and loss account.

No depreciation is provided in respect of investment properties held on leases of more than twenty years. Depreciation of other fixed assets is calculated to write off the cost of the assets over their estimated useful lives or if shorter, the relevant finance lease periods, using straight-line method, at the rate of 20% per annum.

Major costs incurred in restoring assets to their normal working conditions are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of assets are reviewed regularly. Where the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amounts.

Profits and losses on disposal, other than investment properties, are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account.

**1 PRINCIPAL ACCOUNTING POLICIES (Continued)****(f) Investments**

Investments expected to be held for the long-term are stated at cost less provision for impairment other than temporary in nature. Listed investments are revalued annually based on their open market values. Changes in valuation are credited or debited to the investment revaluation reserve. Upon disposal of revalued investments, any relevant revaluation reserve is dealt with in the profit and loss account.

Trading investments, which are acquired principally for the purpose of generating a profit from short-term fluctuation in price, are carried at fair value. The net unrealised gains or losses arising from the changes in fair value are recognised in the profit and loss account. Profits or losses on disposal of trading investments, representing the differences between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

**(g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**(h) Provisions**

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

**(i) Lease assets**

Assets leased from third parties under agreements that transfer substantially all the risks and rewards incident to ownership of relevant assets to the Group are classified as finance leases. At the inception of a finance lease, the fair value of the asset or, if lower, the present value of the minimum lease payments, derived by discounting them at the interest rate implicit in the lease, is capitalised as a fixed asset; the corresponding obligations, net of finance charges, is included under long-term liabilities. Gross rental payable in respect of finance leases are apportioned between interest charges and a reduction of the lease obligations based on the interest rates implicit in the relevant leases. Assets held under finance leases are depreciated on the basis described in note (e) above.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Rentals payable, net of incentives received from the lessors, under operating leases are charged to the profit and loss account on a straight-line basis over the lease periods.

# Notes to the Accounts

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (j) Employee benefits

Contributions under the defined contribution retirement scheme, which are calculated as a percentage of basic salaries of the employees, are charged to the profit and loss account in the year to which the contributions relate.

Employee entitlements to annual leave and long service leave are recognised when they accrued to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Provision for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

### (k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided on temporary differences arising on investments in subsidiary companies and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

### (l) Revenue recognition

Sales of goods are recognised when goods are delivered and legal title passed to customers. Sale of completed properties is recognised when the sale agreement is completed and legal title passed to the purchasers. Rental income, net of incentives paid to lessees, under operating leases is recognised over the periods of the respective leases on a straight-line basis. Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable. Dividend income is recognised when the right to receive payment is certain.

### (m) Borrowing costs

Interest and related costs on borrowing directly incurred to finance the acquisition, construction and development of an asset that is required to take a substantial period of time to get ready and prepare for its intended use are capitalised as part of the cost of the asset. All other borrowing costs are charged to the profit and loss account as they are incurred.

### (n) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions within three months from the date of placement, less advances from banks and financial institutions repayable within three months from the date of advance.

**1 PRINCIPAL ACCOUNTING POLICIES (Continued)****(o) Translation of foreign currencies**

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date. Exchange differences arising are dealt with in the profit and loss account.

Profit and loss accounts of subsidiary and associated companies expressed in foreign currencies are translated at the weighted average exchange rates for the year and balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investments in foreign subsidiary and associated companies are taken directly to reserves.

**2 TURNOVER**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Sales of electronic components	<b>53,248</b>	44,266
Sales of properties	<b>83,779</b>	–
Sales of investments	<b>6,106</b>	–
Property rental	<b>797</b>	1,932
	<b>143,930</b>	46,198

## Notes to the Accounts

**3 SEGMENT INFORMATION**

The Group is principally engaged in property investment and technology-related business. In accordance with the Group's internal financial reporting and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets consist primarily of non-current assets, inventories and receivables. Segment liabilities comprise creditors and accruals. There are no sales or trading transactions between the business segments. In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

A summary of business segments is set out as follows:

