

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (formerly known as Hong Kong Society of Accountants). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain investment properties and investments in securities are stated at fair value.

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 accounts for the year ended 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.

(b) Consolidation

The consolidated accounts of the Group include the accounts of the Company and its subsidiaries made up to 31 December 2004.

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

The results of subsidiaries 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 intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the sales proceeds and the Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserve and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated exchange translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill/negative goodwill (net of accumulated amortisation and accumulated impairment loss) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(d) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation and accumulated impairment loss) on acquisition.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associated company or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions is capitalised and amortised on a straight-line basis over its estimated useful life of not more than 20 years. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses. Goodwill arising on the acquisition of an associated company or a jointly controlled entity is included within their carrying value at cost less any accumulated amortisation and any impairment losses.

On disposal of a subsidiary, an associated company or a jointly controlled entity, the attributable amount of unamortised goodwill or goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

(f) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at valuation undertaken by independent external valuers at the balance sheet date. The valuations are carried out annually on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuations are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating results. Any subsequent increases are credited to operating results up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve is transferred to the profit and loss account.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Fixed assets

Fixed assets other than investment properties (note 1(f)) are stated at cost less accumulated depreciation and accumulated impairment losses. Leasehold land is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their costs over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	2.0% - 3.3%
Buildings	2.5% - 5.0%
Leasehold improvements	20% - 33 $\frac{1}{3}$ %
Plant and machinery	10% - 15%
Furniture, fixtures and equipment	10% - 20%
Computer equipment	20% - 30%
Motor vehicles	20% - 25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in properties, plant and machinery and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(h) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company 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)

(i) Investments in securities

Investment in securities are recognised on a trade date basis and are initially measured at cost. All securities other than held-to-maturity debt securities are subsequently re-measured at fair value.

(i) Non-trading securities

Investments which are held for non-trading purpose are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus or deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Individual investments are reviewed regularly to determine whether they are impaired. When an investment is considered to be impaired the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

Impairment losses are written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Trading investments

Trading investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading investments are recognised in the profit and loss account. Profits or losses on disposal of trading investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(iii) Fair Value

Fair values for listed or quoted investments are determined based on quoted market prices whereas fair values for unlisted or unquoted investments are estimated by the directors based on a wide range of factors such as the financial position, industry and management analysis, results and expected cash flows, and transactions undertaken by third parties.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Inventories

(i) Stocks of garment products

Stock of garment products comprise stocks and work in progress and are stated at the lower of cost and net reasonable value. Cost, calculated on the weighted average basis, comprises purchase cost of stocks in trade, materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(ii) Other inventories

Other inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on a first-in first-out basis, comprises purchase cost of stocks in trade, materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(k) Loans and accounts receivable

Provision is made against loans and accounts receivable to the extent they are considered to be doubtful. Loans and accounts receivable in the balance sheet are stated net of such provision.

(l) Income taxes

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

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(I) Income taxes (continued)

(iii) (continued)

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

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Income taxes (continued)

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets are offset against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
 - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand and deposits held with banks with an original maturity within three months less bank overdrafts.

(n) Provisions

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

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Contingent liabilities

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

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

(p) Impairment

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

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

(q) Translation of foreign currencies

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

The results of foreign subsidiaries, associated companies or jointly controlled entities are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

Upon disposal of such entities, the cumulative amount of the exchange differences which relate to that entity is included in the calculation of the profit or loss on disposal.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Employee benefits

- (i) Salaries, annual bonuses and annual leave entitlements, are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, accruals are made for the estimated liability as a result of services rendered by employees up to the balance sheet date.
- (ii) Contributions to the defined contribution retirement schemes ("ORSO Schemes") and the Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred. The assets of these schemes are held in separately administered funds. Under these schemes, both the Group and its eligible employees are respectively required to contribute 5% each of the employees' basic monthly salary which is capped at HK\$1,000 per month. Forfeited contributions in relation to those employees who leave the ORSO Schemes prior to the full vesting of their contributions are used to reduce the existing level of contributions.

The Group also participates in the employee pension schemes of the respective municipal government in various places in PRC where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly payroll costs to these Schemes and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. The Group's contributions to these PRC contribution schemes are expensed as incurred.

- (iii) The Group also operates a share option scheme where directors or employees are granted options to acquire shares of the Company at a specified price. No compensation costs are recognised in the profit and loss account. Where the options are exercised, equity is increased by the amount of the proceeds received.
- (iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without a realistic possibility of withdrawal.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(s) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, trading and non-trading securities, inventories, receivables, operating cash and other current assets. Segment liabilities comprise operating liabilities, and exclude items such as taxation payable and corporate borrowings. Inter-segment current accounts employed by the Group for capital allocation purposes are excluded from segment assets and liabilities; the associated interest on these balances are also excluded from segment revenue and results. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

(t) Revenue recognition

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

All transactions related to dealing in securities, derivatives financial instruments and futures and options contracts, and handling fee and commission income arising from these transactions are based on trade dates. Accordingly, only those transactions whose trade dates fall within the accounting period have been taken into account.

Proceeds from disposal of securities are recognised when a sale and purchase contract is entered into.

Corporate finance, advisory fee, management fee and other service income are recognised when the services are rendered, the income can be reliably estimated and it is probable that the revenue will be received.

Rental income is recognised on a straight-line basis over the lease term net of any incentive payments.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

NOTES TO THE ACCOUNTS

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION

The Group is principally engaged in investment holding, the provision of consulting, marketing and technology services, garment manufacturing, property holding and country club operation. Revenues recognised during the year are as follows:

	Year ended 31 December	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Sales of goods	40,004	57,522
Manufacturing processing services	18,655	14,760
Country club services	5,736	5,892
Fund and other management fee income	15,809	2,683
Gross rental income from investment properties	2,466	2,914
Service income from provision of public relation services	3,279	7,703
Service income from provision of technology consulting and development services and related distribution income	13,373	12,173
Dividend income from non-trading securities	7,081	930
Brokerage commission from dealing in securities, equity options, futures and options contracts (note)	—	28,960
Corporate finance and advisory fee income (note)	—	4,491
Commission from new issues and underwriting activities (note)	—	32,154
Interest and dividend income derived from financial services (note)	—	1,415
	106,403	171,597
Other revenue		
Interest income	1,325	941
Other income	1,876	4,295
	3,201	5,236
Total revenues	109,604	176,833

Note:

These amounts represent the consolidated revenue of SBI E2-Capital Limited, a former 51% owned subsidiary which holds a financial services group. The Group's equity interest in SBI E2-Capital Limited has been reduced from 51% to 49% on 17 December 2003. As such, SBI E2-Capital Limited has become an associated company and its results have since been equity accounted for in the Group's accounts.

NOTES TO THE ACCOUNTS

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (continued)

Business segments

The Group is currently organised into five main business segments:

- Investment holding
- Financial services
- Consulting, marketing & technology services
- Garment manufacturing
- Property holding & others

Investment holding is one of the Group's segments, and accordingly the Group's trading investments, non-trading securities and the corresponding income/expenses, were included in the segment assets and results, respectively.

The comparative amounts of the financial services segment were mainly attributable to the results of SBI E2-Capital Limited which had been consolidated by the Group in the corresponding year. For the year ended 31 December 2003, the Group's turnover, staff costs, administrative expenses and operating loss attributable to SBI E2-Capital Limited was HK\$67,020,000, HK\$36,683,000, HK\$12,691,000 and HK\$3,485,000 respectively.

