



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 1. GENERAL

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

The principal activities of the Group are manufacture and trading of fibreboards and veneers, property development and investment, raw steel and material trading, hotel operation and investment holding.

The Company’s shares had been suspended for trading on the Stock Exchange since 18th August, 2003.

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

#### **Financial information and certain source documents of a subsidiary**

This financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries for the year ended 31st December, 2004, except for Heng Da whose operation was suspended in August 2003 and part of its accounting records were found misplaced or lost as reported in the Group’s financial statements for the year ended 31st December, 2003 and was explained in our audit report dated 15th April, 2004. The former legal representative of Heng Da is still uncontactable and the other key management and personnel responsible for the accounting and finance function of Heng Da had also left the company since August 2003.

Included in the consolidated balance sheet of the Group as at 31st December, 2004 and the consolidated income statement for the year then ended, are the following balances attributable to Heng Da:

- Equipment and machineries of HK\$46,898,000 (2003: HK\$51,954,000);
- Trade and other payables of HK\$24,710,000 (2003: HK\$24,710,000);
- Accumulated losses of HK\$960,000 (2003: loss for the year HK\$960,000).

In the absence of complete accounting records, there were no satisfactory auditing procedures that we could adopt to ascertain whether the balances relating to the equipment and machineries, trade and other payables and accumulated losses attributable to Heng Da which had been consolidated in the Group’s financial statements are satisfactorily substantiated or otherwise supported.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

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

The Group has commenced to assess the financial impact of adopting the New HKFRSs but is not yet in position to state whether these New HKFRSs would have a significant impact on its result of operations and financial position.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

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

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

All significant intercompany transactions and balances have been eliminated on consolidation.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Goodwill**

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

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

#### **Investments in subsidiaries**

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

#### **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at each balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

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



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Property, plant and equipment**

##### *(i) Hotel properties*

Hotel properties are stated in the balance sheet at their open market value based on independent professional valuations at each balance sheet date. Any revaluation increase arising on the revaluation of hotel properties is credited to the hotel property revaluation reserve except to the extent that it reverses a revaluation decrease of the same hotel property previously recognised as an expense, in which case this increase is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of a hotel property is charged to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that hotel property. On the subsequent sale or retirement of a revalued hotel property, the balance on the hotel property revaluation reserve attributable to that property is credited to the accumulated profits.

No depreciation is provided on hotel properties except where the unexpired term of the relevant lease is 20 years or less. It is the Group's practice to maintain the buildings in a continual state of sound repairs and to make improvements thereto from time to time and accordingly, the Directors consider that depreciation is not necessary due to their high residual value.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Property, plant and equipment** *(continued)*

##### (ii) *Other property, plant and equipment*

Other property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of other property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Land and buildings in Hong Kong under medium-term leases	Over the lease term
Land and buildings outside Hong Kong under medium-term leases	2.5% to 4.5% or over the lease term, if shorter
Furniture, equipment and leasehold improvements	10% to 20%
Plant and machinery	10% to 30%
Motor vehicles	15% to 30%

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

(iii) Construction in progress is stated at cost. No depreciation or amortisation is provided for construction in progress until the construction is completed and the assets are ready for their intended use. Costs of completed construction works are transferred to the appropriate categories of other property, plant and equipment.

#### **Properties held for development**

Properties held for development are stated at cost less any identified impairment loss.

Depreciation of these properties, on the same basis as other property, plant and equipment, commences when the assets are put into use.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value.

#### **Investments in securities**

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has an expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in profit or loss for the year.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Impairment**

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

#### **Turnover**

Turnover represents the gross amounts received and receivable for revenue arising on hotel operations, goods sold by the Group to outside customers, less return and allowances and gross rental income during the year.

#### **Revenue recognition**

##### *(i) Hotel operations*

Revenue arising from hotel operations is recognised when the relevant services are rendered.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Revenue recognition** *(continued)*

##### (ii) *Sales of goods*

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

##### (iii) *Rental income*

Rental income arising from properties let under operating leases is recognised on a straight-line basis over the periods of the respective leases.

##### (iv) *Interest income*

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

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.





## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Taxation** *(continued)*

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

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

#### **Borrowing costs**

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

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

#### **Retirement benefits scheme**

Payments to defined contribution retirement scheme are charged as an expense as they fall due.