	<b>Property investment HK\$'000</b>	<b>Technology HK\$'000</b>	<b>Corporate and others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Year ended 31st December 2004</b>				
Turnover	<u>84,576</u>	<u>53,248</u>	<u>6,106</u>	<u>143,930</u>
Segment results	(10,563)	(2,431)	(21,274)	(34,268)
Financial expenses				<u>(2,792)</u>
Loss before taxation				(37,060)
Taxation charge				<u>(2,923)</u>
Loss after taxation				(39,983)
Minority interests	-	-	-	<u>-</u>
Loss attributable to shareholders				<u>(39,983)</u>
Segment assets	161	14,656	-	14,817
Unallocated assets				<u>64,510</u>
Total assets				<u>79,327</u>
Segment liabilities	4,885	21,624	-	26,509
Unallocated liabilities				<u>21,602</u>
Total liabilities				<u>48,111</u>
Capital expenditure	-	540	455	995
Depreciation	-	301	549	850
Amortisation of goodwill	-	1,083	-	<u>1,083</u>

## 3 SEGMENT INFORMATION (Continued)

	Property investment HK\$'000	Technology HK\$'000	Corporate and others HK\$'000	Total HK\$'000
Year ended 31st December 2003				
Turnover	<u>1,932</u>	<u>44,266</u>	<u>–</u>	<u>46,198</u>
Segment results	7,695	(34,962)	(5,191)	(32,458)
Financial expenses				(3,339)
Share of losses of				
A jointly controlled entity	–	–	(810)	(810)
Associated companies	1,077	(150)	(3,442)	<u>(2,515)</u>
Loss before taxation				(39,122)
Taxation charge				<u>(1,731)</u>
Loss after taxation				(40,853)
Minority interests	–	1,402	3	<u>1,405</u>
Loss attributable to shareholders				<u>(39,448)</u>
Segment assets	89,740	15,582	–	105,322
Unallocated assets				<u>117,769</u>
Total assets				<u>223,091</u>
Segment liabilities	678	19,919	–	20,597
Unallocated liabilities				<u>114,504</u>
Total liabilities				<u>135,101</u>
Capital expenditure	–	73	1,429	1,502
Depreciation	–	308	370	678
Amortisation of goodwill	–	4,344	–	4,344
Provision against goodwill	<u>–</u>	<u>25,000</u>	<u>–</u>	<u>25,000</u>

## Notes to the Accounts

**3 SEGMENT INFORMATION (Continued)**

A summary of the geographical segments is set out as follows:

	Turnover HK\$'000	Operating profit/(loss) HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
<b>Year ended 31st December 2004</b>				
Hong Kong	131,771	(33,177)	70,148	995
Mainland China	12,159	(1,091)	9,179	–
	<u>143,930</u>	<u>(34,268)</u>	<u>79,327</u>	<u>995</u>
<b>Year ended 31st December 2003</b>				
Hong Kong	41,683	(48,317)	212,732	1,502
Mainland China	4,515	15,859	10,359	–
	<u>46,198</u>	<u>(32,458)</u>	<u>223,091</u>	<u>1,502</u>

**4 OTHER REVENUES**

	2004 HK\$'000	2003 HK\$'000
Unrealised gain of trading investments	150	–
Management fee	–	613
Interest	6	15
Sundries	237	302
	<u>393</u>	<u>930</u>



**5 OPERATING LOSS**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Operating loss is stated after charging:		
Depreciation		
Owned assets	<b>566</b>	607
Leased assets	<b>284</b>	71
Staff costs (including Directors' remuneration)	<b>18,196</b>	22,899
Operating lease rental expense for land and buildings	<b>979</b>	356
Amortisation of goodwill	<b>1,083</b>	4,344
Loss on disposal of plant and equipment	–	3
Bad and doubtful debts	<b>471</b>	733
Auditors' remuneration	<b>593</b>	470
	<b><u>593</u></b>	<b><u>470</u></b>

**6 FINANCIAL EXPENSES**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and overdrafts	<b>1,658</b>	2,458
Interest on short-term loan ( <i>note 21</i> )	<b>1,106</b>	861
Interest on finance lease obligations wholly payable within five years	<b>28</b>	20
	<b><u>2,792</u></b>	<b><u>3,339</u></b>

