1. Reverse acquisition accounting

The consolidated financial statements have been prepared based on the reverse acquisition method following the requirements under Hong Kong Financial Reporting Standard ("HKFRS") 3, "Business Combinations" in accounting for the transaction whereby the businesses of Vanda Systems & Communications Holdings Limited ("Vanda"), Hutchison Global Communications Investments Limited ("HGC") and PowerCom Network Hong Kong Limited ("PowerCom") (collectively "the Group") were consolidated as from the acquisition date of 12 March 2004. Pursuant to the requirements under HKFRS 3, HGC is deemed to be the effective acquirer of Vanda. The consolidated financial statements, have been prepared as a continuation of the consolidated financial statements of HGC and its subsidiaries (the "HGC Group"). Accordingly, the consolidated financial statements for 2004 represent the consolidated financial statements of HGC, and the results of Vanda are included in the consolidated financial statements from the acquisition date.

The acquisition of Vanda and PowerCom is accounted for by using the purchase method. Under this method, the identifiable assets and liabilities of Vanda and PowerCom were assessed at their fair value at 12 March 2004. Under HKFRS 3, the deemed consideration is determined based on the fair value of the equity instruments deemed to have been issued by HGC to the shareholders of Vanda or the fair value of the equity instruments of Vanda before the business combination. The determination of the deemed consideration requires the exercise of significant judgement, including considering factors such as published market prices and volumes of trading for quoted instruments and other factors. The Directors have made an estimation of the deemed consideration based on all the relevant and available facts and information, and the difference between the deemed consideration and the fair value of the identifiable assets and liabilities of Vanda and PowerCom, amounting to approximately HK$35 million, has been accounted for as goodwill arising from the acquisition in the consolidated balance sheet.

The 2003 comparative figures represent the consolidated financial statements of HGC Group only. The Company financial statements represent those of Hutchison Global Communications Holdings Limited (the "Company", formerly known as Vanda Systems & Communications Holdings Limited).

2. Principal accounting policies

A. Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements are prepared under the historical cost convention except, as set out in note 2E, other investments, and note 2G, investment properties, which are stated at fair values.

2. Principal accounting policies (continued)

A. Basis of preparation (continued)

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and related interpretations ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. In the current year, the Group has early adopted the following new HKFRSs:

HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 40	Investment Property
HKFRS 3	Business Combinations
HKAS-INT 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

Except for the adoption of HKFRS 3 "Business Combinations" to account for reverse acquisition as set out in note 1, the adoption of the above new HKFRSs had no material effects on the Group's results.

The Group has not early adopted other new HKFRSs except for those mentioned above in the financial statements for the year ended 31 December 2004.

The Group has already commenced an assessment of the impact of other 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.

At 31 December 2004, the Group had net current liabilities of HK$527,233,000 and significant capital expenditure contracted but not provided for of HK$637,922,000 as set out in note 34. The Group has obtained loan facilities amounting to HK$4.4 billion from Hutchison Telecommunications International (HK) Limited, a fellow subsidiary of the Company, of which approximately HK$3.9 billion has been utilised as at 31 December 2004. With these loan facilities continued to be available to the Group for a period of at least twelve months, the Directors are of the opinion that the Group will be able to meet its liabilities as they fall due and to continue in business for a period of at least twelve months from the date of this report. Consequently, the Directors have prepared the financial statements on a going concern basis.

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

2. Principal accounting policies (continued)

B. Consolidation

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

Subsidiaries are those entities in which the company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the Board of Directors; or to cast majority of votes at the meetings of the Board of Directors.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated profit and loss account.

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 proceeds of the sale and the Group's share of its net assets together with any goodwill and any related accumulated foreign currency translation reserve.

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

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.

2. Principal accounting policies (continued)

C. Associated companies

A company is classified as an associated company if not less than 20% nor more than 50% of the equity voting rights are held as a long term investment, a significant influence is exercised over its management and there is no contractual agreement between the shareholders to establish joint control over the economic activities of the entity. Results of the associated companies are incorporated in the financial statements to the extent of the Group's share of the post acquisition results. Investments in associated companies represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provision for impairment in value.

D. Long term investments

Long term investments are unlisted securities, intended to be held for a continuing strategic or long term purpose, and are stated at cost less any impairment losses, on an individual investment basis.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the consolidated profit and loss account. This impairment loss is written back to the consolidated profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

E. Other investments

Other long term investments in unlisted equity securities intended to be held on a long term basis are stated at their fair values as estimated by the Directors at the balance sheet date, on an individual investment basis.

At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the consolidated profit and loss account.

F. Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation and accumulated impairment loss. Leasehold land is amortised over the remaining period of the lease. Buildings are depreciated on the basis of an expected useful life up to 50 years, or the remainder thereof, or over the remaining period of the lease, whichever is less.

Depreciation of other fixed assets, comprising telecommunication equipment, computer equipment, office equipment, furniture and fixtures and motor vehicles, are provided at rates calculated to write off their costs over their estimated useful lives on a straight-line basis at annual rates from 2.86% to 33.33%.

2. Principal accounting policies (continued)

F. Fixed assets (continued)

Leasehold improvements are depreciated over unexpired period of the lease or expected useful life of 6.7 years, whichever is the greater. The period of the lease includes the period of which a right of renewal is attached.

During the year ended 31 December 2004, the Group re-assessed the useful lives of certain of the Group's telecommunications and other assets in relation to the Group's telecommunications services division. As a result of this re-assessment the useful lives of some of these assets have been extended from 6.7 years to 20 years and some from 25 years to 35 years. This change in accounting estimate has been accounted for prospectively from 1 January 2004, resulting in a reduction in depreciation charge for the year ended 31 December 2004 of HK$57 million.

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 consolidated profit and loss account.

G. 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 carried at fair value, representing open market value determined annually by independent qualified valuers. Changes in fair values are recorded in the consolidated profit and loss account.

H. Prepaid capacity and maintenance

Telecommunications capacity leased on an indefeasible right of use ("IRU") basis and related maintenance services are amortised on a straight-line basis from the date that the related capacity is activated over the shorter of the term of the IRU agreement or estimated useful life.

I. Prepaid network costs

Incremental and directly attributable expenditures related to new telecommunications services contracts are deferred and amortised over the expected average lives of the respective telecommunications services groups from the date of connection.

2. Principal accounting policies (continued)

J. Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased. Assets held under finance lease are depreciated over the shorter of their estimated useful lives or the lease periods.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Leases payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the consolidated profit and loss account. All other leases are accounted for as operating leases and the rental payments are charged to the consolidated profit and loss account on accrual basis.

When the Group is the lessor, assets leased out under operating leases are included in fixed assets in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned fixed assets. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease terms.

K. Inventories

Inventories, which comprise finished goods, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchases, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling price less any estimated costs necessary to make the sale.

L. Trade receivables

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

M. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Principal accounting policies (continued)

N. Asset impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

O. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred.

P. Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Q. Revenue recognition

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

(i) from the sale of goods, 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;

(ii) from the rendering of international services, local fixed network services and multi-media services, software development services and technical services, in the period in which the services are rendered;

(iii) rental income, in the period in which the properties are let out, on the straight-line basis over the lease terms; and

(iv) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

2. Principal accounting policies (continued)

R. Employee benefits

(i) Bonus plans

The expected cost of bonus payment is recognised as a liability 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.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(ii) Pension plans

Pension plans are classified into defined benefit and defined contribution plans.

Pension costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated profit and loss account so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans each year.

The pension obligation is measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Cumulative unrecognised net actuarial gains and losses at the previous financial year end to the extent of the amount in excess of 10% of the greater of the present value of plan obligations and the fair value of plan assets at that date are recognised over the average remaining service lives of employees.