NOTES TO THE ACCOUNTS

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

Segment information about these businesses is presented below:

Profit And Loss Account

For the year ended 31 December 2004

	Investment holding HK\$'000	Financial services HK\$'000	Consulting, marketing & technology services HK\$'000	Garment manufacturing HK\$'000	Property holding & others HK\$'000	Group total HK\$'000
Turnover						
Segment total	10,334	14,646	16,970	58,791	8,124	108,865
Inter-segment	(9,233)	—	(310)	—	—	(9,543)
Total	1,101	14,646	16,660	58,791	8,124	99,322
Dividend income	7,081					7,081
						106,403
Segment results						
Segment total	(21,695)	4,071	360	1,086	1,512	(14,666)
Inter-segment	(9,083)	6,213	290	—	2,580	—
Gain on disposal of subsidiaries	10,193	—	—	—	—	10,193
Deemed gain on disposal of a subsidiary	12,604	—	—	—	—	12,604
Gain on disposal of non-trading securities	1,346	—	—	—	—	1,346
Net write back of provision for impairment of non-trading securities	6,574	—	—	—	—	6,574
Amortisation of goodwill in respect of a subsidiary	—	(203)	—	—	—	(203)
Segment results	(61)	10,081	650	1,086	4,092	15,848
Dividend income	7,081					7,081
Unallocated income						1,325
Finance costs						(3,751)
Share of results of associated companies		4,585	(5,634)			(1,049)
Share of results of jointly controlled entities	(133)	(384)	(6,574)			(7,091)
Profit before taxation						12,363
Taxation						(1,454)
Minority interests						(787)
Profit attributable to shareholders						10,122

NOTES TO THE ACCOUNTS

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

Balance Sheet

As at 31 December 2004

	Investment holding	Financial services	Consulting, marketing & technology services	Garment manufacturing	Property holding & others	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS						
Segment assets	161,831	8,220	14,675	45,908	85,192	315,826
Interests in associated companies	—	35,426	37,775	—	—	73,201
Interests in jointly controlled entities	8,308	81	32,481	—	—	40,870
Group total						<u>429,897</u>
LIABILITIES						
Segment liabilities	26,963	3,857	2,082	10,502	16,149	59,553
Unallocated liabilities	—	—	—	—	—	102,310
Group total						<u>161,863</u>

Other information

For the year ended 31 December 2004

	Investment holding	Financial services	Consulting, marketing & technology services	Garment manufacturing	Property holding & others	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure	528	—	436	212	29	1,205
Depreciation	819	13	299	2,660	1,450	5,241
Net write back of provision for impairment of non-trading securities recognised in profit and loss account	6,574	—	—	—	—	6,574
Surplus on revaluation of investment properties recognised in profit and loss account	—	—	—	—	4,130	4,130
Amortisation of goodwill in respect of						
— a subsidiary	—	203	—	—	—	203
— associated companies	—	—	1,544	—	—	1,544
— a jointly controlled entity	—	—	2,900	—	—	2,900

NOTES TO THE ACCOUNTS

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

Profit And Loss Account

For the year ended 31 December 2003

	Investment holding HK\$'000	Financial services HK\$'000	Consulting, marketing & technology services HK\$'000	Garment manufacturing HK\$'000	Property holding & others HK\$'000	Group total HK\$'000
Turnover						
Segment total	6,497	68,791	24,885	67,843	8,801	176,817
Inter-segment	(3,940)	(1,357)	(438)	—	—	(5,735)
Total	2,557	67,434	24,447	67,843	8,801	171,082
Dividend income	515					515
						171,597
Segment results						
Segment total	(30,156)	(190)	1,680	1,675	9,981	(17,010)
Inter-segment	2,012	1,356	(624)	—	(2,744)	—
Loss on disposal of subsidiaries	(432)	—	—	—	—	(432)
Loss on disposal of non-trading securities	(4,047)	—	—	—	—	(4,047)
Provision for impairment of non-trading securities	(50,818)	(4,251)	(3,800)	—	—	(58,869)
Provision for investment deposit	(30,000)	—	—	—	—	(30,000)
Amortisation of goodwill in respect of a subsidiary	(17)	—	—	—	—	(17)
Segment results	(113,458)	(3,085)	(2,744)	1,675	7,237	(110,375)
Dividend income	515					515
Unallocated income						941
Amortisation of goodwill in respect of an associated company			(496)			(496)
Finance costs						(8,612)
Share of results of associated companies		1,828	(2,057)			(229)
Share of results of jointly controlled entities	(277)					(277)
Loss before taxation						(118,533)
Taxation						(498)
Minority interests						607
Loss attributable to shareholders						(118,424)

NOTES TO THE ACCOUNTS

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

Balance Sheet

As at 31 December 2003

	Investment holding HK\$'000	Financial services HK\$'000	Consulting, marketing & technology services HK\$'000	Garment manufacturing HK\$'000	Property holding & others HK\$'000	Group total HK\$'000
ASSETS						
Segment assets	138,872	—	29,566	55,140	89,055	312,633
Interests in associated companies	—	31,586	21,698	—	2	53,286
Interests in jointly controlled entities	8,283	—	—	—	—	8,283
Unallocated assets	—	—	—	—	—	302
Group total						374,504
LIABILITIES						
Segment liabilities	30,526	—	5,379	19,576	15,815	71,296
Unallocated liabilities	—	—	—	—	—	89,498
Group total						160,794

Other information

For the year ended 31 December 2003

	Investment holding HK\$'000	Financial services HK\$'000	Consulting, marketing & technology services HK\$'000	Garment manufacturing HK\$'000	Property holding & others HK\$'000	Group total HK\$'000
Capital expenditure	1,815	399	485	3,336	1,234	7,269
Depreciation	873	1,099	384	2,915	1,610	6,881
Provision for impairment of non-trading securities recognised in profit and loss account	50,818	4,251	3,800	—	—	58,869
Provision for investment deposit	30,000	—	—	—	—	30,000
Surplus on revaluation of investment properties recognised in profit and loss account	—	—	—	—	5,782	5,782
Amortisation of goodwill in respect of						
— a subsidiary	17	—	—	—	—	17
— an associated company	—	—	496	—	—	496

NOTES TO THE ACCOUNTS

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (continued)

Geographical segments

The Group's business segments are mainly managed and operated in the following geographical areas:

- Hong Kong
- Mainland China
- Other countries

Geographical segmental information is presented below:

For the year ended 31 December 2004

	Hong Kong	Mainland China	Other countries	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	33,031	64,750	8,622	106,403
Other revenue	2,647	554	—	3,201
External revenue	35,678	65,304	8,622	109,604
Segment assets	295,769	120,087	14,041	429,897
Capital expenditure incurred during the year	936	269	—	1,205

For the year ended 31 December 2003

	Hong Kong	Mainland China	Other countries	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	85,503	78,328	7,766	171,597
Other revenue	5,119	117	—	5,236
External revenue	90,622	78,445	7,766	176,833
Segment assets	266,681	107,823	—	374,504
Capital expenditure incurred during the year	2,266	5,003	—	7,269

NOTES TO THE ACCOUNTS

3. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is stated after crediting and charging the following:

	Year ended 31 December	
	2004	2003
	HK\$'000	HK\$'000
Crediting:		
Write back of provision for doubtful debts/ loans receivable	121	1,702
Net realised and unrealised gain on trading investments	196	498
Gain on disposal of investment properties	420	1,242
Dividend income from non-trading securities		
- listed investments	1,138	515
- unlisted investments	5,943	415
Deemed gain on disposal of a subsidiary (note a)	12,604	—
Gain on deemed disposal of certain interest in a jointly controlled entity (note a)	1,260	—
Fund management performance fee income (note b)	8,915	—
	<u> </u>	<u> </u>
Charging:		
Loss on disposal of fixed assets	35	543
Outgoings in respect of investment properties	632	338
Auditors' remuneration	1,449	2,685
Staff costs (including directors' emoluments)		
- Retirement benefit costs (note c)	1,504	1,840
- Provision for long service payment	—	290
- Salaries, wages & other benefits	27,080	62,096
	<u> </u>	<u> </u>
	28,584	64,226
Operating lease rentals in respect of land and buildings	2,267	6,310
Depreciation on owned fixed assets	5,241	6,881
Cost of goods sold	58,536	68,589
Provision for doubtful debts and loans receivable	450	4,951
Net exchange loss	3,379	8,958
Amortisation of goodwill in respect of		
- a subsidiary	203	17
- associated companies	1,544	496
- a jointly controlled entity	2,900	—
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

3. PROFIT/(LOSS) BEFORE TAXATION (continued)

Notes:

- (a) In March 2004, the Group entered into a share subscription agreement whereby the Group agreed to subscribe for a 50% interest in iMediaHouse Asia Limited ("IMHA") at a total consideration of US\$6 million (equivalent to approximately HK\$46,800,000). Following the completion of the subscription, the Group reported its investment in IMHA in its consolidated accounts as interests in a jointly controlled entity by using the equity method. Also in June 2004, the Group entered into a share sale and purchase agreement whereby IMHA agreed to acquire the entire 100% issued share capital of Ebizal Marketing (Holdings) Limited ("EMHL"), an indirect wholly-owned subsidiary of the Company, at a cash consideration of US\$3 million (equivalent to approximately HK\$23,400,000). The disposal to IMHA was completed on 30 June 2004 and a deemed gain on disposal of a subsidiary of approximately HK\$12,604,000 (representing the portion of gain attributable to the interest of the other venturer) was recognised by the Group in the consolidated profit and loss account for the year ended 31 December 2004.