## Notes to the Accounts

## 7 EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES

## (a) Directors' emoluments

Details of the emoluments paid to the Directors of the Company are as follows:

	2004 HK\$'000	2003 HK\$'000
Fees	936	1,050
Salaries and other emoluments	5,827	7,930
Retirement benefits	41	48
	<u>6,804</u>	<u>9,028</u>

The emoluments of the Directors of the Company fall within the following bands:

Emolument bands	Number of Directors	
	2004	2003
Nil to HK\$1,000,000	8	5
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$5,500,001 to HK\$6,000,000	–	1
	<u>9</u>	<u>7</u>

None of the Directors has waived the right to receive their emoluments. Fees paid to Independent Non-executive Directors during the year amounted to HK\$432,000 (2003: HK\$450,000).

**7 EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES (Continued)****(b) Senior executives' emoluments**

Details of emoluments paid by the Group to the five individuals, including four (2003: four) Directors, whose emoluments were the highest in the Group are as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Salaries and other emoluments	<b>7,316</b>	9,250
Retirement benefits	<b>53</b>	48
	<u><b>7,369</b></u>	<u>9,298</u>

The emoluments of the five individuals of the Group fall within the following bands:

<b>Emoluments bands</b>	<b>Number of individuals</b>	
	<b>2004</b>	2003
Nil to HK\$1,000,000	<b>4</b>	3
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	<b>1</b>	–
HK\$5,000,001 to HK\$5,500,000	–	1
	<u><b>5</b></u>	<u>5</u>

**8 EMPLOYEE RETIREMENT PLAN**

The Group operates a defined contribution mandatory provident fund scheme for all eligible employees. The assets of the fund are held separately from the assets of the Group and contributions are calculated as a percentage of the basic salaries of the employees. Contributions to the scheme during the year are HK\$357,000 (2003: HK\$421,000).

## Notes to the Accounts

## 9 TAXATION CHARGE

	2004 HK\$'000	2003 HK\$'000
Company and subsidiary companies		
Hong Kong profits tax	(371)	550
Overseas	(2,552)	(2,187)
	<u>(2,923)</u>	<u>(1,637)</u>
Associated companies		
Current (overseas)	-	(94)
	<u>(2,923)</u>	<u>(1,731)</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

In June 2002, the Board of Review of the Inland Revenue Department determined that a subsidiary company is liable to Hong Kong profit tax and surcharges totalling approximately HK\$89.5 million in respect of its profit from the disposal of properties in 1994 and 1995. The Directors however maintain their opinion that such profit is capital in nature and therefore not subject to Hong Kong profits tax. Since the subsidiary company has no meaningful assets and therefore does not have the ability to pay the tax and surcharges nor file further objections against this determination. In December 2003, the Inland Revenue Department filed a petition to the High Court to wind up the subsidiary company and, as a result, liquidators of this subsidiary company were then appointed. However, no other company within the Group is liable for any tax or surcharges payable by this subsidiary company and the rest of the Group will not provide funds to the subsidiary company to satisfy the tax and surcharges in question. In view of the foregoing, the Directors consider it is not appropriate to make any provision for the above tax and surcharges payable in the accounts.

**9 TAXATION CHARGE (Continued)**

The taxation on the loss before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Loss before taxation	<u><b>(37,060)</b></u>	<u>(39,122)</u>
Tax asset at the tax rate of 17.5% (2003: 17.5%)	<b>6,486</b>	6,846
Effect of different taxation rates in other counties	<b>77</b>	1,506
Income not subject to taxation	<b>195</b>	221
Expenses not deductible for taxation purposes	<b>(2,608)</b>	(11,030)
Taxation loss not recognised	<b>(4,427)</b>	(850)
Recognition of previously unrecognised temporary differences	<b>(3,048)</b>	1,821
Temporary differences not recognised	<u><b>402</b></u>	<u>(245)</u>
Taxation charge	<u><b>(2,923)</b></u>	<u>(1,731)</u>

Deferred tax assets of the Group and the Company amounting to HK\$35,216,000 (2003: HK\$18,304,000) and HK\$17,202,000 (2003: HK\$3,404,000), respectively, arising from unused tax losses have not been recognised in the accounts. Unused tax losses have no expiry date.