The Group's contributions to the defined contribution plans are charged to the consolidated profit and loss account in the year incurred.

Pension costs are charged against the consolidated profit and loss account within staff costs.

The pension plans are funded by the relevant Group company taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

(iii) Share option

Share options are granted to some Directors, senior executives and employees. No compensation cost is recognised when the options are granted. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

2. Principal accounting policies (continued)

S. 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 subsidiaries 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.

T. 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 outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

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

U. Foreign exchange

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

For the purposes of preparing consolidated financial statements, the financial statements of subsidiaries and associated company outside Hong Kong are translated into Hong Kong dollars using the year end rates of exchange for the balance sheet items and the average rates of exchange for the year for the profit and loss account items. Exchange differences are dealt with as a movement in reserves.

V. Cash and cash equivalents

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

2. Principal accounting policies (continued)

W. 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, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

X. Segment reporting

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

Segment assets consist primarily of fixed assets, intangible assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude taxation and certain loans. Capital expenditure comprises additions to fixed assets and prepaid capacity.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3. Turnover

The Group is principally engaged in the provision of telecommunications services comprising local fixed telecommunications network services, international services and multi-media services; and IT solutions comprising sale of computer systems, provision of related systems integration services, software development and e-business services. An analysis of turnover and other revenues of the Group is as follows:

	2004	2003
	HK$'000	*HK$'000*
Turnover:		
Sales of goods	**758,732**	–
Rendering of services	**1,961,878**	1,601,130
	2,720,610	1,601,130
Other revenues:		
Roadwork design and maintenance fee	**2,112**	3,926
Bank interest income	**1,215**	433
Rental income	**1,698**	–
Sundry income	**11,497**	3,048
	16,522	7,407

4. Segment information

Segment information is presented in respect of the Group's primary business segment and secondary geographical segment.

Business segment:

	Telecommunications Services		IT Solutions		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Turnover	**1,904,179**	1,601,130	**816,431**	–	**2,720,610**	1,601,130
Segment results:						
Segment profit before amortisation and depreciation	**636,149**	579,338	**27,392**	–	**663,541**	579,338
Amortisation and depreciation	**(461,669)**	(412,268)	**(4,836)**	–	**(466,505)**	(412,268)
Operating profit	**174,480**	167,070	**22,556**	–	**197,036**	167,070
Share of loss of an associated company	**–**	–	**(217)**	–	**(217)**	–
Profit before finance costs and taxation	**174,480**	167,070	**22,339**	–	**196,819**	167,070
Finance costs					**(95,272)**	(114,230)
Taxation					**(3,437)**	–
Profit after taxation					**98,110**	52,840
Minority interests					**(1,598)**	–
Profit attributable to shareholders					**96,512**	52,840
Capital expenditures	**735,510**	1,297,717	**4,720**	–	**740,230**	1,297,717

4. Segment information (continued)

	Telecommunications Services		IT Solutions		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**8,209,859**	7,694,424	**449,405**	–	**8,659,264**	7,694,424
Goodwill	**34,756**	–	**–**	–	**34,756**	–
Interest in an associated company	**–**	–	**3,018**	–	**3,018**	–
	8,244,615	7,694,424	**452,423**	–	**8,697,038**	7,694,424
Unallocated assets					**2,971**	–
Total assets					**8,700,009**	7,694,424
Segment liabilities	**894,776**	962,557	**287,192**	–	**1,181,968**	962,557
Unallocated liabilities					**7,260,444**	3,439,873
Current and deferred tax					**15,908**	–
Total liabilities					**8,458,320**	4,402,430

Geographical segment:

	Hong Kong and Macau		Mainland China		Rest of Asia		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Turnover	**2,099,484**	1,601,130	**187,313**	–	**433,813**	–	**2,720,610**	1,601,130
Operating profit	**163,334**	167,070	**18,048**	–	**15,654**	–	**197,036**	167,070
Capital expenditures	**737,234**	1,297,717	**2,279**	–	**717**	–	**740,230**	1,297,717
Segment assets	**8,333,421**	7,694,424	**146,756**	–	**179,087**	–	**8,659,264**	7,694,424
Goodwill	**34,756**	–	**–**	–	–	–	**34,756**	–
Interest in an associated company	**–**	–	**3,018**	–	–	–	**3,018**	–
	8,368,177	7,694,424	**149,774**	–	**179,087**	–	**8,697,038**	7,694,424
Unallocated assets							**2,971**	–
Total assets							**8,700,009**	7,694,424

5. Operating profit

Operating profit is shown after crediting and charging the following items:

	Note	2004 HK$'000	2003 HK$'000
Crediting:			
Gain on disposal of fixed assets		**1,170**	–
Gain on disposal of subsidiaries	*32(e)*	**8,652**	–
Net exchange gains		**–**	815
Charging:			
Cost of inventories sold		**594,852**	–
Depreciation and amortisation:			
Fixed assets	*12*	**423,525**	376,700
Prepaid capacity			
Activated capacity	*14(a)*	**42,980**	35,568
Activated maintenance (included in cost of sales)	*14(a)*	**19,431**	16,516
Prepaid network costs (included in cost of sales)	*14(b)*	**24,016**	12,010
Operating leases:			
Land and buildings		**51,628**	39,628
Leased lines		**181,401**	140,332
Auditors' remuneration		**4,190**	1,389
Loss on disposal of fixed assets		**–**	279
Staff costs	*7*	**454,318**	358,967
Net exchange losses		**622**	–
Provision for doubtful debts		**13,869**	10,204
Provision for inventories		**1,421**	–

6. Finance costs

	2004 HK$'000	2003 HK$'000
Interest on:		
Bank loans, overdrafts and supplier loans and other loans wholly repayable within five years	**3,474**	–
Bank loans and other loans not wholly repayable within five years	**1,143**	52,736
Finance lease	**12**	–
Convertible note	**25,862**	–
Loans from an intermediate holding company	**51,777**	34,433
Loan from a fellow subsidiary	**25,441**	–
Unamortised prepaid finance costs written off	**–**	51,150
	107,709	138,319
Less: interest capitalised in fixed assets	**(12,437)**	(24,089)
	95,272	114,230

The capitalisation rate applied to fund borrowed is between 1.9% and 2.6% per annum (2003: 1.9% and 3.4%).

7. Staff costs (including Directors' remuneration)

	2004 HK$'000	2003 HK$'000
Wages and salaries	**417,681**	328,443
Termination benefits	**3,932**	1,318
Pension cost defined contribution plans	**7,188**	4,696
Pension cost defined benefits plans	**10,927**	15,964
Staff benefits	**14,590**	8,546
	454,318	358,967

8. Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to Directors of the Company during the year are as follows:

Name	Fees	Basic Salaries, Allowances and Benefits-in-kind	Discretionary Bonus	Provident Fund Contributions	Inducement or Compensation fees	Total Emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fok Kin-ning, Canning	70	–	–	–	–	70
Lai Kai Ming, Dominic	70	–	–	–	–	70
Chow Woo Mo Fong, Susan	70	–	–	–	–	70
Frank John Sixt	57	–	–	–	–	57
Dennis Pok Man Lui	53	–	–	–	–	53
Wong King Fai, Peter	56	3,236	3,450	207	–	6,949
Kan Ka Wing, Frankie	56	2,525	1,356	162	–	4,099
Chan Wen Mee, May (Michelle)	70	–	–	–	–	70
Lam Hon Nam	70	3,075	–	144	–	3,289
Tuan Lam	70	–	–	–	–	70
Cheng Ming Fun, Paul	36	–	–	–	–	36
Cheong Ying Chew, Henry	140	–	–	–	–	140
Lam Lee G.	140	–	–	–	–	140
Stephen Ingram*	53	–	–	–	–	53
Loh Tiak Koon*	–	972	200	23	2,249	3,444
	1,011	9,808	5,006	536	2,249	18,610

Note:

* *Resigned on 1 October 2004*

Directors' fees disclosed above include HK$316,000 (2003: nil) paid to Independent Non-executive Directors.