In December 2004, IMHA has issued certain shares to the other venturer at a total consideration of US\$1 million (equivalent to approximately HK\$7,800,000). The Group's interest in IMHA has been reduced by approximately 2.82%, resulting in a gain on deemed disposal of approximately HK\$1,260,000 being recognised by the Group in the consolidated profit and loss account for the year ended 31 December 2004.

- (b) During the year, the Group received fund performance fee income of approximately HK\$8,915,000, which was calculated based on the net realised gain on disposal of investments by the fund, which is subject to a clawback provision. Under the clawback provision, the Group is required to restore the fund for any deficit amount that would have been occurred upon the termination of the fund. The performance fee income was fully recognised by the Group in the consolidated profit and loss account for the year ended 31 December 2004 as the Directors considered that the income was earned in recognition of the services performed and measured reliably with reference to the above net gain, and it is unlikely that the clawback provision will take place based on the relevant circumstances.
- (c) The retirement benefit costs charged to the profit and loss represent gross contributions payable by the Group of HK\$1,504,000 (2003: HK\$2,027,000) less forfeited voluntary contributions utilised of HK\$Nil (2003: HK\$187,000). As at 31 December 2004 and 31 December 2003, there were no forfeited voluntary contributions available to reduce the contributions payable by the Group in the future.

NOTES TO THE ACCOUNTS

4. FINANCE COSTS

	Year ended 31 December	
	2004 HK\$'000	2003 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	410	611
Interest on client accounts and other loans wholly repayable within five years	368	16
Interest on loans from a former intermediate holding company, a former fellow subsidiary and a former substantial shareholder wholly repayable within five years	1,805	2,205
Interest on 5% Guaranteed Convertible Notes due 2005 and 2006	1,168	5,780
	<u>3,751</u>	<u>8,612</u>

NOTES TO THE ACCOUNTS

5. TAXATION

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

The amount of taxation charged to the consolidated profit and loss account represents:

	Year ended 31 December	
	2004 HK\$'000	2003 HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	900	450
PRC taxation	195	567
Overprovision in prior period	(7)	(1,030)
Deferred taxation – Hong Kong	—	103
	1,088	90
Share of taxation attributable to:		
Associated companies	366	408
	1,454	498

NOTES TO THE ACCOUNTS

5. TAXATION (continued)

Reconciliation between income tax expense and accounting profit/(loss) at applicable tax rates

	Year ended 31 December	
	2004 HK\$'000	2003 HK\$'000
Profit/(loss) before taxation	12,363	(118,533)
Tax charge/(credit) at the domestic income tax rate of 17.5% (2003:17.5%)	2,164	(20,743)
Tax effect of unused tax losses not recognised	2,706	2,443
Tax effect of utilisation of tax losses not previously recognised	(196)	(1,668)
Tax effect of non-taxable revenue	(11,763)	(1,558)
Tax effect of non-deductible expenses	8,482	22,795
Effect of different tax rates of subsidiaries operating in other jurisdictions	68	259
Overprovision in prior periods	(7)	(1,030)
Tax charge	1,454	498

NOTES TO THE ACCOUNTS

6. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments are analysed as follows:

	Year ended 31 December	
	2004	2003
	HK\$'000	HK\$'000
Fees	324	185
Salaries and other allowances	11,276	5,715
Bonuses	355	2,783
Pensions	48	37
	<u>12,003</u>	<u>8,720</u>

Fees to independent non-executive directors amounted to HK\$324,000 (2003: HK\$152,000) for the year.

The directors' emoluments fell within the following bands:

Emoluments band

	Number of directors	
	Year ended 31 December	
	2004	2003
HK\$ Nil - HK\$1,000,000	4	10
HK\$1,000,001 - HK\$1,500,000	—	1
HK\$1,500,001 - HK\$2,000,000	1	1
HK\$2,000,001 - HK\$2,500,000	1	1
HK\$2,500,001 - HK\$3,000,000	—	1
HK\$3,000,001 - HK\$3,500,000	2	—
	<u>8</u>	<u>14</u>

During the year, 21,528,000 share options (excluding 21,528,000 share options which were subsequently cancelled during the year) were granted to the directors under the share option scheme adopted at the annual general meeting of the Company held on 30 October 2001. Each of the options entitles the holder to subscribe for one ordinary share of HK\$0.10 in the Company at an exercise price of HK\$0.10 at any time during the period from 24 May 2004 to 23 May 2014. During the year, no share option has been exercised by any of the directors.

NOTES TO THE ACCOUNTS

6. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (continued)

(b) Employees' emoluments

The five highest paid individuals included four directors (2003: two), details of whose emoluments are included in the amounts disclosed in (a) above. The emoluments of the remaining one (2003: three) highest paid individual are as follows:

	Year ended 31 December	
	2004	2003
	HK\$'000	HK\$'000
Salaries and other allowances	720	2,795
Bonuses	63	6,434
Pensions	12	24
	<u>795</u>	<u>9,253</u>

The employees' emoluments fell within the following bands:

Emoluments band	Number of employees	
	Year ended 31 December	
	2004	2003
HK\$ Nil - HK\$1,000,000	1	—
HK\$1,500,001 - HK\$2,000,000	—	1
HK\$3,500,001 - HK\$4,000,000	—	2
	<u>1</u>	<u>3</u>

7. DIVIDEND

The Directors have resolved not to pay any dividend in respect of the year ended 31 December 2004 (2003: Nil).

NOTES TO THE ACCOUNTS

8. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the accounts of the Company is HK\$7,592,000 (2003: loss of HK\$73,497,000).

9. EARNINGS/(LOSS) PER SHARE

Basic earnings per share was calculated based on the profit attributable to shareholders of HK\$10,122,000 (2003: loss of HK\$118,424,000) and the weighted average number of 4,073,707,057 (2003: 2,783,034,712) ordinary shares in issue during the year.

Diluted earnings per share was calculated based on the above basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares, and the above weighted average number of ordinary shares in issue plus the weighted average number of 112,976,103 ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares. The diluted loss per share for the year ended 31 December 2003 is not shown as the effect of the assumed conversion of the Group's potential ordinary shares would be anti-dilutive.