**10 LOSS PER SHARE**

The calculation of loss per share is based on the loss attributable to shareholders for the year of HK\$39,983,000 (2003: HK\$39,448,000) and on the weighted average of 515,899,459 shares (2003: 490,584,391 shares) in issue during the year.

## Notes to the Accounts

**11 PROPERTY, PLANT AND EQUIPMENT****Group**

	Investment properties HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost or valuation					
At 31st December 2003	89,500	4,384	2,095	–	95,979
Additions	–	103	432	460	995
Disposals	(89,500)	(21)	(515)	–	(90,036)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31st December 2004	–	4,466	2,012	460	6,938
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Accumulated depreciation					
At 31st December 2003	–	3,310	514	–	3,824
Charge for the year	–	470	380	–	850
Disposals	–	(11)	(343)	–	(354)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31st December 2004	–	3,769	551	–	4,320
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net book value					
At 31st December 2004	<u>          </u> –	<u>          </u> 697	<u>          </u> 1,461	<u>          </u> 460	<u>          </u> 2,618
At 31st December 2003	<u>          </u> 89,500	<u>          </u> 1,074	<u>          </u> 1,581	<u>          </u> –	<u>          </u> 92,155

Investment properties were stated at professional valuation. All other assets are carried at cost less accumulated depreciation.

The net book value of plant and equipment held under finance leases amounted to HK\$1,065,000 (2003: HK\$1,349,000).

**11 PROPERTY, PLANT AND EQUIPMENT (Continued)****Company**

	<b>Furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
Cost			
At 31st December 2003	2,738	675	3,413
Additions	24	432	456
Disposals	—	(515)	(515)
	<u>          </u>	<u>          </u>	<u>          </u>
At 31st December 2004	<u>2,762</u>	<u>592</u>	<u>3,354</u>
Accumulated depreciation			
At 31st December 2003	2,399	443	2,842
Charge for the year	169	96	265
Disposals	—	(343)	(343)
	<u>          </u>	<u>          </u>	<u>          </u>
At 31st December 2004	<u>2,568</u>	<u>196</u>	<u>2,764</u>
Net book value			
At 31st December 2004	<u>          </u> <u>194</u>	<u>          </u> <u>396</u>	<u>          </u> <u>590</u>
At 31st December 2003	<u>          </u> <u>339</u>	<u>          </u> <u>232</u>	<u>          </u> <u>571</u>

## Notes to the Accounts

## 12 GOODWILL

	2004 HK\$'000	2003 HK\$'000
Cost	43,438	43,438
Accumulated amortisation	(11,219)	(10,136)
Provision	(25,000)	(25,000)
	<u>7,219</u>	<u>8,302</u>
Net book value	<u>7,219</u>	<u>8,302</u>
At beginning of year	8,302	37,646
Amortisation	(1,083)	(4,344)
Provision	–	(25,000)
	<u>7,219</u>	<u>8,302</u>
At end of year	<u>7,219</u>	<u>8,302</u>

## 13 SUBSIDIARY COMPANIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	116	116
Amounts receivable, less provision	54,926	191,950
Amounts payable	(25,220)	(27,735)
	<u>29,822</u>	<u>164,331</u>

The amounts receivable and payable are unsecured, interest free and have no specific repayment terms.

Particulars of the principal subsidiary companies are as follows:

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2004	2003		
Barraza Company Limited	Hong Kong	100	100	HK\$2	Provision of secretarial services
Echo Peak Investment Limited	Hong Kong	100	100	HK\$10,000	Property investment



