1. GENERAL INFORMATION

The Company is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in property investment, property development, operations of web sites and related services, provision of information technology services, distance learning and application services, provision of financial information and related services, operation of hotel business, and design, marketing, and trading of consumer electronic products.

During the year, the Company lost control over the voting power and the composition of the board of directors of a subsidiary which was principally engaged in hotel operations. The subsidiary was accordingly deconsolidated from the Group's consolidated financial statements with effect from the date on which the Company ceased to have control on this subsidiary, and it was classified as short term investment. Details of these are set out in note 20.

Details of the principal activities of the Company's subsidiaries are set out in note 14.

2. BASIS OF PREPARATION

The financial statements on pages 31 to 101 are prepared in accordance with and comply with all applicable Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and investments in securities.

As at 31 December 2004, the Group had net current liabilities of HK$503,872,000. Notwithstanding this, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year taking into consideration the proposed financing arrangements which include, but are not limited to, the following:

1) the Group is currently negotiating with some of its bankers to apply for new credit facilities to refinance certain bank loans and borrowings which either were overdue for payment at the balance sheet date or would be due for repayment in the coming year. The directors anticipate that the Group will be able to obtain refinancing credit facilities from its bankers. Such new credit facilities will be used for working capital purpose after repayment of the existing loan facilities;

2) the directors anticipate that the Group will generate positive cash flows from its property development business; and

3) subsequent to the year end, the Group disposed of certain subsidiaries and short term investments at the consideration of HK$200,000,000 to provide additional working capital.

Should the Group be unable to generate positive cash flows and/or secure the support of its bankers, the Group might not be able to continue in business as a going concern. Accordingly, adjustments would have to be made in the financial statements to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. All material inter-company transactions and balances within the Group are eliminated on consolidation.

The financial statements also include the Group's share of post-acquisition results and reserves of its associates.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The gain or loss on disposal of a subsidiary represents the difference between the proceeds from the sales and the Group's share of its net assets together with any goodwill or negative goodwill which was not previously charged or recognised in the consolidated income statement and any related accumulated exchange reserve.

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

(b) Subsidiaries

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

In the Company's balance sheet, subsidiaries are carried at cost less impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

(c) Associates

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The results of the associates are accounted for by the Group using the equity method of accounting. The Group's interests in associates are stated at its share of net assets of the associates.

The Company's investments in associates are stated at cost less impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date. An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates except where unrealised losses provide evidence of an impairment of the asset transferred.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

(i) Depreciation and amortisation

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvements, furniture, fixtures and equipment	10% to 33-1/3%
Motor vehicles and pleasure yacht	10% to 33-1/3%

(ii) Measurement bases

Property, plant and equipment other than investment properties are stated at cost or valuation less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

Surplus arising on revaluation of property, plant and equipment other than investment properties is credited to asset revaluation reserve. A decrease in net carrying amount arising on revaluation is charged to the income statement to the extent that this exceeds the surplus, if any, held in asset revaluation reserve relating to the previous revaluation of the same item of assets. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the consolidated income statement. Any revaluation surplus relating to the assets under disposal is transferred to retained profits/accumulated losses.

(e) Construction in progress

Construction in progress represents assets under construction and is carried at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction work is completed and the asset is ready for use.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant, furniture and fixtures and operating equipment which are collectively used in the operations of the hotel. Hotel properties are stated at their estimated open market value on the basis of annual professional valuation performed at the end of each financial year.

No depreciation is provided on hotel properties or on their integral fixed plant, furniture and fixtures and operating equipment. Expenditure on repairs and improvements of furniture and fixtures and renovation works is dealt with in the income statement in the year in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits beyond the originally assessed standard of performance, the expenditure is capitalised as part of the carrying value of the hotel properties.

Hotel properties are valued annually by external professional valuers. The valuations are on an open market value basis related to individual properties. The valuations are incorporated in the annual financial statements. Increases in valuation are credited to the asset revaluation reserve. A revaluation decrease is first offset against any related revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of the same portfolio of assets and thereafter are charged to operating profit. A revaluation increase is recognised as income to the extent that it reverses revaluation decrease previously recognised as an expense.

(g) Properties under development

Properties under development are stated at their estimated open market value on the basis of annual professional valuation performed at the end of each financial year. No depreciation and amortisation is provided on properties under development.

Surplus arising on revaluation of properties under development is credited to asset revaluation reserve. A decrease in net carrying amount arising on revaluation is charged to the income statement to the extent that this exceeds the surplus, if any, held in asset revaluation reserve relating to the previous revaluation of the same item. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

(h) 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 held on leases with unexpired periods longer than 20 years are not depreciated and stated at their open market values on the basis of annual professional valuation performed at the end of each financial year. The valuations are incorporated in the annual financial statements. Increases in valuation are credited to the investment property revaluation reserve; decreases are first offset against increases on earlier valuations on a portfolio basis and thereafter are charged to operating profit. A revaluation increase is recognised as income to the extent that it reverses revaluation decrease previously recognised as an expense.

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

Upon disposal, the revaluation surpluses relating to the investment properties disposed of are released from the investment property revaluation reserve and charged to the income statement.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Investments in securities

Investment securities are securities which are intended to be held on a continuing basis for an identified long-term purpose. Investment securities are stated in the balance sheet at cost less any provisions for impairment losses. Provisions are made when the fair value of such securities has declined below the carrying amounts, unless there is evidence that the decline is temporary. The amount of the reduction is recognised as an expense in the income statement.