10. GOODWILL

	Group HK\$'000
Cost	
At 1 January 2004 and 31 December 2004	291,794
Amortisation and impairment loss	
At 1 January 2004	287,749
Amortisation charge for the year	203
At 31 December 2004	287,952
Net book value	
At 31 December 2004	3,842
At 31 December 2003	4,045

NOTES TO THE ACCOUNTS

11. FIXED ASSETS

Group

	Investment properties HK\$'000	Other properties HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation								
At 1 January 2004	40,830	79,957	2,064	34,850	16,304	1,103	6,292	181,400
Additions	—	—	172	139	172	303	419	1,205
Disposal of subsidiaries	—	—	(6)	—	(807)	—	(445)	(1,258)
Disposals	(7,080)	—	—	—	(102)	(33)	(220)	(7,435)
Revaluation	4,130	—	—	—	—	—	—	4,130
At 31 December 2004	37,880	79,957	2,230	34,989	15,567	1,373	6,046	178,042
Accumulated depreciation								
At 1 January 2004	—	20,470	1,070	30,062	13,191	901	3,379	69,073
Charge for the year	—	2,229	531	1,034	827	151	469	5,241
Disposal of subsidiaries	—	—	(6)	—	(425)	—	(186)	(617)
Disposals	—	—	—	—	(98)	(11)	(151)	(260)
At 31 December 2004	—	22,699	1,595	31,096	13,495	1,041	3,511	73,437
Net book value								
At 31 December 2004	37,880	57,258	635	3,893	2,072	332	2,535	104,605
At 31 December 2003	40,830	59,487	994	4,788	3,113	202	2,913	112,327
The analysis of cost or valuation of the above assets is as follows:								
At cost	—	79,957	2,230	34,989	15,567	1,373	6,046	140,162
At professional valuation	37,880	—	—	—	—	—	—	37,880
At 31 December 2004	37,880	79,957	2,230	34,989	15,567	1,373	6,046	178,042
At cost	—	79,957	2,064	34,850	16,304	1,103	6,292	140,570
At professional valuation	40,830	—	—	—	—	—	—	40,830
At 31 December 2003	40,830	79,957	2,064	34,850	16,304	1,103	6,292	181,400

NOTES TO THE ACCOUNTS

11. FIXED ASSETS (continued)

The investment properties were revalued on an open market value basis as at 31 December 2004 by an independent valuer, Colliers International (Hong Kong) Limited.

The Group's interests in investment properties and other properties at their net book values are as follows:

	2004 HK\$'000	2003 HK\$'000
Held in Hong Kong on:		
Leases between 10 to 50 years	38,107	41,063
Held outside Hong Kong on:		
Leases between 10 to 50 years	57,031	59,254
	<u>95,138</u>	<u>100,317</u>

At 31 December 2004, certain other properties with a total net book value of HK\$5,378,000 (31 December 2003: HK\$12,112,000) of the Group were pledged to secure banking facilities granted to the Group.

Company

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 January 2004	1,491	1,589	665	220	3,965
Additions	—	38	142	347	527
Disposals	—	(95)	(8)	(220)	(323)
At 31 December 2004	<u>1,491</u>	<u>1,532</u>	<u>799</u>	<u>347</u>	<u>4,169</u>
Accumulated depreciation					
At 1 January 2004	497	1,218	621	137	2,473
Charge for the year	497	188	47	86	818
Disposals	—	(91)	(8)	(151)	(250)
At 31 December 2004	<u>994</u>	<u>1,315</u>	<u>660</u>	<u>72</u>	<u>3,041</u>
Net book value					
At 31 December 2004	<u>497</u>	<u>217</u>	<u>139</u>	<u>275</u>	<u>1,128</u>
At 31 December 2003	<u>994</u>	<u>371</u>	<u>44</u>	<u>83</u>	<u>1,492</u>

NOTES TO THE ACCOUNTS

12. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	82,398	100,518
Amounts due from subsidiaries	540,663	494,339
Amounts due to subsidiaries	(30,610)	(11,594)
	<u>592,451</u>	<u>583,263</u>
Less: Provision for diminution in value		
- Unlisted shares, at cost	(75,522)	(93,644)
- Amounts due from subsidiaries	(320,292)	(347,893)
	<u>196,637</u>	<u>141,726</u>

Details of principal subsidiaries are set out in note 31.

13. INTERESTS IN ASSOCIATED COMPANIES

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	—	—	22,425	22,425
Share of net assets	64,749	57,604	—	—
Goodwill (note a)	17,328	9,251	—	—
Amounts due from associated companies (note b)	5,142	63	—	—
Amounts due to associated companies (note b)	(14,018)	(13,632)	(14,018)	(13,632)
	<u>73,201</u>	<u>53,286</u>	<u>8,407</u>	<u>8,793</u>

NOTES TO THE ACCOUNTS

13. INTERESTS IN ASSOCIATED COMPANIES (continued)

Note a: The movement in goodwill is as follows:

	HK\$'000
Gross amount	
At 1 January 2004	9,912
Additions	9,621
	<hr/>
At 31 December 2004	19,533
	<hr/>
Amortisation	
At 1 January 2004	661
Amortisation charge for the year	1,544
	<hr/>
At 31 December 2004	2,205
	<hr/>
Carrying amount	
At 31 December 2004	17,328
	<hr/> <hr/>
At 31 December 2003	9,251
	<hr/> <hr/>

Note b: The amounts due from or to associated companies are unsecured. Except for an amount of HK\$7,009,000 (2003: HK\$6,662,000) due to an associated company which bears interest at prime rate plus 1.5% per annum and is repayable on demand, the remaining balances are interest free and have no fixed repayment terms. For the year ended 31 December 2004, the Group's interest expenses paid and payable to the associated company amounted to HK\$347,000 (2003: HK\$1,057,000).

NOTES TO THE ACCOUNTS

13. INTERESTS IN ASSOCIATED COMPANIES (continued)

Details of the principal associated companies at 31 December 2004 are as follows. To give details of all other associated companies of the Group would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation and operation	Percentage of equity held by		Principal activities
		Company	Group	
Supresoft Imagis Inc*	British Virgin Islands	27.6%	—	Sale and development of software and hardware products and the provision of data processing service
SBI E2-Capital Limited	Cayman Islands	—	49%	Investment holding
SBI E2-Capital Asia Limited	British Virgin Islands	—	49%	Investment holding
SBI E2-Capital China Group Limited	British Virgin Islands	—	34.3%	Investment holding
SBI E2-Capital Brokerage Limited	Hong Kong	—	34.3%	Securities broking
SBI E2-Capital Commodities Limited	Hong Kong	—	34.3%	Broker of commodities, options and futures contracts
SBI E2-Capital (HK) Limited	Hong Kong	—	34.3%	Provision of corporate finance services
SBI E2-Capital Research Limited	Hong Kong	—	34.3%	Research of equity market
SBI E2-Capital Securities Limited	Hong Kong	—	34.3%	Securities broking and provision of margin financing
SBI E2-Capital China Holdings Limited	Hong Kong	—	34.3%	Investment holding
Xybernaut China Limited*	Cayman Islands	—	40%	Development of mobile and wearable computing technologies

* Associated company not audited by PricewaterhouseCoopers, Hong Kong

NOTES TO THE ACCOUNTS

13. INTERESTS IN ASSOCIATED COMPANIES (continued)

As disclosed in note 2, the Group's equity interest in SBI E2-Capital Limited has been reduced from 51% to 49% on 17 December 2003, and its accounts have since been equity accounted for in the Group's consolidated accounts. A summary of financial information of SBI E2-Capital Limited for the year ended 31 December 2004 is shown below:

Consolidated profit and loss account for the year ended 31 December

	2004 HK\$'000	2003 HK\$'000
Turnover	48,608	68,314
Profit/(loss) before taxation	11,388	(414)

Consolidated balance sheet as at 31 December

	2004 HK\$'000	2003 HK\$'000
Total assets	169,569	155,789
Total liabilities	68,700	63,508

NOTES TO THE ACCOUNTS

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of net assets	18,035	8,023	—	—
Goodwill (note a)	19,241	—	—	—
Amounts due from jointly controlled entities (note b)	3,594	260	—	—
	<u>40,870</u>	<u>8,283</u>	<u>—</u>	<u>—</u>

Note a: The movement in goodwill is as follows:

	HK\$'000
Gross amount	
At 1 January 2004	—
Additions	23,398
Deemed disposal	(1,257)
	<u>22,141</u>
At 31 December 2004	22,141
Amortisation	
At 1 January 2004	—
Amortisation charge for the year	2,900
	<u>2,900</u>
At 31 December 2004	2,900
Carrying amount	
At 31 December 2004	<u>19,241</u>
At 31 December 2003	<u>—</u>

Note b: The amounts due from jointly controlled entities are unsecured, interest free and has no fixed repayment terms.