## 13 SUBSIDIARY COMPANIES (Continued)

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2004	2003		
*Ever Double Investments Limited	British Virgin Islands/ Hong Kong	100	100	US\$1	Investment holding
Ever Global Technology (Beijing) Limited	Mainland China	100	100	US\$150,000	Information system development
*Ever Global Technology Limited	Hong Kong	100	100	HK\$2	Investment holding
Keenland Company Limited	Hong Kong	100	100	HK\$100,100	Property investment
*Lead Top Development Limited	Hong Kong	100	100	HK\$2	Investment holding
Springdale Investment Company Limited	Hong Kong	100	100	HK\$100,000	Property investment
Strong Way International Limited	Hong Kong	60	60	HK\$1,000,000	Electronic components trading
*Sunberry Investments Limited	British Virgin Islands/ Hong Kong	100	100	US\$1	Investment holding
*U-Cyber Construction (Holdings) Limited	Hong Kong	100	100	HK\$20	Investment holding
U-Cyber Investment Holdings (China) Limited	Hong Kong	100	100	HK\$20	Investment holding
*U-Cyber Property (Holdings) Limited	Hong Kong	100	100	HK\$10,000	Investment holding
U-Cyber Property Development Company Limited	Hong Kong	100	100	HK\$2	Investment holding
U-Cyber Property Management Company Limited	Hong Kong	100	100	HK\$2	Investment holding

## Notes to the Accounts

## 13 SUBSIDIARY COMPANIES (Continued)

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2004	2003		
*Universal Cyber Technology Holdings Limited	Hong Kong	100	100	HK\$2	Property investment
*Well Peace Investment Limited	Hong Kong	100	100	HK\$2	Investment holding

\* Subsidiary companies directly held by the Company.

## 14 ASSOCIATED COMPANIES

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Amount receivable, less provision	<u>9</u>	<u>6</u>	<u>9</u>	<u>6</u>
Investments at cost				
Unlisted shares	<u>6,000</u>	<u>6,001</u>	<u>-</u>	<u>-</u>

The amount receivable is unsecured, interest free and has no specific of repayment terms.

Particulars of the associated companies are as follows:

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Principal activities
		2004	2003	
Genius Group International Limited	Hong Kong	20	20	Apparels and accessories trading
Grand Sparkle Investments Limited	Hong Kong	-	50	Property development
Zhong Hang Yu (H.K.) Limited	Hong Kong	50	50	Inactive

## 15 LONG-TERM INVESTMENTS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	9,737	9,737	–	–
Listed shares, at market value	–	88,662	–	–
Club debenture, at cost	1,942	1,942	1,942	1,942
	<u>11,679</u>	<u>100,341</u>	<u>1,942</u>	<u>1,942</u>

Unlisted shares represent the Group's 8% equity interest in Beijing Glory Real Estate Development Company Limited, formerly a jointly controlled entity. Listed shares in 2003 represented approximately 7.4% equity interest in INNOMAXX Biotechnology Group Limited, incorporated in Bermuda and formerly an associated company.

## 16 INVENTORIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Finished goods	8,192	5,606
Completed properties	160	1,080
	<u>8,352</u>	<u>6,686</u>

The carrying amount of finished goods that are carried at net realisable value amounted to HK\$124,000 (2003: HK\$1,026,000).

## 17 DEBTORS AND PREPAYMENTS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Trade debtors	4,237	6,684	–	–
Other debtors	107	1,776	–	29
Deposits and prepayments	3,456	2,597	2,017	1,237
	<u>7,800</u>	<u>11,057</u>	<u>2,017</u>	<u>1,266</u>

## Notes to the Accounts

**17 DEBTORS AND PREPAYMENTS (Continued)**

Rental income from tenants is due and payable in advance. The credit terms granted to trade debtors in respect of sales of electronic components and management services are usually 30 to 90 days. The ageing analysis of the Group's trade debtors, based on the dates of the invoices, is as follows:

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Below 30 days	<b>1,145</b>	1,781
30 to 90 days	<b>2,066</b>	2,618
91 to 180 days	<b>649</b>	1,935
Over 180 days	<b>377</b>	350
	<u><b>4,237</b></u>	<u>6,684</u>

**18 TRADING INVESTMENTS**

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Listed in Hong Kong, at market value	<u><b>35,162</b></u>	<u>–</u>

The investments represent approximately 5.4% equity interest in INNOMAXX Biotechnology Group Limited. The investments have been subsequently disposed of with aggregate consideration of approximately HK\$18.2 million.

**19 CASH AND BANK BALANCES**

Cash and bank balances include a fixed deposit of HK\$2,000,000 (2003: HK\$2,000,000) pledged as securities for bank facilities granted to the Group.