No emoluments were paid to the Directors of the Company during 2003 as the Company was not yet consolidated into the HGC Group in 2003 (note 1).

During the year, 25,000,000 (2003: nil) options were granted to the Directors under the Share Option Scheme approved by the shareholders at an Extraordinary General Meeting on 2 April 2002. The market value per share at the date of grant is HK$0.48. Please refer to note 30 to the financial statements for details of options granted and exercised during the year.

8. Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2003: nil) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2003: five) individual during the year are as follows:

	2004 **HK$'000**	2003 HK$'000
Basic salaries and allowances	**2,130**	11,143
Bonuses	**643**	6,575
Pensions	**151**	800
	2,924	18,518

The emoluments fell within the following bands:

	Number of individuals	
	2004	2003
Emolument bands		
HK$2,500,001 – HK$3,000,000	**1**	3
HK$3,500,001 – HK$4,000,000	**–**	1
HK$6,000,001 – HK$6,500,000	**–**	1

9. Taxation

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.

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

	2004 **HK$'000**	2003 HK$'000
Current taxation		
– Hong Kong	**497**	–
– Outside Hong Kong	**3,313**	–
Deferred taxation relating to the origination and reversal of temporary differences	**(373)**	–
	3,437	–

9. Taxation (continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the countries concerned as follows:

	2004	2003
	HK$'000	*HK$'000*
Profit before taxation	**101,547**	52,840
Notional tax calculated at rates applicable to profits/(losses) in the countries concerned	**20,047**	8,640
Income not subject to taxation	**(1,935)**	(76)
Expenses not deductible for taxation purpose	**6,454**	100
Utilisation of previously unrecognised tax losses	**(41,641)**	(8,664)
Tax losses and temporary differences not recognised	**20,512**	–
	3,437	–

10. Profit attributable to shareholders

The Group's profit attributable to shareholders of HK$96,512,000 consists of a post acquisition loss of HK$91,474,000 at the Company level (note 1) (2003: nil). The remaining balance of the Group's profit attributable to shareholders represents the consolidated profit contribution from subsidiaries and associated company of the Company during the year.

11. Earnings per share

Under the reverse acquisition accounting, the 4,875,000,000 ordinary shares issued by the Company to acquire HGC as set out in note 29 are deemed to be the number of ordinary shares outstanding on 1 January 2003 for the purpose of computing earnings per share.

The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders for the year ended 31 December 2004 of HK$96,512,000 (2003: HK$52,840,000) and the weighted average of 6,509,133,564 ordinary shares in issue during the year ended 31 December 2004 (2003: 4,875,000,000 ordinary shares).

The calculation of diluted earnings per share for the year ended 31 December 2004 is based on the Group's profit attributable to shareholders for the year of HK$96,512,000, adjusting for the interest saved in conversion of the convertible note of HK$25,792,000. The weighted average number of ordinary shares used in the calculation is 6,509,133,564 ordinary shares in issue during the year, adjusting for the weighted average of 204,435 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all outstanding share options, and for the weighted average of 2,686,703,096 ordinary shares assumed to have been converted from the convertible note.

12. Fixed assets

Group	Investment properties HK$'000	Other properties HK$'000	Telecom-munications assets HK$'000	Other assets HK$'000	Total HK$'000
Cost or valuation					
At 1 January 2004	–	66,208	6,942,646	281,101	7,289,955
Exchange differences	–	–	–	561	561
Additions	–	–	697,373	19,618	716,991
Acquisition of subsidiaries	23,300	50,334	23,279	74,155	171,068
Disposals	(410)	(17,602)	(225)	(9,046)	(27,283)
Disposal of subsidiaries	–	(12,297)	–	(6,172)	(18,469)
At 31 December 2004	22,890	86,643	7,663,073	360,217	8,132,823
Accumulated depreciation					
At 1 January 2004	–	8,005	1,060,210	176,595	1,244,810
Exchange differences	–	–	–	519	519
Charge for the year	–	2,952	378,123	42,450	423,525
Acquisition of subsidiaries	–	20,874	3,059	65,275	89,208
Disposals	–	(11,783)	(57)	(7,726)	(19,566)
Disposal of subsidiaries	–	(4,628)	–	(5,475)	(10,103)
At 31 December 2004	–	15,420	1,441,335	271,638	1,728,393
Net book value					
At 31 December 2004	22,890	71,223	6,221,738	88,579	6,404,430
At 31 December 2003	–	58,203	5,882,436	104,506	6,045,145
Cost or valuation at 31 December 2004					
At cost	–	86,643	7,663,073	360,217	8,109,933
At valuation	22,890	–	–	–	22,890
	22,890	86,643	7,663,073	360,217	8,132,823
Cost or valuation at 31 December 2003					
At cost	–	66,208	6,942,646	281,101	7,289,955
At valuation	–	–	–	–	–
	–	66,208	6,942,646	281,101	7,289,955

12. Fixed assets (continued)

Net book value of investment properties and other properties comprises:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Hong Kong		
Medium leasehold (less than 50 years but not less than 10 years)	**56,142**	58,203
Outside Hong Kong		
Medium leasehold (less than 50 years but not less than 10 years)	**37,971**	–
	94,113	58,203

Investment properties have been revalued as at 31 December 2004 by DTZ Debenham Tie Leung and Midland Surveyors Limited, independent professionally qualified valuers, on an open market value basis.

As at 31 December 2004, certain of the Group's investment properties with carrying values of HK$19,000,000 (2003: nil) and leasehold land and buildings with a net book value of HK$5,787,000 (2003: nil) were pledged as security for banking facilities granted to the Group. The net book value of the Group's fixed assets held under finance leases included in the total amount of other assets at 31 December 2004 amounted to HK$131,000 (2003: nil).

12. Fixed assets (continued)

Company	Other assets HK$'000
Cost	
At 1 January 2004	2,491
Disposals	(2,491)
At 31 December 2004	–
Accumulated depreciation	
At 1 January 2004	1,272
Charge for the year	217
Disposals	(1,489)
At 31 December 2004	–
Net book value	
At 31 December 2004	–
At 31 December 2003	1,219

13. Goodwill

Group	HK$'000
Cost or net book value	
At 1 January 2004	–
Acquisition of subsidiaries	34,756
At 31 December 2004	34,756

Goodwill is allocated to the Group's telecommunications services business. The recoverable amount of this business unit is determined based on value-in-use calculations. The key assumptions used in the value-in-use calculations are based on management's best estimates of growth rates and discount rates.