NOTES TO THE ACCOUNTS

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

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

Name	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	held by the Company	held by subsidiary	
Softech Investment Management Company Limited*	Hong Kong	HK\$5,020	50%	—	50%	Joint management of The Applied Research Fund established by Hong Kong SAR Government
Softbank SZVC Venture Capital Management Company Limited*	PRC	paid up capital US\$2,000,000	50%	—	50%	Fund management
iMediaHouse Asia Limited	Hong Kong	HK\$21,195	47.18%	—	47.18%	Provision of marketing and media technology services
Ebizal Marketing (Holdings) Limited	British Virgin Islands	US\$1	47.18%	—	47.18%	Investment holding
Ebizal Marketing (Hong Kong) Limited	Hong Kong	HK\$2	47.18%	—	47.18%	Provision of public relations and marketing services

* Jointly controlled entities not audited by PricewaterhouseCoopers, Hong Kong

NOTES TO THE ACCOUNTS

15. NON-TRADING SECURITIES

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities, at fair value				
Listed in Hong Kong	45,358	37,144	31,255	37,144
Listed outside Hong Kong	14,041	1,568	—	—
	59,399	38,712	31,255	37,144
Unlisted	47,026	61,780	31,496	34,305
	106,425	100,492	62,751	71,449
Debt securities, at fair value				
Unlisted convertible debt securities	9,000	18,600	—	—
	115,425	119,092	62,751	71,449
Market value of listed securities				
Listed in Hong Kong	45,358	37,144	31,255	37,144
Listed outside Hong Kong	14,041	1,568	—	—
	59,399	38,712	31,255	37,144

In accordance with the Group's accounting policies on investments in securities, the directors have reviewed the Group's individual investments at 31 December 2004 in order to determine if their fair value have been impaired. Following the review, the directors concluded that a net write back of provision for impairment loss of HK\$6,574,000, comprising a write back of HK\$14,582,000 impairment loss recognised in prior years and a provision for impairment loss of HK\$8,008,000 in the current year on different investments, should be made in the profit and loss account for the year ended 31 December 2004 (2003: provision for impairment loss of HK\$58,869,000).

NOTES TO THE ACCOUNTS

16. INVENTORIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
At Cost		
Raw materials	1,688	2,097
Work in progress	3,761	7,217
Finished goods	231	662
Stocks in trade	240	415
	<u>5,920</u>	<u>10,391</u>

17. ACCOUNTS RECEIVABLE

	Group	
	2004	2003
	HK\$'000	HK\$'000
Accounts receivable arising from garment manufacturing (note a)	11,183	10,782
Accounts receivable arising from consulting, marketing and technology services (note b)	1,312	4,741
Other trade debtors	359	591
	<u>12,854</u>	<u>16,114</u>

Notes:

- (a) The credit terms of accounts receivable arising from garment manufacturing range from 30 days to 180 days.
- (b) The credit terms of accounts receivable arising from consulting, marketing and technology services range from 30 days to 60 days.
- (c) The aging analysis of the accounts receivable balance is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one month	6,521	12,545
Over one month but not exceeding three months	4,570	2,236
Over three months but not exceeding six months	1,696	957
Over six months	67	376
	<u>12,854</u>	<u>16,114</u>

NOTES TO THE ACCOUNTS

18. SUNDRY DEBTORS, PREPAYMENTS AND DEPOSITS

Included in the balance was a deposit of HK\$30,000,000 which has been fully provided for. Such deposit was provisionally paid in 2002 for the proposed acquisition of a 30% equity interest in Shenzhen Huijin Science and Technology Company Limited. Subsequent to the payment of the deposit, the directors decided not to proceed with the investment and exercised the Group's right for the refund of the deposit. The deposit has not been recovered despite the actions taken by the Group as well as the relevant PRC authorities and accordingly the deposit was fully provided for by the Group in the year ended 31 December 2003. The directors considered that it was appropriate to maintain at full provision against the deposit as at 31 December 2004 in view of the uncertainty as to its recoverability.

19. LOAN RECEIVABLE

The loan receivable is unsecured, interest bearing at 5% per annum and repayable within one year.

20. AMOUNT DUE FROM/ TO RELATED COMPANY

The balance represents amounts due from/to E2-Capital (Holdings) Limited ("E2-Capital") which were unsecured, interest free and had no fixed terms of repayment. The net amount due to E2-Capital was fully settled during the current year.

NOTES TO THE ACCOUNTS

21. ACCOUNTS PAYABLE, OTHER PAYABLE AND DEPOSITS RECEIVED

	Group	
	2004	2003
	HK\$'000	HK\$'000
(a) Accounts payable		
Accounts payable arising from garment manufacturing and operation of a country club	4,867	10,817
Accounts payable arising from consulting, marketing and technology services	477	2,492
Other trade creditors	50	5
	<u>5,394</u>	<u>13,314</u>

The aging analysis of the accounts payable balance is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one month	3,281	6,825
Over one month but not exceeding three months	1,465	5,483
Over three months but not exceeding six months	133	385
Over six months	515	621
	<u>5,394</u>	<u>13,314</u>

(b) Other payable and deposits received

As at 31 December 2004, the balance included other payable of US\$2.5 million (equivalent to approximately HK\$19,500,000) (2003: Nil), representing the Group's committed subscription of US\$1 million (equivalent to approximately HK\$7,800,000) and US\$1.5 million (equivalent to approximately HK\$11,700,000) in respect of the Group's equity investment in an associated company and a jointly controlled entity respectively (note 23 (a)).

NOTES TO THE ACCOUNTS

22. LONG TERM LIABILITIES

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loan from a former intermediate holding company (note a)	11,431	10,948	11,431	10,948
Loan from a former fellow subsidiary (note b)	68,130	65,250	68,130	65,250
Loan from a subsidiary (note c)	—	—	10,207	3,974
	79,561	76,198	89,768	80,172

Notes:

- (a) The balance represents a loan from Softbank Finance Corporation ("SBF"), a former intermediate holding company of the Company. The loan, denominated in Japanese Yen, is unsecured, interest bearing at 2.375% per annum and subordinated to the convertible notes (note 25).
- (b) The balance represents a loan from SB Titus Corporation, a wholly-owned subsidiary of SBF. The loan, denominated in Japanese Yen, is unsecured, interest bearing at 2.375% per annum and subordinated to the convertible notes (note 25).
- (c) The balance represents a loan from SIIS Treasury Limited, a wholly-owned subsidiary of the Company. The loan is unsecured, interest bearing at 3% per annum and has no fixed repayment terms.

NOTES TO THE ACCOUNTS

23. SHARE CAPITAL

Authorised:

	Ordinary shares of HK\$0.10 each	
	No. of shares	HK\$'000
At 31 December 2003 and 31 December 2004	6,000,000,000	600,000

Issued and fully paid:

	31 December 2004		31 December 2003	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At the beginning of the year	3,632,890,871	363,289	2,440,390,877	244,039
Issue of shares (note a)	240,578,501	24,057	—	—
Exercise of options	4,198,000	420	—	—
Issue of shares upon conversion of convertible notes (note b)	376,166,666	37,617	1,192,499,994	119,250
At the end of the year	4,253,834,038	425,383	3,632,890,871	363,289

Notes:

- (a) During the year ended 31 December 2004, the Company issued 99,152,542 ordinary shares and 17,867,918 ordinary shares at HK\$0.118 per share and HK\$0.10 per share respectively as partial consideration for the Group's equity investment in a jointly controlled entity. As at 31 December 2004, 17,867,918 ordinary shares of the Company were held by that jointly controlled entity, and the Group has a subscription payable of US\$1.5 million (equivalent to approximately HK\$11,700,000) in respect of the Group's equity investment in this jointly controlled entity. Subject to the terms and conditions of the subscription agreement, the amount will be settled by the Group by issuing ordinary shares of the Company (note 21(b)).