#### **Operating leases**

Rental expenses under operating leases are charged to the income statement on a straightline basis over the term of the relevant lease.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Foreign currencies**

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### **Business segments**

For management purposes, the Group is currently organised into four operating divisions - fibreboards and veneers, hotel operations, trading and property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Fibreboards and veneers	- manufacturing and trading of fibreboards and veneers
Hotel operations	- hotel ownership and management
Trading	- trading of raw steel and material products
Property investment	- holding investment properties, properties held for development and properties held for sale



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Segment information about these businesses is presented below:

2004

	Fibreboards and veneers HK\$'000	Hotel operations HK\$'000	Trading HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
TURNOVER	<u>353,593</u>	<u>19,804</u>	<u>—</u>	<u>2,205</u>	<u>375,602</u>
RESULTS					
Segment result	<u>(6,829)</u>	<u>6,879</u>	<u>—</u>	<u>(23,368)</u>	<u>(23,318)</u>
Interest income					101
Net unrealized holding gain on other investments					23
Unallocated corporate expenses					<u>(16,303)</u>
Loss from operations					<u>(39,497)</u>
Finance costs					<u>(2,196)</u>
Loss for the year					<u><u>(41,693)</u></u>
BALANCE SHEET					
ASSETS					
Segment assets	168,695	171,014	500	165,773	505,982
Goodwill	97,484				97,484
Investments in securities					83
Bank balances and cash					35,958
Unallocated corporate assets					<u>1,390</u>
Consolidated total assets					<u><u>640,897</u></u>
LIABILITIES					
Segment liabilities	112,198	4,782	774	745	118,499
Unallocated corporate liabilities					<u>212,870</u>
Consolidated total liabilities					<u><u>331,369</u></u>



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

#### OTHER INFORMATION

	Fibreboards and veneers HK\$'000	Hotel operations HK\$'000	Trading HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital additions	5,026	338	—	—	607	5,971
Depreciation and amortisation	15,813	676	—	—	973	17,462
Revaluation surplus on investment properties	—	—	—	1,800	—	1,800
Revaluation deficit on properties held for development	—	—	—	32,000	—	32,000
2003						
	Fibreboards and veneers HK\$'000	Hotel operations HK\$'000	Trading HK\$'000	Property investment HK\$'000	Consolidated HK\$'000	
TURNOVER	<u>178,630</u>	<u>14,215</u>	<u>1,123</u>	<u>2,814</u>	<u>196,782</u>	
RESULTS						
Segment result	<u>(87,418)</u>	<u>1,460</u>	<u>(311)</u>	<u>(12,227)</u>	<u>(98,496)</u>	
Interest income					98	
Net unrealized holding gains on other investments					26	
Unallocated corporate expenses					<u>(59,371)</u>	
Loss from operations					<u>(157,743)</u>	
Finance costs					<u>(3,136)</u>	
Loss for the year					<u><u>(160,879)</u></u>	



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

#### BALANCE SHEET

	Fibreboards and veneers HK\$'000	Hotel operations HK\$'000	Trading HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>					
Segment assets	159,496	170,781	501	220,143	550,921
Goodwill	103,103	—	—	—	103,103
Investments in securities					61
Pledge bank deposits					2,300
Bank balances and cash					31,858
Unallocated corporate assets					2,161
Consolidated total assets					<u>690,404</u>
<b>LIABILITIES</b>					
Segment liabilities	98,735	4,954	786	1,711	106,186
Unallocated corporate liabilities					232,997
Consolidated total liabilities					<u>339,183</u>

#### OTHER INFORMATION

	Fibreboards and veneers HK\$'000	Hotel operations HK\$'000	Trading HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital additions	3,599	2,455	—	—	—	6,054
Depreciation and amortisation	13,502	1,148	979	—	625	16,254
Revaluation surplus	—	8,814	—	—	—	8,814
Provision for doubtful amounts	133,950	—	—	—	38,000	171,950
Revaluation deficit on investment properties	—	—	—	5,900	—	5,900
Impairment losses recognised in income statement	—	—	—	—	4,788	4,788



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

#### Geographical segments

The Group's fibreboards and veneers and hotel operations are located in the People's Republic of China, other than Hong Kong (the "PRC").