14(a). Prepaid capacity and maintenance

Group	Unactivated capacity HK$'000	Unactivated maintenance HK$'000	Activated capacity HK$'000	Activated maintenance HK$'000	Total HK$'000
Cost					
At 1 January 2004	403,812	182,719	536,764	248,669	1,371,964
Activations	(109,353)	(43,410)	109,353	43,410	–
Additions	7,849	–	15,390	–	23,239
At 31 December 2004	302,308	139,309	661,507	292,079	1,395,203
Accumulated amortisation					
At 1 January 2004	–	–	62,933	31,404	94,337
Amortisation	–	–	42,980	19,431	62,411
At 31 December 2004	–	–	105,913	50,835	156,748
Net book value					
At 31 December 2004	302,308	139,309	555,594	241,244	1,238,455
Cost					
At 1 January 2003	394,251	186,398	504,247	244,990	1,329,886
Activations	(7,778)	(3,679)	7,778	3,679	–
Additions	17,339	–	24,739	–	42,078
At 31 December 2003	403,812	182,719	536,764	248,669	1,371,964
Accumulated amortisation					
At 1 January 2003	–	–	27,365	14,888	42,253
Amortisation	–	–	35,568	16,516	52,084
At 31 December 2003	–	–	62,933	31,404	94,337
Net book value					
At 31 December 2003	403,812	182,719	473,831	217,265	1,277,627

14(b). Prepaid network costs

Group	HK$'000
Cost	
At 1 January 2004	139,735
Additions	83,533
At 31 December 2004	223,268
Accumulated amortisation	
At 1 January 2004	14,277
Charge for the year	24,016
At 31 December 2004	38,293
Net book value	
At 31 December 2004	184,975
Cost	
At 1 January 2003	43,366
Additions	96,369
At 31 December 2003	139,735
Accumulated amortisation	
At 1 January 2003	2,267
Charge for the year	12,010
At 31 December 2003	14,277
Net book value	
At 31 December 2003	125,458

15. Interests in subsidiaries

	Company 2004 HK$'000	Company 2003 HK$'000
Unlisted shares, at cost	**6,553,693**	28,278
Due from subsidiaries	**1,014,794**	540,624
Due to subsidiaries	**(20,297)**	(1,163)
	7,548,190	567,739
Less: Provision for impairment	**(553,846)**	(485,985)
	6,994,344	81,754

Except for amounts due from certain subsidiaries totalling HK$109,102,000 (2003: HK$113,968,000) which bear interest at 5% (2003: 5% to 5.125%) per annum, the amounts due from/(to) subsidiaries are unsecured, have no fixed repayment terms and interest–free.

Particulars regarding the principal subsidiaries are set forth in note 39.

16. Interest in an associated company

	Group 2004 HK$'000	Group 2003 HK$'000
Share of net assets	**2,913**	–
Due from an associated company	**105**	–
	3,018	–
Investment at cost		
Unlisted shares	**4,600**	–

The amount due from an associated company is unsecured, interest free and has no fixed repayment terms.

16. Interest in an associated company (continued)

The following shows the particulars of the principal associated company at 31 December 2004:

Name	Place of incorporation and operation	Principal activities	Particulars of registered capital	Interest held indirectly
Beijing Datang-Vanda Systems & Communications Co., Ltd.	PRC, limited liability company	Systems integration	Registered capital of RMB20,000,000	25%

17. Pension assets

	Group	
	2004	2003
	HK$'000	*HK$'000*
Defined benefit plan assets	**670**	422

The Group's pension schemes are operated within the pension plans of Hutchison Whampoa Limited Group.

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined benefit plans

The Group's major retirement schemes are defined benefit plans in Hong Kong. The plans are either contributory final salary pension plans or non-contributory guaranteed return defined contribution plans.

The Group's major plans were valued by Watson Wyatt, qualified actuaries, annually using the projected unit credit method.

17. Pension assets (continued)

(a) Defined benefit plans (continued)

The principal actuarial assumptions used for accounting purposes are as follows:

	2004	2003
Discount rate applied to defined benefit plan obligations	**3.50% – 3.75%**	4.50% – 4.75%
Expected return on plan assets	**8.00%**	8.00%
Future salary increases	**3.00% – 4.00%**	3.00% – 4.00%
Interest credited on plan accounts	**5.00% – 6.00%**	5.00% – 6.00%

The amount recognised in the consolidated profit and loss account is as follows:

	2004 HK$'000	2003 HK$'000
Current service cost	**16,486**	16,468
Interest cost	**4,171**	3,929
Expected return on plan assets	**(6,977)**	(5,462)
Net actuarial losses recognised	**212**	1,258
	13,892	16,193
Less: pension cost capitalised	**(2,965)**	(229)
Total, included in staff costs *(note 7)*	**10,927**	15,964

Of the total charges, HK$6,414,000 (2003: HK$11,106,000) and HK$4,513,000 (2003: HK$4,858,000) were included, respectively, in cost of sales and selling, general and administrative expenses.

The amount recognised in the consolidated balance sheet is determined as follows:

	Group	
	2004 HK$'000	2003 HK$'000
Present value of defined benefit obligations	**(117,672)**	(90,082)
Fair value of plan assets	**92,692**	77,952
Deficit	**(24,980)**	(12,130)
Unrecognised actuarial loss	**25,650**	12,429
	670	299
Related to subsidiaries acquired	**–**	123
Defined benefit plan assets	**670**	422

The actual return on plan assets is HK$3,945,000 (2003: HK$7,482,000).

17. Pension assets (continued)

(a) Defined benefit plans (continued)

The movements in the defined benefit plan assets are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
At 1 January	**422**	3,309
Total expenses	**(13,892)**	(16,193)
Contributions paid	**14,140**	13,183
	670	299
Related to subsidiaries acquired	**–**	123
At 31 December	**670**	422

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 29 February 2004 reported a funding level of 99% of the accrued actuarial liabilities on an ongoing basis. The employers' annual contributions were adjusted to fully fund the plan as advised by the independent actuaries. The valuation used the aggregate cost method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Watson Wyatt Hong Kong Limited. The funding of the plan will be reassessed based upon the results of next formal actuarial valuation to be completed by 28 February 2007 in accordance with the requirements of ORSO. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2004 this plan is fully funded for the funding of vested benefits in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$4,123,000 (2003: HK$3,641,000) were used to reduce the current year's level of contributions.

(b) Defined contribution plans

The Group's costs in respect of defined contribution plans for the year amounted to HK$7,188,000 (2003: HK$4,696,000).

18. Long term investment

	Group	
	2004	2003
	HK$'000	*HK$'000*
Unlisted equity investment, at cost	**115,330**	–
Provision for impairment	**(115,330)**	–
	–	–

The long term investment represents a 4.96% equity interest in Netstar International Holdings (BVI) Limited, which is engaged in the trading of networking equipment and the provision of network integration services. In view of the continuous non-performance and unsatisfactory results of this long term investment, full provision had been made in previous years.

19. Other investments

	Group	
	2004	2003
	HK$'000	*HK$'000*
Unlisted investments, at cost	**57,202**	–
Fair value adjustment	**(57,202)**	–
	–	–

Unlisted investments represent a 7.46% equity interest held in New Tech & Telecom Investment Limited ("NT&T") in the form of ordinary shares at a cost of HK$25,402,000 and bonds issued by NT&T at an interest rate of 4% for a total amount of HK$31,800,000 due in 2006.

20. Trade receivables

The various group companies have different credit policies, dependent on the requirements of their markets and the businesses in which they operate. For telecommunications services provided to mass market customers, the average credit period ranges from 30 to 60 days. The credit terms given to other customers vary and are generally based on the financial strength of individual customers.

	Group	
	2004	2003
	HK$'000	*HK$'000*
Current to 30 days	**272,576**	100,746
31 to 90 days	**136,052**	67,179
Over 90 days	**131,287**	368
	539,915	168,293

21. Due from/(to) fellow subsidiaries, the immediate holding company and an intermediate holding company

Amounts due from/(to) fellow subsidiaries, the immediate holding company and an intermediate holding company are unsecured and have no fixed repayment terms. During the year, interest was charged at rates between zero and prevailing market rates as agreed between the parties on a periodic basis.