The Company also issued 88,407,669 ordinary shares at HK\$0.10 per share as partial consideration for the Group's equity investment in an associated company. As at 31 December 2004, 10,407,669 ordinary shares of the Company were held by that associated company and the Group has a subscription payable of US\$1 million (equivalent to approximately HK\$7,800,000) in respect of the Group's equity investment in this associated company. Subject to the terms and conditions of the shareholders' agreement, the amount will be settled by the Group either by cash or by issuing ordinary shares of the Company (note 21(b)).

In addition, the Company issued 35,150,372 ordinary shares at HK\$0.10 per share as consideration for the acquisition of a non-trading securities investment.

NOTES TO THE ACCOUNTS

23. SHARE CAPITAL (continued)

- (b) During the year ended 31 December 2004, the convertible notes due 2005 with principal amounts of HK\$8,300,000 were converted into 69,166,666 ordinary shares at an adjusted conversion price of HK\$0.12 per share. In addition, the convertible notes due 2006 with principal amounts of HK\$30,700,000 were converted into 307,000,000 ordinary shares at a conversion price of HK\$0.10 per share (note 25).

During the year ended 31 December 2003, the convertible notes due 2005 with principal amounts of HK\$143,100,000 were converted into ordinary shares at an adjusted conversion price of HK\$0.12 per share (note 25).

- (c) The Company operates a share option scheme under which options on the Company's shares are granted. During the year, an aggregate of 686,156,000 share options were granted under the scheme (of which 318,078,000 share options were subsequently cancelled during the same year) and 4,198,000 share options were exercised to subscribe for 4,198,000 ordinary shares of the Company. The total cash proceeds received by the Company was HK\$419,800. These shares rank pari passu with the existing shares. As at 31 December 2004, the number of the share options outstanding is as follows:

Exercise price per share HK\$	Date of grant	Exercisable period	Number of outstanding options	
			2004	2003
0.28	21-02-2002	21-02-2002 to 20-02-2012	83,604,000	88,204,000
0.10	03-11-2003	03-11-2003 to 02-11-2013	221,262,000	243,964,000
0.12	26-01-2004	26-01-2004 to 25-01-2014	5,000,000	—
0.10	24-05-2004	24-05-2004 to 23-05-2014	334,328,000	—
			644,194,000	332,168,000

Further details of the share options granted by the Company are disclosed under the section "Option Granted under the Share Option Scheme" in the Report of Directors.

NOTES TO THE ACCOUNTS

24. RESERVES

Group					(Accumulated losses)/ retained profits	
	Share premium	Capital redemption reserve	Investment revaluation reserve	Exchange translation reserve		Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2003	621,817	1,899	(95,954)	(6,336)	(697,462)	(176,036)
Issue of ordinary shares	23,850	—	—	—	—	23,850
Share issue expenses	(49)	—	—	—	—	(49)
Surplus on revaluation of non-trading securities	—	—	32,739	—	—	32,739
Investment revaluation reserve transferred to profit and loss account upon impairment of non-trading securities	—	—	58,869	—	—	58,869
Exchange translation reserve released to profit and loss account upon disposal of subsidiaries	—	—	—	(198)	—	(198)
Loss for the year	—	—	—	—	(118,424)	(118,424)
At 31 December 2003	<u>645,618</u>	<u>1,899</u>	<u>(4,346)</u>	<u>(6,534)</u>	<u>(815,886)</u>	<u>(179,249)</u>
Represented by						
Company and subsidiaries	645,618	1,899	(4,346)	(6,534)	(816,983)	(180,346)
Associated companies	—	—	—	—	1,374	1,374
Jointly controlled entities	—	—	—	—	(277)	(277)
	<u>645,618</u>	<u>1,899</u>	<u>(4,346)</u>	<u>(6,534)</u>	<u>(815,886)</u>	<u>(179,249)</u>

NOTES TO THE ACCOUNTS

24. RESERVES (continued)

Group	(Accumulated					
	Share	Capital	Investment	Exchange	losses)/	
	premium	redemption	revaluation	translation	retained	Total
	HK\$'000	reserve	reserve	reserve	profits	HK\$'000
At 1 January 2004	645,618	1,899	(4,346)	(6,534)	(815,886)	(179,249)
Issue of ordinary shares	1,384	—	—	—	—	1,384
Share issue expenses	(11)	—	—	—	—	(11)
Deficit on revaluation of non-trading securities	—	—	(21,242)	—	—	(21,242)
Investment revaluation reserve transferred to profit and loss account upon write back of impairment of non-trading securities	—	—	(3,393)	—	—	(3,393)
Investment revaluation reserve transferred to profit and loss account upon disposal of non-trading securities	—	—	5,898	—	—	5,898
Profit for the year	—	—	—	—	10,122	10,122
At 31 December 2004	<u>646,991</u>	<u>1,899</u>	<u>(23,083)</u>	<u>(6,534)</u>	<u>(805,764)</u>	<u>(186,491)</u>
Represented by						
Company and subsidiaries	646,991	1,899	(23,083)	(6,534)	(802,798)	(183,525)
Associated companies	—	—	—	—	1,502	1,502
Jointly controlled entities	—	—	—	—	(4,468)	(4,468)
	<u>646,991</u>	<u>1,899</u>	<u>(23,083)</u>	<u>(6,534)</u>	<u>(805,764)</u>	<u>(186,491)</u>

NOTES TO THE ACCOUNTS

24. RESERVES (continued)

Company	Share	Capital	Investment	Accumulated	
	premium	redemption	revaluation	losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2003	621,817	1,899	(101,638)	(767,426)	(245,348)
Issue of ordinary shares	23,850	—	—	—	23,850
Share issue expenses	(49)	—	—	—	(49)
Surplus on revaluation of non-trading securities	—	—	20,908	—	20,908
Investment revaluation reserve transferred to profit and loss account upon impairment of non-trading securities	—	—	50,818	—	50,818
Loss for the year	—	—	—	(73,497)	(73,497)
At 31 December 2003	<u>645,618</u>	<u>1,899</u>	<u>(29,912)</u>	<u>(840,923)</u>	<u>(223,318)</u>
At 1 January 2004	645,618	1,899	(29,912)	(840,923)	(223,318)
Issue of ordinary shares	1,384	—	—	—	1,384
Share issue expenses	(11)	—	—	—	(11)
Surplus on revaluation of non-trading securities	—	—	6,807	—	6,807
Investment revaluation reserve transferred to profit and loss account upon disposal of non-trading securities	—	—	11,607	—	11,607
Investment revaluation reserve transferred to the profit and loss account upon write back of provision for impairment of non-trading securities	—	—	(3,393)	—	(3,393)
Profit for the year	—	—	—	7,592	7,592
At 31 December 2004	<u>646,991</u>	<u>1,899</u>	<u>(14,891)</u>	<u>(833,331)</u>	<u>(199,332)</u>

NOTES TO THE ACCOUNTS

25. 5% GUARANTEED CONVERTIBLE NOTES

On 28 August 2002, SIIS Treasury Limited, a wholly-owned subsidiary of the Company, issued HK\$156,400,000 5% guaranteed convertible notes due in August 2005 (the "2005 Notes"). The 2005 Notes bear a fixed interest of 5% per annum and will mature on 29 August 2005. The 2005 Notes carry a right to convert at any time from 28 August 2002 to 29 August 2005 (both dates inclusive) into ordinary shares of the Company at an initial conversion price of HK\$0.31 per share which has been adjusted to HK\$0.11 per share on the second anniversary date of 28 August 2004. During the year, a HK\$8,300,000 principal amount of the 2005 Notes were converted into 69,166,666 new ordinary shares of the Company (2003: a principal amount of HK\$143,100,000 of the 2005 Notes were converted into 1,192,499,994 new ordinary shares of the Company).