Property investment, development and trading operations are located in both PRC and Hong Kong.

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

	Sales revenue by geographical market		Contribution to loss for the year	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The PRC	374,791	192,845	(23,263)	(86,479)
Hong Kong	811	3,937	(55)	(12,017)
	<u>375,602</u>	<u>196,782</u>	<u>(23,318)</u>	<u>(98,496)</u>
Interest income			101	98
Net unrealised holding gains on other investments			23	26
Unallocated corporate expenses			(16,303)	(59,371)
Loss from operations			(39,497)	(157,743)
Finance costs			(2,196)	(3,136)
Loss for the year			<u>(41,693)</u>	<u>(160,879)</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

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

	Carrying amount of segment assets		Additions to property, plant and equipment and goodwill	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The PRC	611,838	638,889	5,971	6,054
Hong Kong	29,059	51,515	—	—
	<u>640,897</u>	<u>690,404</u>	<u>5,971</u>	<u>6,054</u>

### 6. OTHER OPERATING INCOME

Other operating income included the following items:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Valued added tax refunded	—	16,212
Interest income	101	98
Net unrealised holding gains on other investments	23	23
	<u>124</u>	<u>16,333</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 7. LOSS FROM OPERATIONS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration	800	800
Amortisation of goodwill (included in other operating expenses)	5,619	5,618
Depreciation of property, plant and equipment	11,843	10,636
Staff costs (including directors' remuneration)	30,731	23,163
Unrealised holding gains on other investments	(23)	(23)
(Gain) Loss on disposal of property, plant and equipment	(2,978)	609
Net foreign exchange (gains) losses	(20)	112
	<u>          </u>	<u>          </u>

### 8. FINANCE COSTS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Interest on convertible notes	1,988	1,988
Interest on bank borrowings wholly repayable within five years	208	1,148
	<u>          </u>	<u>          </u>
	<u>2,196</u>	<u>3,136</u>





## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

#### a. Directors' emoluments

The aggregate emoluments of the Directors of the Company are as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive Directors	13	—
Independent Non-Executive Directors	243	200
	<u>256</u>	<u>200</u>
Other emoluments (Executive Directors):		
Salaries and other benefits	2,479	3,823
Retirement benefit scheme contributions	50	125
	<u>2,529</u>	<u>3,948</u>
	<u>2,785</u>	<u>4,148</u>

The emoluments of the Directors were within the following bands:

	Number of Directors	
	2004	2003
Nil - HK\$1,000,000	6	4
HK\$1,000,001 - HK\$1,500,000	2	2
	<u>8</u>	<u>6</u>

No Directors waived any emoluments for both years.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

#### b. Employees' emoluments

During the year, the five highest paid individuals included two Directors (2003: four Directors), details of whose emoluments are set out above. The emoluments of the other three individuals (2003: two individuals) were as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Salaries and other benefit	835	607
Retirement benefit scheme contributions	27	27
	<u>862</u>	<u>634</u>

The aggregate emoluments of each of these three (2003: two) highest paid individuals are less than HK\$1,000,000.

### 10. RETIREMENT BENEFIT SCHEME

The Group contributes to a defined contribution retirement scheme which is available to Hong Kong permanent employees. This retirement scheme is administered by independent trustees with their assets held separately from those of the Group. Contributions under the staff retirement scheme for each year are based on a percentage of the eligible employees' salaries and are charged to the income statement as incurred. The total contribution to the scheme amounted to HK\$118,000 (2003: HK\$167,000) for the year and has been charged to the income statement. Forfeited contributions in respect of former employees before vesting period from the staff retirement scheme may be used by the Group to reduce its ongoing employer contributions. The forfeited contributions utilised during the year amounted to HK\$Nil (2003: HK\$41,000).

At the balance sheet date, there is no balance of forfeited contributions available to reduce the contribution payable in the future years.

Since the introduction of the Mandatory Provident Fund ("MPF") Scheme in Hong Kong, the Group has also participated in an approved MPF Scheme with Bank Consortium Trust Company Limited effective 1st December, 2001 to provide an MPF Scheme to all employees.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 10. RETIREMENT BENEFIT SCHEME *(continued)*

The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited at 5% of HK\$20,000 for each eligible employee) as calculated under the MPF legislation. During the year under review, the total amount contributed by the Group to the MPF Scheme and charged to the income statement amounted to HK\$37,000 (2003: HK\$43,000).