22. Cash and bank balances and pledged bank deposits

	Group	
	2004	2003
	HK$'000	*HK$'000*
Cash and bank balances	**117,655**	8,446
Time deposits	**27,725**	–
	145,380	8,446
Less: Time deposits pledged for banking facilities	**(10,068)**	–
Cash and bank balances	**135,312**	8,446

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$28,177,000 (2003: nil). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

23. Trade payables

The aged analysis of trade payables at the balance sheet date is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Current to 30 days	**69,582**	8,607
31 to 90 days	**38,365**	69,655
Over 90 days	**62,356**	200,713
	170,303	278,975

24. Interest-bearing loans and overdrafts

	Group	
	2004	2003
	HK$'000	*HK$'000*
Secured bank overdrafts	**4,820**	–
Trust receipts loans		
Secured	**6,559**	–
Unsecured	**81,761**	–
Bank loans		
Secured	**16,185**	–
Unsecured	**53,700**	15,892
Other loans	**31,460**	–
	194,485	15,892

At 31 December 2004, the Group's bank loans, overdrafts and supplier loans were repayable as follows:

	Group					
	Bank loans and overdrafts		Other loans		Total	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**161,945**	–	**1,341**	1,239	**163,286**	1,239
In the second year	**1,080**	–	**1,445**	1,341	**2,525**	1,341
In the third to fifth years	**–**	–	**28,674**	13,312	**28,674**	13,312
	1,080	–	**30,119**	14,653	**31,199**	14,653
	163,025	–	**31,460**	15,892	**194,485**	15,892

Certain bank loans, trust receipt loans and bank overdrafts are secured by fixed charges over certain leasehold land and buildings and investment properties (note 12) and time deposits of the Group (note 22), and bear interest at rates ranging from 4.4% to 7.2% (2003: nil) per annum. Certain bank loans, other loans and supplier loans are unsecured and bear interest at rates ranging from 0.8% to 12.5% (2003: 7.5%) per annum.

25. Finance lease payable

The Group leases certain of its equipment for its systems integration business and general operations. The lease is classified as finance lease and has a remaining lease term of three years.

The future minimum lease payment under the finance lease and its present value at the balance sheet date was as follows:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**52**	–	**41**	–
In the second year	**51**	–	**45**	–
In the third to fifth years, inclusive	**47**	–	**45**	–
Total minimum finance lease payments	**150**	–	**131**	–
Future finance charges	**(19)**	–		
Total net finance lease payable	**131**	–		
Portion classified as current liabilities	**(41)**	–		
Long term portion	**90**	–		

26. Long term loans from a fellow subsidiary

Long term loans from a fellow subsidiary are unsecured, bear interest at prevailing market rates and are repayable on 17 July 2008.

Included in the long term loans is an amount of HK$465,828,000, which is drawn under the HK$1 billion Credit Facility Agreement (the "Agreement") with the fellow subsidiary.

According to the Agreement, on each of the first and second anniversaries of the date of the Agreement on 12 March 2004, all loans which have been drawn and remain outstanding together with all interest accrued but not paid to as up to and including each such date (the "Outstandings") shall be mandatorily and automatically converted into a convertible note in the principal sum of the Outstandings. Upon such conversion, the aggregate amount of the loans so converted shall deem to be cancelled.

As up to 31 December 2004, no such conversion has been made.

27. Convertible note

On 28 January 2004, Hutchison Whampoa Limited, Cheung Kong (Holdings) Limited and the Company jointly announced that the Company has conditionally agreed to purchase the entire issued share capital of Hutchison Global Communications Investments Limited and the entire issue share capital of PowerCom Networks Hong Kong Limited from Hutchison Global Communications Investment Holding Limited and Cheung Kong Enterprises Limited and CLP Telecommunications Limited (the "Transaction"). Convertible Note in the principal sum of HK$3,200,000,000 credited as fully paid at its face value was used as part of the consideration for the Transaction.

The Convertible Note bears a coupon at the rate of 1.0% per annum payable every six months in arrears. Unless previously converted, the outstanding principal amount of the Convertible Note will be repaid by the Company upon its maturity on the fifth anniversary of the date of issue of the Convertible Note. The Convertible Note will not be redeemable before the maturity date unless an event of default occurs. The Convertible Note is convertible into ordinary shares of the Company at any time on or after the first anniversary of the date of issue but before maturity, at an initial conversion price of HK$0.96 per share, subject to adjustment.

Upon full conversion of the Convertible Note at the initial conversion price of HK$0.96 per share, 3,333,333,333 new ordinary shares would be issued.

No conversion has been made during the year.

28. Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using taxation rates applicable to profits/(losses) in the countries concerned.

The movement on the deferred tax liabilities/(assets) account is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
At 1 January	**–**	–
Exchange differences	**6**	–
Acquisition of subsidiaries *(note 32(c))*	**632**	–
Deferred taxation credited to consolidated profit and loss account *(note 9)*	**(373)**	–
At 31 December	**265**	–

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable.

28. Deferred taxation (continued)

At 31 December 2004, the Group had unrecognised tax losses of HK$1,218,864,000 (2003: HK$961,320,000) to carry forward against future taxable income. An amount of HK$59,129,000 (2003: nil) of the unrecognised tax losses will expire within five years.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

	Group			
Deferred (liabilities)/assets tax arising from	**Accelerated depreciation**	**Amortisation of other prepayments**	**Tax losses**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 1 January 2004	**(679,858)**	**–**	**679,858**	**–**
(Charged)/credited to consolidated profit and loss account	**(55,633)**	**–**	**56,006**	**373**
Acquisition of subsidiaries	**(2,491)**	**–**	**1,859**	**(632)**
Exchange differences	**(6)**	**–**	**–**	**(6)**
At 31 December 2004	**(737,988)**	**–**	**737,723**	**(265)**
At 1 January 2003	(529,945)	(8,383)	538,328	–
Tax rate adjustment	(49,682)	(786)	50,468	–
	(579,627)	(9,169)	588,796	–
(Charged)/credited to consolidated profit and loss account	(101,284)	9,803	91,481	–
Over/(under) provision in prior years	1,053	(634)	(419)	–
At 31 December 2003	(679,858)	–	679,858	–

28. Deferred taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Deferred tax assets	**–**	–
Deferred tax liabilities	**265**	–
	265	–
The amount shown in the balance sheet includes the following:		
Deferred tax assets to be recovered after more than 12 months	**–**	–
Deferred tax liabilities to be recovered after more than 12 months	**265**	–

29. Issued equity

(a) Issued equity of the Group

	Group	
	Number of shares	**Issued equity**
		HK$'000
Issued equity	6,903,975,961	2,125,569

At the date of acquisition of Vanda, under reverse acquisition basis of accounting, the amount of issued equity, which includes share capital and contributed surplus in the consolidated balance sheet, represents the amount of issued equity of HGC (legal subsidiary) immediately before the acquisition and the deemed cost of acquisition. The equity structure (i.e. the number and type of shares) reflects the equity structure of Hutchison Global Communications Holdings Limited (legal parent).

29. Issued equity (continued)

(b) Movement in the share capital of the Company is as follows:

	Company	
	Number of shares	Nominal value
		HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 1 January 2004	4,000,000,000	400,000
Increase in authorised share capital	26,000,000,000	2,600,000
Ordinary shares of HK$0.10 each at 31 December 2004	30,000,000,000	3,000,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 1 January 2004	1,536,421,325	153,642
Exercises of share option	3,982,000	398
Issue of new shares on acquisition of subsidiaries (note 32(c))	5,363,572,636	536,357
Ordinary shares of HK$0.10 each at 31 December 2004	6,903,975,961	690,397

(i) Pursuant to an ordinary resolution passed at a special general meeting held on 5 March 2004, the authorised share capital of the Company was increased from HK$400,000,000 to HK$3,000,000,000 by the creation of an additional 26,000,000,000 ordinary shares of HK$0.10 each.

(ii) During the period from 1 January 2004 to 11 March 2004, 1,700,000 share options were exercised which resulted in the issue of 1,700,000 ordinary shares at HK$0.10 each at subscription prices of HK$0.81 per share, giving rise to a share premium of HK$1,207,000.

(iii) On 12 March 2004, 4,875,000,000 new ordinary shares of HK$0.10 each were alloted and issued to the shareholder of HGC for the acquisition of HGC and 488,572,636 new ordinary shares of HK$0.10 each were alloted and issued to the shareholders of PowerCom for the acquisition of PowerCom (note 32(c)).