On 2 February 2004 and 13 February 2004, SIIS Treasury Limited issued HK\$33,200,000 and HK\$14,800,000 5% guaranteed convertible notes (collectively the "2006 Notes") which are due on 2 February 2006 and 13 February 2006 respectively. The 2006 Notes bear a fixed interest of 5% per annum and carry a right to convert at any time from the date of issue to their respective maturity dates at a conversion price of HK\$0.1 per share. During the year, a HK\$30,700,000 principal amount of the 2006 Notes were converted into 307,000,000 new ordinary shares of the Company.

As at 31 December 2004, the outstanding principal amounts of the 2005 Notes and the 2006 Notes were HK\$5,000,000 (31 December 2003: HK\$13,300,000) and HK\$17,300,000 respectively. The Group has received a letter from the holder of the 2005 Notes indicating its intention to renew the 2005 Notes for a further three years and accordingly the Directors consider it is more appropriate to classify the outstanding principal amounts of the 2005 Notes as non-current liabilities in these accounts.

26. DEFERRED TAXATION

At 31 December 2004, the Group had an estimated unused tax losses of HK\$108,484,000 (31 December 2003: HK\$102,371,000) available for set off against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Such losses have no expiry date.

NOTES TO THE ACCOUNTS

27. CONTINGENT LIABILITIES

	Group and Company	
	2004	2003
	HK\$'000	HK\$'000
Provision of a counter indemnity to E2-Capital in respect of banking facilities granted to associated companies	—	N/A

In 2004, E2-Capital has provided a guarantee to a bank for a maximum amount of HK\$143,000,000 in relation to banking facilities granted by the bank to common associated companies. The Company has provided a counter indemnity to E2-Capital for a maximum limit of HK\$49,040,000, representing the Group's 34.3% shareholding in these associated companies. As at 31 December 2004, there was no utilisation of such banking facilities.

On 25 October 2004, two undertakings granted in favour of the Monetary Authority of Singapore in respect of the obligations and liabilities of Westcomb Capital Pte Ltd (formerly SBI E2-Capital Pte Ltd) and Westcomb Securities Pte Ltd (formerly SBI E2-Capital Securities Pte Ltd) were terminated (note 29(e)).

28. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted but not provided for				
- in respect of the subscription of redeemable convertible notes issued	—	13,000	—	—
- in respect of subscription of unlisted equity securities	1,365	—	—	—
	1,365	13,000	—	—

NOTES TO THE ACCOUNTS

28. COMMITMENTS (continued)

(b) Operating leases commitments

(i) As a lessee

At 31 December 2004, the Group and the Company had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as a lessee as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	3,619	3,602	3,146	3,146
Later than one year and not later than five years	711	1,990	—	1,875
	<u>4,330</u>	<u>5,592</u>	<u>3,146</u>	<u>5,021</u>

(ii) As a lessor

At 31 December 2004, the Group had contracted with tenants for the following future minimum lease receipts, which fall due:

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	2,079	1,715	—	—
Later than one year and not later than five years	2,751	820	—	—
	<u>4,830</u>	<u>2,535</u>	<u>—</u>	<u>—</u>

29. RELATED PARTY TRANSACTIONS

Related parties refer to E2-Capital (Holdings) Limited ("E2-Capital") and its subsidiaries (collectively the "E2-Capital Group"), and Fung Choi Properties Limited ("Fung Choi"). E2-Capital is a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. An executive director of the Company, Dato' Wong Sin Just, is also an executive director and a substantial shareholder of E2-Capital. Fung Choi is a company with 60% interest owned indirectly by Mr Yu Kam Kee Lawrence, an executive director of the Company.

NOTES TO THE ACCOUNTS

29. RELATED PARTY TRANSACTIONS (continued)

During the year the Group undertook the following significant related party transactions, in the normal course of business:

		Year ended 31 December	
		2004	2003
	Note	HK\$'000	HK\$'000
Marketing service fee income	(a)		
- E2-Capital Group		—	70
- Lai Fai		—	551
Service fee income from E2-Capital Group	(b)	—	523
Advisory fee income	(c)		
- Lai Fai		—	526
Placing commission from Lai Fai	(c)	—	819
Rental expenses	(d)	(1,668)	(1,667)

Notes:

- (a) The Group received service income from E2-Capital Group for providing marketing, technology solutions and consulting services at rates agreed in accordance with an agreement entered into by both parties. The Group also received service income from Lai Fai International Holdings Limited ("Lai Fai") for providing marketing and public relation services at rates agreed in accordance with an agreement entered into by both parties. Mr Li Shui, an ex-director of the Company (resigned on 3 October 2003), is also a director and a substantial shareholder of Lai Fai.
- (b) The Group received reimbursement from E2-Capital Group for the provision of compliance and administrative services at an agreed amount.
- (c) The Group received advisory fee and placing commission from Lai Fai at rates agreed in accordance with the agreements entered into by both parties.
- (d) The Company has a tenancy agreement with Fung Choi, whereby the Company agreed to lease from Fung Choi the premises as its headquarter office for a term of three years commencing from 1 January 2003 to 31 December 2005 at a monthly rental of HK\$156,255. During the year ended 31 December 2004, the rental charged to consolidated profit and loss account amounted to HK\$1,668,000 (2003: HK\$1,667,000).

NOTES TO THE ACCOUNTS

29. RELATED PARTY TRANSACTIONS (continued)

- (e) Each of the Company and E2-Capital has agreed to, amongst other things, provide to the Monetary Authority of Singapore ("MAS") the undertakings, as required under the MAS capital markets services licence, pursuant to which each of the Company and E2-Capital undertakes to maintain each of Westcomb Capital Pte Ltd (formerly SBI E2-Capital Pte Ltd) and Westcomb Securities Pte Ltd (formerly SBI E2-Capital Securities Pte Ltd) in a sound position and pay and settle all obligations and liabilities of Westcomb Capital Pte Ltd and Westcomb Securities Pte Ltd arising during the existence of the undertakings. The Company and E2-Capital have agreed between themselves that their respective responsibilities for the obligations and liabilities of each of Westcomb Capital Pte Ltd and Westcomb Securities Pte Ltd should be determined by reference to their respective shareholdings in SBI E2-Capital Limited. Accordingly, the Company has agreed to indemnify E2-Capital for 51% of any claim under the undertakings given to the MAS by E2-Capital and E2-Capital has agreed to indemnify the Company for 49% of any claim under the undertakings given to the MAS by the Company. Following the completion of the disposal of 2% equity interest in SBI E2-Capital Limited to Dato' Wong Sin Just on 17 December 2003, the Group's interest in SBI E2-Capital Limited has been reduced from 51% to 49%. As such, Dato' Wong Sin Just has indemnified the Company for 2% of its liability under the undertaking and indemnity given in relation to Westcomb Securities Pte Ltd. As a result of the Company's divestment in Westcomb Securities Pte Ltd and Westcomb Capital Pte Ltd, the Company has made a request to the MAS and the MAS has given its consent to withdraw all previous undertakings issued to the MAS in relation to Westcomb Securities Pte Ltd and Westcomb Capital Pte Ltd with effect from 25 October 2004.
- (f) During the year ended 31 December 2003, the Group received a fixed monthly management and consultancy fee income of HK\$1,576,000 from SIIS Investment Management Limited ("SIM", formerly Softbank China Venture Investments Limited). Following the completion of the acquisition of the entire equity interest in SIM on 25 November 2003, SIM became a wholly-owned subsidiary of the Company and ceased to be a related party.
- (g) During the year ended 31 December 2003, the Group paid interest expenses of HK\$2,205,000 at 2.375% per annum on the loans from the subsidiaries of SOFTBANK CORP., namely SBF, SB Titus Corporation (notes 22 (a) & 22 (b)) and Softbank Investment Corporation ("SBI"). SOFTBANK CORP. was the former ultimate holding company of the Company. In November 2003, SOFTBANK CORP. and its subsidiaries completed the disposal of their shareholdings in the Company, and accordingly these companies ceased to be related parties of the Group. The loan from SBI was fully repaid on 29 December 2003.
- (h) In February 2004, the 2006 Notes in the principal amount of HK\$24,000,000 were subscribed by Paper Rich Investments Limited, a subsidiary of E2-Capital. As at 31 December 2004, the outstanding principal amounts of the 2005 Notes and 2006 Notes held by E2-Capital Group were HK\$5,000,000 (31 December 2003: HK\$5,000,000) and HK\$14,000,000 (31 December 2003: N/A) respectively.