**20 CREDITORS AND ACCRUALS**

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Trade creditors	19,506	17,303	–	–
Other creditors	16,079	15,684	8,766	9,739
Amount due to a Director	2,924	5,000	2,924	5,000
Amount due to a related company	–	49	–	49
Accrued expenses	2,190	4,647	1,135	3,609
	<u>40,699</u>	<u>42,683</u>	<u>12,825</u>	<u>18,397</u>

The amount payable to the Director, Mr Tong Nai Kan, is unsecured, interest free and has no specific repayment terms. The ageing analysis of the Group's trade creditors, based on the dates of the invoices, is as follows:

	2004 HK\$'000	2003 HK\$'000
Below 30 days	1,186	1,722
30 to 90 days	11,613	4,724
91 to 180 days	6,389	10,803
Over 180 days	318	54
	<u>19,506</u>	<u>17,303</u>

**21 SHORT-TERM LOAN**

	Group and Company	
	2004 HK\$'000	2003 HK\$'000
Unsecured loan	–	5,148
	<u>–</u>	<u>5,148</u>

The loan was guaranteed by a Director, Mr Tong Nai Kan, carried interest at a fixed rate of 2% per month and had no specific repayment terms.

## Notes to the Accounts

## 22 SHARE CAPITAL

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Authorised:		
1,000,000,000 shares of HK\$0.25 each	<u><b>250,000</b></u>	<u>250,000</u>
Issued and fully paid:		
610,584,391 shares (2003: 490,584,391 shares) of HK\$0.25 each	<u><b>152,646</b></u>	<u>122,646</u>

Pursuant to an ordinary resolution passed at an extraordinary general meeting held on 7th October 2004, the Company capitalised a loan of HK\$30,000,000 owing to the Director, Mr Tong Nai Kan, by way of an issue of 120,000,000 shares of HK\$0.25 each to Time Prosper Holdings Limited, a company controlled by Mr Tong Nai Kan.

Under the terms of the share option schemes of the Company approved by the shareholders on 22nd May 2000 and 29th December 2004 (the "Schemes"), the Directors of the Company may, at their discretion, offer any eligible participants (including any Directors) of the Company or of any of its subsidiary companies options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Schemes. During the year, no option has been granted under the Schemes and there was no outstanding share option as at 31st December 2004.

## 23 RESERVES

## Group

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At 31st December 2002	12,034	5,318	1,805	–	539	(441,080)	(421,384)
Change in exchange rates	–	–	–	–	(1)	–	(1)
Reduction of capital	–	–	–	–	–	367,938	367,938
Revaluation surplus of investments	–	–	–	58,216	–	–	58,216
Loss for the year	–	–	–	–	–	(39,448)	(39,448)
At 31st December 2003	12,034	5,318	1,805	58,216	538	(112,590)	(34,679)
Realised reserve on investments	–	–	–	(20,791)	–	–	(20,791)
Revaluation deficit of investments	–	–	–	(26,000)	–	–	(26,000)
Loss for the year	–	–	–	–	–	(39,983)	(39,983)
At 31st December 2004	<u>12,034</u>	<u>5,318</u>	<u>1,805</u>	<u>11,425</u>	<u>538</u>	<u>(152,573)</u>	<u>(121,453)</u>

## Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At 31st December 2002	12,034	5,318	(425,984)	(408,632)
Reduction of capital	–	–	367,938	367,938
Loss for the year	–	–	(13,588)	(13,588)
At 31st December 2003	12,034	5,318	(71,634)	(54,282)
Loss for the year	–	–	(74,812)	(74,812)
At 31st December 2004	<u>12,034</u>	<u>5,318</u>	<u>(146,446)</u>	<u>(129,094)</u>

Accumulated loss of the Group included loss retained by associated companies amounting to HK\$6,001,000 (2003: HK\$6,001,000). The loss attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of HK\$74,812,000 (2003: HK\$13,588,000).

## Notes to the Accounts

**23 RESERVES (Continued)**

The Company does not have any reserves available for distribution to the shareholders as calculated under Section 79B of the Hong Kong Companies Ordinance.