(iv) During the period from 13 March 2004 to 31 December 2004, 2,282,000 share options were exercised which resulted in the issue of 2,282,000 ordinary shares at HK$0.10 each at subscription prices ranging from HK$0.34 to HK$0.41 per share, giving rise to a share premium of HK$588,420.

29. Issued equity (continued)

(c) Issued equity of the Company

Company	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Total HK$'000
At 1 January 2004	**153,642**	**529,309**	**28,077**	**711,028**
Exercise of share options	**398**	**1,795**	**–**	**2,193**
Issue of shares	**536,357**	**2,789,058**	**–**	**3,325,415**
Share issue expenses	**–**	**(4,613)**	**–**	**(4,613)**
At 31 December 2004	**690,397**	**3,315,549**	**28,077**	**4,034,023**
At 1 April 2003	42,161	307,937	28,077	378,175
Issue of shares upon conversion of convertible bonds	111,477	222,955	–	334,432
Exercise of share options	4	30	–	34
Share issue expenses in relation to the conversion of convertible bonds	–	(1,613)	–	(1,613)
At 31 December 2003	153,642	529,309	28,077	711,028

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation in 1993, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act (1981) of Bermuda, as amended, the contributed surplus is distributable under certain circumstances.

30. Share option

(a) The Group operates certain share option schemes, details of which are as follows:

(i) 1995 Option Scheme

Pursuant to an ordinary resolution passed on 22 March 1995, the Company adopted a share option scheme (the "1995 Option Scheme"). On 2 April 2002, the 1995 Option Scheme was terminated and replaced by a new option scheme (the "2002 Option Scheme") of the Company. The 1995 Option Scheme will in all other respects remain in force to the extent necessary to give effect to the exercise of the outstanding options granted pursuant thereto (the "Outstanding Options") which will continue to be valid and exercisable in accordance with the rules of the 1995 Option Scheme. All Outstanding Options were either exercised, expired or cancelled during the year.

At the balance sheet date, there were no share options outstanding under the 1995 Option Scheme.

30. Share option (continued)

(a) The Group operates certain share option schemes, details of which are as follows: (continued)

(ii) *Share option schemes of subsidiaries*

On 21 May 2001, the Company approved the adoption by certain subsidiaries (the "Subsidiaries") of their respective share option schemes (collectively the "Subsidiaries' Scheme"). The Board of Directors of the Subsidiaries may, at their discretion, offer to grant options to employees and any Executive Directors. The issue of the shares shall be conditional upon the unconditional completion of the listing of the shares of the respective Subsidiaries on any internationally recognised stock exchange.

Up to the date of this report, no options have been granted under the Subsidiaries' Scheme.

(iii) *2002 Option Scheme*

A new option scheme (the "2002 Option Scheme") was adopted by the Company on 2 April 2002. The 2002 Option Scheme will remain in force for 10 years commencing on 2 April 2002.

Under the 2002 Option Scheme, the Directors may, at their discretion, invite employees of the Group, including Directors of any company in the Group, and other eligible persons, to take up options for shares.

The exercise price of the Shares under the 2002 Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares on the date of the offer of the grant; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Shares.

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

At the balance sheet date, the Company had 116,400,000 share options outstanding under the 2002 Option Scheme, which represented approximately 1.7% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 116,400,000 additional ordinary shares of the Company and additional share capital of HK$11,640,000 and share premium of HK$46,798,500 (before issue expenses).

30. Share option (continued)

(b) Movements in share options

(i) 1995 Option Scheme

	Number of option
At 1 January 2004	8,590,000
Exercised	(1,700,000)
Cancelled/Lapsed	(6,890,000)
At 31 December 2004	–
Options vested as at 31 December 2004	–

* Detailed movements of 1995 Option Scheme

Movements	Exercise period	Exercise price *HK$*	Number of options
Exercised	2 November 2001 to 1 November 2004	0.810	1,700,000
Cancelled/Lapsed	12 January 2001 to 11 January 2004	2.200	(3,620,000)
	13 January 2001 to 12 January 2004	2.200	(1,000,000)
	2 November 2001 to 1 November 2004	0.810	(2,270,000)
			(6,890,000)

(ii) 2002 Option Scheme

	Number of option
At 1 January 2004	41,850,000
Issued	112,000,000
Exercised	(2,282,000)
Cancelled/Lapsed	(35,168,000)
At 31 December 2004	116,400,000

30. Share option (continued)

(b) Movements in share options (continued)

(ii) 2002 Option Scheme (continued)

* Detailed movements of 2002 Option Scheme

Movements	Exercise period	Exercise price HK$	Number of options
Issued	19 August 2004 to 18 August 2008	0.480	112,000,000
Exercised	2 May 2004 to 1 May 2007	0.340	1,700,000
	16 May 2004 to 15 May 2007	0.410	582,000
			2,282,000
Cancelled/Lapsed	3 April 2003 to 2 April 2006	0.886	(20,000,000)
	2 May 2003 to 1 May 2006	0.940	(3,000,000)
	2 May 2004 to 1 May 2007	0.340	(1,750,000)
	16 May 2004 to 15 May 2007	0.410	(3,418,000)
	19 August 2004 to 18 August 2008	0.480	(7,000,000)
			(35,168,000)

(c) Terms of unexpired and unexercised share options at balance sheet date

(i) 2002 Option Scheme

Date of grant	Exercise period	Exercise price HK$	Number of options
2 May 2002	2 May 2003 to 1 May 2006	0.940	6,850,000
2 May 2003	2 May 2004 to 1 May 2007	0.340	3,800,000
16 May 2003	16 May 2004 to 15 May 2007	0.410	750,000
19 August 2004	19 August 2004 to 18 August 2008	0.480	105,000,000
			116,400,000

31. Reserves

Group	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004	**–**	**(1,986,370)**	**(1,986,370)**
Exchange differences	**816**	**–**	**816**
Profit for the year	**–**	**96,512**	**96,512**
At 31 December 2004	**816**	**(1,889,858)**	**(1,889,042)**
Retained by:			
Company and subsidiaries	**816**	**(1,889,641)**	**(1,888,825)**
Associated company	**–**	**(217)**	**(217)**
At 31 December 2004	**816**	**(1,889,858)**	**(1,889,042)**
At 1 January 2003	–	(2,039,210)	(2,039,210)
Profit for the year	–	52,840	52,840
At 31 December 2003	–	(1,986,370)	(1,986,370)
Retained by:			
Company and subsidiaries	–	(1,986,370)	(1,986,370)
Associated company	–	–	–
At 31 December 2003	–	(1,986,370)	(1,986,370)

Company	Accumulated losses HK$'000
At 1 January 2004	**(622,654)**
Loss for the year	**(92,301)**
At 31 December 2004	**(714,955)**
At 1 April 2003	(560,991)
Loss for the period	(61,663)
At 31 December 2003	(622,654)

The Company has no distributable reserves as at 31 December 2004.