NOTES TO THE ACCOUNTS

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Effects of acquisition and disposal of subsidiaries

	Acquisition		Disposal	
	Year ended 31 December		Year ended 31 December	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Net assets acquired/ disposed of				
Fixed assets	—	18	(641)	(2,677)
Associated companies	—	—	—	(13,477)
Jointly controlled entity	—	500	—	—
Statutory and other deposits	—	—	—	(5,038)
Other employee benefits	—	—	—	(11,900)
Loans receivable	—	—	—	(750)
Inventory	—	—	(375)	—
Accounts and other receivables	—	110	(3,934)	(46,318)
Trading investments	—	—	—	(4,152)
Amount due from/ (to) the Company	—	—	1,766	(13,568)
Pledged bank deposits	—	—	—	(5,000)
Cash and bank balances	—	6,576	(266)	(52,909)
Trade and other payables	—	(4,074)	3,166	44,735
Amounts due to a related company	—	—	368	326
Taxation	—	186	—	505
Minority interests	—	—	(177)	63,134
Net identifiable assets/ (liabilities)	—	3,316	(93)	(47,089)
Goodwill	—	4,062	—	—
Reclassified as interests in associated companies	—	—	—	45,252
Unrealised gain	—	—	(12,604)	—
(Gain)/loss on disposal	—	—	(22,797)	432
	—	7,378	(35,494)	(1,405)

NOTES TO THE ACCOUNTS

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

Effects of acquisition and disposal of subsidiaries (continued)

	Acquisition		Disposal	
	Year ended 31 December		Year ended 31 December	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Total amounts paid/ (received), satisfied by:				
Accounts payable to former related companies	—	7,370	—	—
Non-trading securities	—	—	(12,094)	—
Cash	—	8	(23,400)	(1,405)
	<u>—</u>	<u>7,378</u>	<u>(35,494)</u>	<u>(1,405)</u>
Cash paid/(received)	—	8	(23,400)	(1,405)
Less: cash and cash equivalents of subsidiaries (acquired)/ disposed of	—	(6,576)	266	52,909
Net cash outflow/(inflow) in respect of the purchase/disposal of subsidiaries	<u>—</u>	<u>(6,568)</u>	<u>(23,134)</u>	<u>51,504</u>

NOTES TO THE ACCOUNTS

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

Note:

(a) **Disposals**

In June 2004, the Group entered into an agreement with New Tech & Telecom Investment Limited ("NT&T") pursuant to which the Group disposed of its 60% equity interest in Software Gateway Limited ("SWG") at a consideration of approximately HK\$12,094,000 which was satisfied by NT&T issuing to the Group 24,187 of its new shares, representing approximately an 18% shareholding in NT&T. The disposal resulted in a gain of approximately HK\$10,195,000 recognised by the Group in the consolidated profit and loss account for the year ended 31 December 2004. SWG is primarily a holding company which holds 99% equity interest in Electrum Information Technology Co., Ltd., a developer of IT solutions based in Guangzhou.

Also in June 2004, the Group entered into a share sale and purchase agreement whereby IMHA agreed to acquire the entire 100% issued share capital of EMHL, a marketing, consultation and services agency at a cash consideration of US\$3 million (equivalent to approximately HK\$23,400,000) (note 3a).

For the year ended 31 December 2004, the net losses incurred by these subsidiaries which were accounted for in the Group's results amounted to HK\$852,000 (2003: HK\$1,239,000).

In addition, a dormant subsidiary was deregistered during the current year which resulted in a loss of approximately HK\$2,000 recognised by the Group in the consolidated profit and loss account.

The comparative amounts represent the disposal of 2% equity interest in SBI E2-Capital Limited (note 2).

(b) **Acquisitions**

In October 2003, the Group entered into an agreement with Softbank Investment Corporation ("SBI"), a former substantial shareholder, and Softbank Contents Partners Corporation, a subsidiary of SBI, for the acquisition of 100% equity interest in SIIS Investment Management Limited (formerly known as Softbank China Venture Investments Limited) at a consideration of US\$945,000 (equivalent to approximately HK\$7,371,000). The payment of HK\$7,370,000 in 2004 represents the balance payment of this consideration.

NOTES TO THE ACCOUNTS

31. PRINCIPAL SUBSIDIARIES

The following list contains particulars of subsidiaries of the Group which in the opinion of the directors, materially affect the results and assets of the Group. To give details of other subsidiaries would, in the opinion of directors, result in particulars of excessive length.

Name of company	Place of incorporation/ registration and operations	Issued/ registered share capital/ paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Cheung Wah Properties Limited	Hong Kong	HK\$2	100%	—	Property investment
China Trade Investment Limited	Hong Kong	HK\$2	100%	—	Property investment
Dragon Lion Limited	Hong Kong	HK\$2	100%	—	Investment holding
Eastern Capital Inc.	British Virgin Islands	US\$39,999	—	50.0038%	Investment holding
ebizal (Holdings) Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Ebizal Net-Trans Limited	Hong Kong	HK\$2	—	100%	Provision of consulting services
Fine Score Investments Limited	Hong Kong	HK\$2	100%	—	Property investment
Foshan Chande Knitting Enterprise Company, Limited [#]	PRC	Paid up capital US\$7,100,000 (note a)	—	51%	Fabric dyeing, knitting and garment manufacturing
Gesway Investment Limited	Hong Kong	HK\$2	100%	—	Investment holding

NOTES TO THE ACCOUNTS

31. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Issued/ registered share capital/ paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Layet Company, Limited	Hong Kong	Ordinary HK\$1,000 Deferred HK\$10,000 (note b)	100%	—	Property investment
Maniway Properties Limited	Hong Kong	HK\$2	100%	—	Property holding
Nicken Limited	Hong Kong	HK\$2	100%	—	Property investment
Peach Garden Country Club (Foshan Nanhai) Co., Limited# (formerly Peach Garden Country Club (Nanhai) Limited)	PRC	Paid up capital US\$4,368,000 (note a)	—	57.89%	Country club operation
Rearden Limited	Hong Kong	HK\$10,000	100%	—	Property investment
SIIS Capital Holdings Limited	British Virgin Islands	US\$1	100%	—	Investment holding
SIIS Investment Holdings Limited	British Virgin Islands	US\$1	100%	—	Investment holding
SIIS Investment Management Limited	Hong Kong	HK\$3,875,002	—	100%	Provision of management and advisory services in private equity
SIIS (Nominees) Limited	Hong Kong	HK\$2	100%	—	Provision of nominee services

NOTES TO THE ACCOUNTS

31. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Issued/ registered share capital/ paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
SIIS Treasury Limited	British Virgin Islands/ Hong Kong	US\$1	100%	—	Provision of finance for group companies
SIIS-UCM Holdings Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Sun-Tech International Group Limited [#]	Hong Kong	HK\$1,200,000	—	20.4%	Provision of computer system integration services
Tak Wah Ho Company Limited	Hong Kong	Ordinary HK\$1,000 Deferred HK\$1,200,100 (note b)	100%	—	Property investment
Year Ford Industries Limited	Hong Kong	HK\$1,000	100%	—	Property investment

[#] Subsidiaries not audited by PricewaterhouseCoopers, Hong Kong

Notes:

- (a) Both companies are sino-foreign cooperative joint venture established in the PRC.
- (b) The deferred shares carry no rights to dividends, to receive notice of or attend or vote at any general meeting of the respective subsidiary. The right to participation in distribution on winding up is also restricted.
- (c) Unless otherwise stated, the principal place of operations of each subsidiary is the same as its place of incorporation.

32. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 17 March 2005.