### 11. TAXATION

No provision for Hong Kong Profits Tax or overseas taxation has been made in the financial statements as the Company and its subsidiaries have no assessable profits for both years and/or according to the PRC tax regulations. One of the Group's PRC subsidiary is in tax holiday and exempted from PRC enterprise income tax for the first two years starting from its first profit-making year followed by a 50% reduction for the next three years.

The tax credit for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Loss before tax	<u>(41,693)</u>	<u>(160,879)</u>
Tax at the domestic income tax rate of 17.5% (2003: 17.5%)	(7,296)	(28,154)
Tax effect of non deductible expenses	7,760	35,516
Tax effect of non taxable revenue	(1,294)	(15)
Effect of tax exemptions granted to PRC subsidiaries	(17)	(8,517)
Tax effect of tax loss for the year	<u>847</u>	<u>1,170</u>
Tax effect for the year	<u>—</u>	<u>—</u>

At the balance sheet date, the Group has unused estimated tax losses of HK\$14,412,000 (2003: HK\$14,412,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

The revaluation surplus for both years arising on the revaluation of properties of the Group does not constitute a timing difference. Therefore, deferred tax has not been recognised in respect of the valuation surplus (2003 : surplus) relating to properties.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year of HK\$41,693,000 (2003: a loss of HK\$160,879,000) and on 914,995,817 ordinary shares (2003: 914,995,817 ordinary shares) in issue during the year.

No diluted loss per share for the year ended 31st December, 2004 was presented because the exercise of the conversions of the outstanding convertible notes of the Company would result in the decrease of loss per share for the year.

No diluted loss per share for the year ended 31st December, 2003 was presented, as the conversion price of the convertible notes is higher than the average market price of the Company's shares before trading was suspended.

### 13. INVESTMENT PROPERTIES

	In the PRC held under medium-term leases HK\$'000	In Hong Kong held under medium-term leases HK\$'000	Total HK\$'000
<b>THE GROUP</b>			
<b>VALUATION</b>			
As at 1st January, 2004	900	10,200	11,100
Surplus on revaluation	—	1,800	1,800
	<u>900</u>	<u>12,000</u>	<u>12,900</u>
As at 31st December, 2004	<u>900</u>	<u>12,000</u>	<u>12,900</u>

Investment properties were revalued at their open market value at 31st December, 2004 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers, on an open market value basis. This valuation gave rise to a revaluation surplus of HK\$1,800,000 (2003: Nil), which has been credited to the consolidation income statement.

All of the Group's investment properties are rented out under operating leases.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 14. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties in the PRC held under medium- term leases HK\$'000	Land and buildings HK\$'000	Furniture, equipment and leasehold improvements HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION						
At 1st January, 2004	165,000	45,190	17,814	107,563	2,241	337,808
Additions	—	605	446	4,420	500	5,971
Disposals and write off	—	(2,678)	(894)	(352)	—	(3,924)
At 31st December, 2004	165,000	43,117	17,366	111,631	2,741	339,855
Comprising:						
At cost	—	43,117	17,366	111,631	2,741	174,855
At valuation - 2004	165,000	—	—	—	—	165,000
	165,000	43,117	17,366	111,631	2,741	339,855
DEPRECIATION						
At 1st January, 2004	—	4,133	16,497	21,557	2,015	44,202
Provided for the year	—	1,435	1,043	8,968	397	11,843
Eliminated on disposals and write off	—	(2,167)	(880)	(352)	—	(3,399)
At 31st December, 2004	—	3,401	16,660	30,173	2,412	52,646
NET BOOK VALUES						
At 31st December, 2004	165,000	39,716	706	81,458	329	287,209
At 31st December, 2003	165,000	41,057	1,317	86,006	226	293,606



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Hotel properties situated in the PRC were revalued on the basis of their open market value on 31st December, 2004 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers. There was no revaluations surplus or deficit arising from the revaluation as at 31st December, 2004.

If hotel properties had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of HK\$160,766,308 (2003: HK\$163,035,000).