32. Consolidated cash flow statement

(a) Reconciliation of profit before taxation for the year to net cash inflow generated from operations

	2004 HK$'000	2003 HK$'000
Profit before taxation	**101,547**	52,840
Adjustments for:		
Interest income	**(1,215)**	(433)
Finance costs	**95,272**	114,230
Depreciation of fixed assets	**423,525**	376,700
Gain on disposal of subsidiaries	**(8,652)**	–
(Gain)/loss on disposals of fixed assets	**(1,170)**	279
Amortisation of prepaid network costs	**24,016**	12,010
Amortisation of prepaid capacity	**42,980**	35,568
Amortisation of prepaid maintenance	**19,431**	16,516
Share of loss of an associated company	**217**	–
Provision for and write-off of bad and doubtful debts	**13,869**	10,204
Provision for inventories	**1,421**	–
Operating profit before changes in working captial	**711,241**	617,914
(Increase)/decrease in pension asset	**(248)**	3,010
Decrease in inventories	**8,843**	–
Increase in trade receivables	**(228,092)**	(59,686)
(Increase)/decrease in other receivables, deposits and prepayments	**(23,388)**	12,100
Increase in due from the immediate holding company	**(369)**	(193)
Decrease/(increase) in amounts due from fellow subsidiaries	**6,575**	(18,977)
Decrease in trade payables and accrued liabilities	**(37,461)**	(6,404)
(Decrease)/increase in due to an intermediate holding company	**(6,758)**	5,150
Increase/(decrease) in due to fellow subsidiaries	**7,613**	(1,026)
Net cash inflow generated from operations	**437,956**	551,888

32. Consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year

	Issued equity HK$'000	Minority interests HK$'000	Finance leases HK$'000	Loan from an intermediate holding company/ a fellow subsidiary HK$'000	Convertible note HK$'000	Bank and other loans HK$'000	Total HK$'000
At 1 January 2004	**5,278,364**	**–**	**–**	**3,423,981**	**–**	**15,892**	**8,718,237**
Exchange Difference	**–**	**–**	**–**	**–**	**–**	**1,066**	**1,066**
Issue of convertible note	**–**	**–**	**–**	**–**	**3,200,000**	**–**	**3,200,000**
Disposal of subsidiaries	**–**	**(2,543)**	**–**	**–**	**–**	**–**	**(2,543)**
Minority interests' share of profits	**–**	**1,598**	**–**	**–**	**–**	**–**	**1,598**
Interest element of finance lease charged to consolidated profit and loss account	**–**	**–**	**12**	**–**	**–**	**–**	**12**
Acquisition of subsidiaries	**(3,148,998)**	**6,107**	**162**	**–**	**–**	**151,949**	**(2,990,780)**
Cash inflows/(outflows)	**(3,797)**	**–**	**(43)**	**441,847**	**–**	**20,758**	**458,765**
At 31 December 2004	**2,125,569**	**5,162**	**131**	**3,865,828**	**3,200,000**	**189,665**	**9,386,355**

	Issued equity HK$'000	Minority interests HK$'000	Finance leases HK$'000	Loan from an intermediate holding company/ a fellow subsidiary HK$'000	Convertible note HK$'000	Bank and other loans HK$'000	Total HK$'000
At 1 January 2003	5,278,364	–	–	–	–	2,530,000	7,808,364
Acquisition of subsidiaries	–	–	–	–	–	15,892	15,892
Cash inflows/(outflows)	–	–	–	3,423,981	–	(2,530,000)	893,981
At 31 December 2003	5,278,364	–	–	3,423,981	–	15,892	8,718,237

32. Consolidated cash flow statement (continued)

(c) Major non-cash transaction

During the year, the Company issued 5,363,572,636 shares in exchange for the 100% shareholdings in HGC and PowerCom. A convertible note of HK$3.2 billion (note 27) was also issued as part of the consideration paid. Pursuant to HKFRS3 and as discussed in note 1, HGC is deemed to be the effective acquirer of Vanda and reverse acquisition is adopted to account for the transaction.

	2004	2003
	HK$'000	*HK$'000*
Fair value of assets/(liabilities) acquired:		
Fixed assets	**81,860**	–
Interest in an associated company	**3,235**	–
Inventories	**28,602**	–
Trade, other receivables and prepayments	**196,875**	–
Bank balances and cash	**144,075**	–
Trade payables and accrued liabilities	**(279,551)**	–
Finance lease payables	**(162)**	–
Interest bearing loans	**(151,949)**	–
Deferred tax	**(632)**	–
Minority interests	**(6,107)**	–
	16,246	–
Goodwill	**34,756**	–
Deemed consideration	**51,002**	–
Purchase consideration settled in cash	**–**	–
Bank balances and cash acquired	**144,075**	–
Net cash inflow in respect of acquisition	**144,075**	–

32. Consolidated cash flow statement (continued)

(d) Acquisition of a subsidiary

	2004	2003
	HK$'000	*HK$'000*
Fair value of assets/(liabilities) acquired		
Fixed assets	–	67,915
Pension assets	–	123
Trade, other receivables and prepayments	–	6,835
Bank balances and cash	–	3,382
Trade payables and accrued liabilities	–	(12,625)
Interest bearing loans	–	(15,892)
Due to fellow subsidiaries	–	(75)
Due to an intermediate holding company	–	(4)
	–	49,659
Purchase consideration settled in cash	–	49,659
Bank balances and cash acquired	–	(3,382)
Net cash outflow in respect of acquisition	–	46,277

32. Consolidated cash flow statement (continued)

(e) Disposal of subsidiaries

	2004	2003
	HK$'000	*HK$'000*
Net assets disposed of:		
Fixed assets	**8,366**	–
Debtors	**10**	–
Cash and bank balances	**835**	–
Creditors and taxation	**(15,079)**	–
Minority interests	**(2,543)**	–
	(8,411)	–
Gain on disposal	**8,652**	–
	241	–
Satisfied by:		
Cash consideration	**241**	–
Analysis of net cash outflow in respect of disposal of subsidiaries:		
Cash consideration	**241**	–
Cash and bank balances disposed of	**(835)**	–
Net cash outflow in respect of disposal	**(594)**	–

33. Contingent liabilities

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks for facilities granted to subsidiaries	**169,439**	–	**169,439**	445,635
Guarantees given to suppliers for credit lines granted to subsidiaries	**42,100**	–	**42,100**	–
Performance guarantees	**4,706**	4,167	**–**	–
Guarantees to CLP Power Hong Kong Limited in lieu of cash deposit	**4,000**	9,400	**–**	–
	220,245	13,567	**211,539**	445,635

34. Capital commitments

	Group	
	2004	2003
	HK$'000	*HK$'000*
Contracted but not provided for	**637,922**	1,128,950
Authorised but not contracted for	**1,539,831**	2,008,699
	2,177,753	3,137,649

35. Operating lease arrangements

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**124,458**	120,329
Later than one year and not later than five years	**91,544**	84,797
Later than five years	**11,226**	23,554
	227,228	228,680

At 31 December 2004, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**1,282**	–
Later than one year and not later than five years	**148**	–
	1,430	–

36. Material related party transactions

Saved as disclosed in other notes to the financial statements, during the year, the Group also had the following material related party transactions with the affiliates of Hutchison Whampoa Limited and Cheung Kong Holdings Limited ("CKH").

		2004	2003
		HK$'000	*HK$'000*
Fixed telecommunications services and IT solutions income	(a)	**275,327**	262,771
Provision of data centre services income	(b)	**19,667**	16,234
Rental expenses on lease arrangements	(c)	**23,209**	22,947
Bill collection services fee expenses	(d)	**3,364**	3,243
Sharing of services expenses	(e)	**9,022**	12,400

(a) Services provided include local and international telecommunications services (including leased line service, mobile interconnection, Internet access bandwidth) and IT solutions (including provision of computer system integration, software and maintenance services). The services were provided in the normal course of business at mutually agreed terms.

(b) Data centre services include data centre facilities, hardware and software management and co-location services. The services were provided in the normal course of business at mutually agreed terms.

(c) Various lease and licence agreements have been entered into with various related parties to lease properties for hub sites, warehouses and offices. The lease and licence agreements were entered into at mutually agreed terms.

(d) An agreement has been entered into between the Group and A.S. Watson Group (HK) Limited ("Watson") to appoint Watson as an agent to receive customer payments at retail outlets operated by Watson in Hong Kong. The agreement has been entered into on normal commercial terms.

(e) Fees were paid to Hutchison International Limited and CKH for sharing of services including, among others, legal and regulatory services, company secretarial services, provident fund management services and insurance management services at mutually agreed terms.