Pursuant to the reduction in capital of the Company in 2003, the Company has undertaken that in the event of its making any future recoveries in respect of the provisions against certain specific subsidiary companies by the Company as at 31st December 2002, all such recoveries up to a maximum amount of HK\$367,938,293, will be credited to a special capital reserve of the Company and shall not be available for distribution to the shareholders of the Company.

**24 LONG-TERM LIABILITIES**

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Secured bank loans	–	50,657	–	44,813
Obligations under finance leases wholly payable within five years	970	1,261	–	–
Advances from a Director	–	31,566	–	31,566
	<b>970</b>	<b>83,484</b>	<b>–</b>	<b>76,379</b>
Current portion included under current liabilities	(291)	(4,678)	–	(3,629)
	<b>679</b>	<b>78,806</b>	<b>–</b>	<b>72,750</b>

(a) The finance lease obligations are payable in the following years:

	Minimum payments		Present value	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
2004	–	319	–	291
2005	319	319	291	291
2006	319	319	291	291
2007	319	319	291	291
2008	106	106	97	97
	<b>1,063</b>	<b>1,382</b>	<b>970</b>	<b>1,261</b>

(b) The advances from the Director, Mr Tong Nai Kan, were unsecured, interest free and had no specific repayment terms. Part of the loan amounting to HK\$30,000,000 was capitalised pursuant to a loan capitalisation agreement approved by the shareholders on 7th October 2004 (note 22).



**25 OPERATING LEASE COMMITMENTS**

The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases is payable in the following years:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
2004	–	153
2005	<b>4,608</b>	–
2006	<b>4,132</b>	–
2007	<b>191</b>	–
	<hr/>	<hr/>
	<b>8,931</b>	153
	<hr/> <hr/>	<hr/> <hr/>

**26 CONTINGENT LIABILITIES**

The Company has provided guarantees in respect of loan facilities and finance lease obligations granted to subsidiary companies amounting to HK\$3,982,000 (2003: HK\$5,844,000) and HK\$970,000 (2003: HK\$1,261,000), respectively.

## Notes to the Accounts

## 27 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

## (a) Reconciliation of operating loss to cash used in operations

	2004 HK\$'000	2003 HK\$'000
Operating loss	(34,268)	(32,458)
Interest income	(6)	(15)
Depreciation	850	678
Provision against goodwill	–	25,000
Gain on disposal of a jointly controlled entity	–	(17,939)
Loss on deemed partial disposal of an associated company	–	2,767
Unrealised gain of trading investments	(150)	–
Loss on sale of trading investments	753	–
Amortisation of goodwill	1,083	4,344
Surplus on revaluation of an investment property	–	(5,000)
Loss on disposal of property, plant and equipment	7,039	3
	<hr/>	<hr/>
Operating loss before working capital changes	(24,699)	(22,620)
Increase in inventories	(1,666)	(1,630)
Decrease in debtors and prepayments	3,257	1,771
(Decrease)/increase in creditors and accruals	(1,751)	3,609
	<hr/>	<hr/>
Cash used in operations	<u>(24,859)</u>	<u>(18,870)</u>

**27 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)****(b) Analysis of changes in financing activities**

	Share capital and premium HK\$'000	Loans and finance lease obligations HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 31st December 2002	502,618	115,170	1,428	619,216
Minority interests in share of losses	–	–	(1,405)	(1,405)
Reduction of capital	(367,938)	–	–	(367,938)
Inception of finance leases	–	1,455	–	1,455
Net cash used in financing activities	<u>–</u>	<u>(27,993)</u>	<u>–</u>	<u>(27,993)</u>
At 31st December 2003	134,680	88,632	23	223,335
Issue of new shares	30,000	(30,000)	–	–
Net cash used in financing activities	<u>–</u>	<u>(57,662)</u>	<u>–</u>	<u>(57,662)</u>
At 31st December 2004	<u>164,680</u>	<u>970</u>	<u>23</u>	<u>165,673</u>

**28 CHANGE OF NAME**

By a special resolution passed at an Extraordinary General Meeting held on 7th October 2004, the Company changed its name from U-Cyber Technology Holdings Limited to New Smart Holdings Limited effective from 20th October 2004.

**29 APPROVAL OF ACCOUNTS**

The accounts were approved by the Board of Directors on 13th April 2005.