The net book value of land and buildings shown above comprises:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
In Hong Kong held under medium-term leases	—	—
In the PRC held under medium-term leases	39,716	41,057
	<u>39,716</u>	<u>41,057</u>

### 15. PROPERTIES HELD FOR DEVELOPMENT

	THE GROUP
	In the PRC held
	under long leases
	HK\$'000
<b>COST</b>	199,267
	<u>199,267</u>
<b>IMPAIRMENT LOSS</b>	
At 1st January, 2004	119,267
Provided for the year	32,000
	<u>151,267</u>
At 31st December, 2004	151,267
	<u>151,267</u>
<b>NET BOOK VALUE</b>	
At 31st December, 2004	48,000
	<u>48,000</u>
At 31st December, 2003	80,000
	<u>80,000</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 16. GOODWILL

	<b>THE GROUP</b> HK\$'000
<b>COST</b>	
At 1st January, 2004 and 31st December, 2004	112,583
<b>AMORTISATION</b>	
At 1st January, 2004	9,480
Charge for the year	5,619
At 31st December, 2004	15,099
<b>NET BOOK VALUE</b>	
At 31st December, 2004	97,484
At 31st December, 2003	103,103

The goodwill arose on acquisition of subsidiaries during 2002. The amortisation period adopted for goodwill is 20 years.

### 17. INVESTMENTS IN SUBSIDIARIES

	<b>THE GROUP</b>	
	2004	2003
	HK\$'000	HK\$'000
Unlisted investments, at cost	1,096,607	1,096,607
Less: Impairment loss	(1,073,000)	(1,073,000)
	<u>23,607</u>	<u>23,607</u>

Particulars of the Company's principal subsidiaries as at 31st December, 2004 are set out in note 31.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 18. PROPERTIES HELD FOR SALE

#### THE GROUP

Properties held for sale are stated at net realisable value.

### 19. INVENTORIES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Fibreboards and veneers		
Raw materials	20,776	18,110
Work in progress	5,325	3,354
Finished goods	11,465	3,573
	<u>37,566</u>	<u>25,037</u>
Food, beverages and hotel supplies	1,401	1,444
	<u>38,967</u>	<u>26,481</u>

### 20. TRADE AND OTHER RECEIVABLES

#### THE GROUP

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of the Group's trade receivables at the balance sheet date:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0 - 60 days	6,316	4,146
61 - 90 days	1,385	527
91 - 120 days	481	291
> 120 days	1,417	1,276
	<u>9,599</u>	<u>6,240</u>
Trade receivables	9,599	6,240
Other receivables	6,097	6,955
	<u>15,696</u>	<u>13,195</u>





## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 21. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>						
Listed shares in Hong Kong	—	—	83	60	83	60
Overseas debt securities	—	1	—	—	—	1
	<u>—</u>	<u>1</u>	<u>83</u>	<u>60</u>	<u>83</u>	<u>61</u>
Market value of listed shares	<u>—</u>	<u>—</u>	<u>83</u>	<u>60</u>	<u>83</u>	<u>60</u>
Carrying amount analysed for reporting purposes as:						
Current	—	1	83	60	83	61
Non-current	—	—	—	—	—	—
	<u>—</u>	<u>1</u>	<u>83</u>	<u>60</u>	<u>83</u>	<u>61</u>

### 22. TRADE AND OTHER PAYABLES

#### THE GROUP

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0 - 60 days	6,091	5,548
61 - 90 days	3,155	4,151
91 - 120 days	1,335	4,948
> 120 days	4,015	806
Trade payables	<u>14,596</u>	<u>15,453</u>
Other payables	<u>77,427</u>	<u>61,634</u>
	<u>92,023</u>	<u>77,087</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 23. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Secured bank loans	—	22,750	—	22,750
Secured bank overdraft	—	—	—	—
	<u>—</u>	<u>22,750</u>	<u>—</u>	<u>22,750</u>
	<u>—</u>	<u>22,750</u>	<u>—</u>	<u>22,750</u>
The maturity of the bank borrowings is as follows:				
Within one year or on demand	—	6,500	—	6,500
More than one year but not exceeding two years	—	6,500	—	6,500
More than two years but not exceeding five years	—	9,750	—	9,750
	<u>—</u>	<u>22,750</u>	<u>—</u>	<u>22,750</u>
Less: Amount due within one year shown under current liabilities	—	(6,500)	—	(6,500)
	<u>—</u>	<u>(6,500)</u>	<u>—</u>	<u>(6,500)</u>
Amount due after one year	<u>—</u>	<u>16,250</u>	<u>—</u>	<u>16,250</u>