Apart from the long term loans due from a fellow subsidiary as mentioned in note 26 and the convertible note mentioned in note 27, the Group also has an unsecured loan from a subsidiary of CKH for an amount of HK$16,808,000. Interest is charged at prevailing market rates and the loan is repayable on 12 March 2009.

The total interest paid during the year for the borrowings mentioned above was HK$103,385,000 (2003: HK$34,433,000).

37. Ultimate holding company

The Directors regard Hutchison Whampoa Limited, a company incorporated and listed in Hong Kong, as being the ultimate holding company.

38. Approval of accounts

The financial statements were approved by the Board of Directors on 7 March 2005.

39. Principal subsidiaries

	Subsidiaries	Place of incorporation/ principal place of operation	Nominal value of issued/registered and paid-up share capital	Percentage of equity attributable to the Group	Principal activities
	Interests held directly:				
	Vanda (B.V.I.) Limited	British Virgin Islands	Ordinary US$50,000	100	Investment holding
#	PowerCom Network Hong Kong Limited	British Virgin Islands	Ordinary US$200	100	Provision of internet access and communication services
	Interests held indirectly:				
#	Access IP Limited	Isle of Man	Ordinary £1	100	Dormant
#	All In Profit International Limited	Hong Kong	Ordinary HK$2	100	Dormant
	Automatic Associates Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
#	Azure Technologies Phils., Inc.	The Philippines	Peso27,000,000	91.7	Distribution of computer hardware, software and the provision of computer support services
	Azure Technologies Pte Ltd.	Singapore	Ordinary S$2,500,000	91.7	Distribution of computer products and provision of information technology consultancy services

39. Principal subsidiaries (continued)

	Subsidiaries	Place of incorporation/ principal place of operation	Nominal value of issued/registered and paid-up share capital	Percentage of equity attributable to the Group	Principal activities
#	Azure Technologies (Malaysia) Sdn. Bhd.	Malaysia	Ordinary RM7,700,000	91.7	Distribution of computer products and the provision of computer support services
#@	Beijing Vanda Suntech Software Engineering Co., Ltd.	PRC, limited liability company	US$1,500,000	100	Manufacture and sale of computer software and provision of related technical consultancy services
#*	Beijing Vanda Yunda IT Services Co., Ltd.	PRC, limited liability company	RMB31,000,000	–	Systems integration and trading of computer products
	BonVision Technology Limited	Hong Kong	Ordinary HK$4,000	100	Dormant
#	Building Management Security Communication Limited	Hong Kong	Ordinary HK$2	100	Dormant
#@	Changchun Vanda Software Engineering Co., Ltd.	PRC, limited liability company	US$500,000	100	Development, design and installation of computer software systems, provision of consultancy and training services and trading of computer products

39. Principal subsidiaries (continued)

	Subsidiaries	Place of incorporation/ principal place of operation	Nominal value of issued/registered and paid-up share capital	Percentage of equity attributable to the Group	Principal activities
#**	Dalian Vanda Software Engineering Co., Ltd	PRC, limited liability company	RMB996,120	60	Design and installation of computer software communications networks and industrial control systems
	Debt Management Limited	British Virgin Islands	Ordinary US$1	100	Collection agency
	Eagle Reach Limited	Bahamas	Ordinary US$2	100	Telecommunications business
	Hazelwood Green Limited	British Virgin Islands	Ordinary US$10,000	100	Investment holdings
	Hutchison Global Communications Limited	Hong Kong	Ordinary HK$20	100	Telecommunications business
	Hutchison Global Communications Investments Limited	British Virgin Islands	Ordinary US$10,000	100	Investment holdings
	Hutchison Global Communications (Malaysia) Sdn. Bhd.	Malaysia	Ordinary RM2	100	Telecommunications business
	Hutchison Global Communications Pte Limited	Singapore	Ordinary S$2	100	Telecommunications business
	Hutchison Global Communications (Taiwan) Limited	Taiwan	Ordinary NTD1,000,000	100	Telecommunications business

39. Principal subsidiaries (continued)

	Subsidiaries	Place of incorporation/ principal place of operation	Nominal value of issued/registered and paid-up share capital	Percentage of equity attributable to the Group	Principal activities
	Hutchison Global Communications (US) Limited	United States of America	Ordinary US$30	100	Telecommunications business
	Hutchison GlobalCentre Limited	Hong Kong	Ordinary HK$2	100	Data centre facilities services
	Hutchison MultiMedia Services Limited	Hong Kong	Ordinary HK$20	100	Provision of Internet services
	HCL Partnership Holdings Limited	Hong Kong	Ordinary HK$2	100	Investment holding
	International Mega Flow Limited	Bahamas	Ordinary US$2	100	Telecommunications business
	Oppenheim Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Polmont Property Investments Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
#	Power Communications Limited	Hong Kong	Ordinary HK$2	100	Dormant
	Robust Connection Limited	Bahamas	Ordinary US$2	100	Telecommunications business
#@	Vanda Computer System Integration (Shanghai) Co., Ltd.	PRC, limited liability company	US$1,050,000	100	Systems integration and trading of computer products
#@	Vanda Computer System Integration (Shenzhen) Co., Ltd.	PRC, limited liability company	US$2,100,000	100	Development, design and installation of computer software systems

39. Principal subsidiaries (continued)

Subsidiaries	Place of incorporation/ principal place of operation	Nominal value of issued/registered and paid-up share capital	Percentage of equity attributable to the Group	Principal activities
Vanda Computer Service (Hong Kong) Company Limited	Hong Kong	Ordinary HK$10,000	100	Systems integration and trading of computer products
Vanda Computer Service (Macau) Company Limited	Macau	Ordinary MOP$500,000	100	Systems integration and trading of computer products
Vanda Computer & Equipment Company Limited	Hong Kong	Ordinary HK$2 Deferred HK$2,000,000	100	Systems integration and trading of computer products
Vanda Systems & Communications Limited	Hong Kong	Ordinary HK$2 Deferred HK$300,000	100	Property investment
Vanda Systems (Singapore) Pte Ltd	Singapore	Ordinary S$7,200,000	91.7	Investment holding
Vanda Solutions (Singapore) Pte Ltd	Singapore	Ordinary S$652,896	91.7	Provision of information technology consultancy services and trading of computer products
Vanda Software Engineering Company Limited	Hong Kong	Ordinary HK$1,000,000	100	Development of software
# Vandacom (Malaysia) Sdn. Bhd.	Malaysia	Ordinary RM500,000	91.7	Provision of technical services and trading of computer products

39. Principal subsidiaries (continued)

	Subsidiaries	Place of incorporation/ principal place of operation	Nominal value of issued/registered and paid-up share capital	Percentage of equity attributable to the Group	Principal activities
	WiseAsia.com Limited	Hong Kong	Ordinary HK$100,000	100	Systems integration and provision of related technical services and trading of computer products
	WiseAsia Computer Service (Macau) Company Limited	Macau	Ordinary MOP$25,000	100	Systems integration and provision of ancillary services and trading of computer products
	World Diversity Limited	Bahamas	Ordinary US$2	100	Investment holding
***	HCL Network Partnership	Hong Kong	HK$10,000	100	Telephone network equipment leasing and provision of ancillary services

\# *Audited by public accountants other than PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 8.4% of the Group's total assets.*

@ *All these subsidiaries are registered as wholly-foreign owned enterprises under the prevailing laws in Mainland China.*

* *Beijing Vanda Yunda IT Services Co., Ltd. is regarded as a wholly-owned subsidiary of the Company because the Group has control over its financial and operating policies.*

** *The subsidiary is established in Mainland China in the form of co-operative joint venture.*

*** *The partnership is 100% held by the subsidiaries of the Group.*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.