The secured bank loans bear interest at market rates. All secured bank loans have been repaid during the year.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 24. SHARE CAPITAL

	Number of shares		Nominal value	
	2004	2003	2004 HK\$'000	2003 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At beginning and the end of the year	<u>3,000,000,000</u>	<u>3,000,000,000</u>	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:				
At beginning and the end of the year	<u>914,995,817</u>	<u>914,995,817</u>	<u>91,500</u>	<u>91,500</u>

### 25. SHARE OPTION SCHEME

The share option scheme which was adopted by the Company on 28th June, 1994 ("Old Scheme") was originally due to expire on 28th June, 2004. As a result of certain changes to the Rules Governing The Listing of Securities on the Stock Exchange ("Listing Rules") in 2001, the Board proposed and the shareholders in general meeting approved on 20th May, 2003 early termination of the Old Scheme and adoption of a new share option scheme (the "Scheme"). After termination of the Old Scheme, no more option can be granted pursuant to the Old Scheme. During the year, no options were exercised under the Old Scheme. At 31st December, 2004, there were no options outstanding under the Old Scheme (2003: 23,500,000 options, representing 2.57% of the shares of the Company in issue at that day).

The primary purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including Director(s), and business associates of the Company and its subsidiaries, to subscribe for ordinary shares in the Company, in accordance with the terms of the Scheme.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 25. SHARE OPTION SCHEME (continued)

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the Scheme without prior approval from the Company's shareholders.

The maximum entitlement for any one participant is that the total number of ordinary shares of the Company issued and to be issued upon exercise of the options granted to such participant under the Scheme and any other option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1 per cent. of the total number of ordinary shares of the Company in issue.

The Scheme is for a term of 10 years from the date of adoption and will be expired on 20th May, 2013. No option has been granted since the adoption of the Scheme.

Details of the movements in the Company's share options during the year are as follows:

#### 2004

	Date of option granted	Exercise period	Exercise price HK\$	Outstanding at 1st January, 2004	Lapsed during the year	Outstanding at 31st December, 2004
<b>Directors</b>						
Mr. Leung Siu Fai	12th August, 2002	15th September, 2002 - 27th June, 2004	0.347	5,000,000	5,000,000	—
Mr. Kam Hung Chung	12th August, 2002	15th September, 2002 - 27th June, 2004	0.347	5,000,000	5,000,000	—
<b>Former Directors</b>						
Mr. Sun Pak Fun	12th August, 2002	15th September, 2002 - 27th June, 2004	0.347	5,000,000	5,000,000	—
<b>Total for directors</b>				15,000,000	15,000,000	—
Employees	12th August, 2002	15th September, 2002 - 27th June, 2004	0.347	8,500,000	8,500,000	—
<b>Total</b>				23,500,000	23,500,000	—



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 25. SHARE OPTION SCHEME (continued)

2003

	Date of option granted	Exercise period	Exercise price HK\$	Outstanding at 1st January, 2003	Lapsed during the year	Outstanding at 31st December, 2003
<b>Directors</b>						
Mr. Leung Siu Fai	12th August, 2002	15th September, 2002 - 27th June, 2004	0.347	5,000,000	—	5,000,000
Mr. Kam Hung Chung	12th August, 2002	15th September, 2002 - 27th June, 2004	0.347	5,000,000	—	5,000,000
<b>Former Directors</b>						
Mr. Sun Pak Fun	12th August, 2002	15th September, 2002 - 27th June, 2004	0.347	5,000,000	—	5,000,000
Mr. He Yongwen	12th August, 2002	15th September, 2002 - 27th June, 2004	0.347	5,000,000	5,000,000	—
<b>Total for directors</b>				20,000,000	5,000,000	15,000,000
Employees	12th August, 2002	15th September, 2002 - 27th June, 2004	0.347	9,500,000	1,000,000	8,500,000
<b>Total</b>				29,500,000	6,000,000	23,500,000

No share options were exercised during the year.

No charge is recognised in the income statement as no options were granted during the year (2003: Nil).



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 26. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
At 1st January and at 31st December	<u>198,800</u>	<u>198,800</u>

On 9th May, 2002, the Group issued HK\$230,000,000 convertible notes (the "Notes") which are due on 9th May, 2007 (the "Maturity Date"), bear interest at 1% per annum and in units of HK\$1,000,000 each. The Notes are convertible at the discretion of the holders of the Notes, at any time upon the expiry of 6 months from the date of issue of the Notes up to and including its Maturity Date in whole or in part into shares of HK\$0.10 each in the Company at an initial conversion price of HK\$0.27 per share, subject to adjustment.

There were no Notes converted into shares of the Company during the year (2003: Nil).

The Company shall repay such principal moneys outstanding under the Notes to the holders of the Notes on the Maturity Date together with all interest accrued thereon up to and including the maturity date.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 27. CONTINGENT LIABILITIES

- a. On 16th January, 2004, Heng Da and Jia Shun both received summons issued by the Intermediate People's Court of Foshan City, Guangdong Province, the People's Republic of China ("the Court") regarding a bank loan contract dated 23rd May, 2003 entered into between Nanhai Heng Yi Timber Company Limited ("Heng Yi"), an independent third party, as borrower and the Shenzhen Development Bank Foshan Branch (the "Claimant") as lender in relation to a loan facility in a sum of RMB40 million (equivalent to approximately HK\$38 million) and that the Claimant had advanced such loan to Heng Yi. The summons also included a guarantee dated 23rd May, 2003 entered into by, among others, Jia Shun, Heng Da and Nanhai Hua Guang Decorative Board Company Limited ("Hua Guang") in favour of the Claimant in relation to such loan (the "Claims"). As the operations of Hua Guang were suspended and Hua Guang was one of the guarantors in relation to the bank loan, Jia Shun and Heng Da, among others, should make full repayment of the loan and interest thereon before maturity under the bank loan contract.

We have not been able to obtain direct confirmations in respect of the above mentioned guarantees. Accordingly, we have been unable to satisfy ourselves as to whether the contingent liabilities had been properly disclosed in the financial statements.

Jia Shun and Heng Da had reported to the Public Securities Bureau in Nanhai, PRC on 23rd March, 2004 that, among other things:

- (i) without the knowledge of board of directors of the Company and the respective board of directors of Jia Shun and Heng Da (except Mr. Sun Pak Fun who could not be contacted), the company chops of Heng Da and Jia Shun, and the name chop of Mr. Sun Pak Fun, the then legal person representative and chairman of board of directors of Jia Shun and Heng Da, were affixed to the aforesaid guarantees;
- (ii) neither Jia Shun nor Heng Da had any record recording any details of the aforesaid guarantees; and
- (iii) the claims were suspected to involve criminal offence.

The Group will deny liability and contest the Claims vigorously. The Directors consider that the Claimant does not have any valid claim against Heng Da and Jia Shun in relation to the Claims, and they strongly believe that the Group can successfully defend against the Claims.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 27. CONTINGENT LIABILITIES *(continued)*

- b. The Group had a maximum contingent consideration of HK\$48,000,000 in respect of the acquisition of the entire issued share capital of Can Manage. However, as the vendor being uncontactable, the Directors were unable to ascertain whether this amount had been properly dealt with in the financial statements, which would become payable, among others, when the consolidated net profit of Can Manage and its subsidiary, namely Jia Shun, achieved an amount of HK\$80,000,000 in the year ended 31st December, 2003. However, the operation of Jia Shun was suspended during the period from 17th August, 2003 to 10th October, 2003 due to the fact that there was a failure in the supply of electricity and steam from the power plant operated under the power supply agreement and that a court order dated 19th August, 2003 was issued to freeze Jia Shun's assets in relation to an alleged claim from the Shenzhen Development Bank Foshan Branch. In addition, the production facilities were substantially different from those prior to the suspension. In view of all the above incidences, coupled with the fact that the vendor was not contactable up to the date of this report, the directors could not reasonably ascertain the amount of contingent consideration, if any, which has to be paid to the vendor.

### 28. OPERATING LEASE ARRANGEMENTS

	The Group as lessee	
	2004	2003
	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases during the year:		
Plant and machinery	21,510	1,434
Premises	1,401	1,190
	<u>22,911</u>	<u>2,624</u>





## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 28. OPERATING LEASE ARRANGEMENTS *(continued)*

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises and plant and machinery, which fall due as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	22,619	22,935
In the second to fifth year inclusive	21,510	38,699
	<u>44,129</u>	<u>61,634</u>

Operating lease payments represent rentals payable by the Group for its office premises and plant and machinery. Leases are negotiated for an average terms of 3 years to 4 years, respectively.

#### The Group as lessor

The Group's property rental income earned during the year was approximately HK\$1,205,000 (2003: HK\$2,814,000). All of the properties held have committed tenants for the next 2 years.

At the balance date, the Group had contracted with tenants for the following future minimum lease payments:

	2004 HK\$'000	2003 HK\$'000
Within one year	658	888
In the second to fifth year inclusive	191	322
	<u>849</u>	<u>1,210</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 29. CAPITAL COMMITMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	—	19
Capital expenditure in respect of the acquisition of property, plant and equipment authorized but not contracted for	—	283

The Company had no capital commitments outstanding as at 31st December, 2004 and 2003.

### 30. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Group entered into a land use right transfer agreement with an independent third party for the disposal of the property under development – land situated in District No. 18, Jiang Bei, Huizhou, Guangdong Province, PRC, held by Wise Lite Limited, Skyway Limited and Fairwind International Limited at a consideration of RMB51 million.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 31. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage held %	Principal activity
<i>Direct subsidiary</i>				
China Investments Limited	Hong Kong	HK\$1,000	100	Investment holding
<i>Indirect subsidiaries</i>				
Airlane Development Limited	Hong Kong	HK\$2	100	Property trading
Barmax Development Limited	Hong Kong	HK\$2	100	Property trading
Botex Development Limited	Hong Kong	HK\$2	100	Property trading
Centon Development Limited	Hong Kong	HK\$2	100	Property trading
Charland Investment Limited	Hong Kong	HK\$2	100	Property trading
China Alliance Industries Limited	Hong Kong	HK\$2	100	Property trading
Cyro Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	100	Investment holding
Expert Target Development Limited	Hong Kong	HK\$2	100	Property trading
Fairwind International Limited	Hong Kong	HK\$2	100	Property development
Greenswood Property Limited	Hong Kong	HK\$2	100	Property investment
Guilin Li-Feng Real Estate Company Ltd. (Note 1)	PRC	RMB8,459,827	100	Property development
Guilin Plaza Hotel (formerly named as Guilin Sight-Seeing Hotel Company Limited (Note 2)	PRC	RMB14,500,000	100	Hotel operations
Nanhai Heng Da Timber Company Limited 南海亨達木業有限公司 (Note 2)	PRC	RMB40,789,076	100	Manufacturing and trading of veneers



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 31. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage held %	Principal activity
<i>Indirect subsidiaries (continued)</i>				
Jofra Company Limited	Hong Kong	HK\$1,000	100	Investment holding
Nanhai Jia Shun Timber Company Limited 南海佳順木業有限公司 (Note 2)	PRC	RMB39,800,000	100	Manufacturing and trading of medium density fibreboards
Kawan (HK) Trading Company Limited	Hong Kong	HK\$4,000,000	100	Trading of steels and other materials
Langmax Investment Limited	Hong Kong	HK\$2	100	Property trading
Lina Development Limited	Hong Kong	HK\$2	100	Property trading
Metropolitan Development Limited	Hong Kong	HK\$2	100	Property trading
Rich Asset Development Limited	Hong Kong	HK\$2	100	Property trading
Rich Horn Development Limited	Hong Kong	HK\$2	100	Property trading
Senicon Investment Limited	Hong Kong	HK\$2	100	Property trading
Sino Sense Development Limited	Hong Kong	HK\$2	100	Property trading
Skyway Limited	Hong Kong	HK\$2	100	Property development
Tremendous World Property Limited	Hong Kong	HK\$2	100	Property trading
Trener Investment Limited	Hong Kong	HK\$2	100	Property trading
Universal Talent Development Limited	Hong Kong	HK\$2	100	Property trading
Wise Lite Limited	Hong Kong	HK\$2	100	Property development



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2004

### 31. PRINCIPAL SUBSIDIARIES (*continued*)

*Notes:*

1. This is a sino-foreign co-operative joint venture.
2. This is a wholly foreign owned enterprise.

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

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