All other securities, whether held for trading or otherwise, are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise.

Dividend income from investments in securities is accounted for to the extent of amounts received and receivable up to and as at the balance sheet date.

Gains or losses on disposal of investments in securities are accounted for in the income statement as they arise. In the case of securities not held for trading purposes, the profit or loss includes any amount previously held in the investment revaluation reserve in respect of that security.

(j) Land held for development

Land held for development is stated at cost less impairment losses. No depreciation and amortisation is provided on land held for development. Cost includes acquisition costs, development costs, borrowing costs capitalised in accordance with the Group's accounting policies and other direct costs attributable to the development.

(k) Product development costs

Costs incurred on projects in developing new products, including the respective cost of acquiring the rights to technical know-how for the production of the relevant new products, are capitalised and deferred only when the project is clearly defined, the costs are separately identifiable and there is reasonable certainty that the project is technically feasible and the outcome will be of commercial value. Product development costs which do not meet these criteria are expensed when incurred.

Capitalised product development costs are amortised, using the straight line method, over their estimated commercial lives of not more than three years commencing in the year when the product is put into commercial use. When the circumstances which have justified the deferral of the costs no longer apply, or are considered doubtful, the costs, to the extent to which they are considered to be irrecoverable, will be written off immediately to the income statement.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Goodwill/Negative goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired.

In respect of acquisition of subsidiaries, goodwill is amortised to the consolidated income statement on a straight line basis over its estimated useful life. Goodwill is stated in the consolidated balance sheet at cost less accumulated amortisation and impairment losses.

In respect of acquisition of associates, goodwill is amortised to the consolidated income statement on a straight line basis over its estimated useful life. The cost of goodwill less accumulated amortisation and impairment is included in the carrying amount of the interests in associates.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and the relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on acquisition represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair value of the non-monetary assets acquired, is recognised as income on a systematic basis over the remaining weighted average useful life of those acquired depreciable/amortisable assets. Negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

– for subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as goodwill; and

– for associates, such negative goodwill is included in the carrying amount of the interests in associates.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost comprises direct materials computed using the weighted average basis and, in case of finished goods, comprises direct labour and an appropriate proportion of overheads that have been incurred in bringing the inventories to their present location and condition.

Net realisable value is calculated as the actual or estimated selling price less all further costs of production and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised.

(n) Income tax

Income tax for the year/period comprises current and deferred taxes.

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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 tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. 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 to 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the relevant asset is carried at revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged/credited to the income statement in the accounting period in which they are incurred/arisen.

(q) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the balance sheets of subsidiaries and associates expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date and their income statements are translated at the average rates for the year. Exchange differences arising on exchange are dealt with as movements in exchange reserve.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Employee entitlements

(i) Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences are not recognised until the time of leave.

(ii) Retirement benefits scheme

The Group operates several staff retirement schemes for employees in Hong Kong and the People's Republic of China (the "PRC"), comprising a defined contribution pension schemes and a Mandatory Provident Fund ("MPF") scheme. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement schemes are generally funded by payments from employees and by the relevant Group companies.

The subsidiaries operating in the PRC are required to participate in the defined contribution retirement scheme for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 15% to 22% of basic salaries of their employees and there are no other further obligations to the Group.

Before 1 December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group was 5% of the individual employees' monthly basic salaries. The Group's contributions under the ORSO Scheme were reduced by contributions forfeited by those employees who left the scheme prior to vesting fully in the contributions.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1 December 2000, the MPF Scheme was also set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% of their monthly basic salaries whereas the Group's monthly contribution will be 5% of the relevant income with a maximum monthly contribution of HK$1,000.

(iii) Equity compensation benefits

The Group has a share option scheme which is part of the remuneration policy with rewards determined based upon the performance of the Group and individual employees. When options are granted, no compensation cost is recognised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Borrowing costs

Costs incurred on borrowings that are directly attributable to the acquisition and development of properties or land are capitalised as part of the cost of land held for development and properties under development up to the completion of the development. Any other borrowing costs are charged to the income statement in the period in which they are incurred.

(t) Cash and cash equivalents

Cash comprises cash in hand and deposits repayable on demand with any bank or other financial institution. Cash includes deposits denominated in foreign currencies.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(u) Convertible notes

Convertible notes are stated at the aggregate amount of proceeds received from the issue. The direct issuing costs are taken to the income statement in the year of issue. In the event that the notes are converted, the amount recognised in respect of the shares issued upon conversion is the principal amount at which the liability of the notes is stated as at the date of conversion.

(v) Computer software

Computer software is stated at cost less accumulated amortisation and any impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the computer software to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of four years.

(w) Segment reporting

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables, operating cash, investments in securities and investment properties. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to intangible assets, property, plant and equipment and land held for development, including additions resulting from acquisitions through purchases of subsidiaries.

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. PRINCIPAL ACCOUNTING POLICIES (Continued)

(x) Related parties

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

(y) Recognition of revenue

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:

– for sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

– for rendering of services, when services are provided;

– for royalty income, on an accrual basis in accordance with the substance of the relevant agreement; and

– for interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(z) 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.

(aa) Discontinuing operations

A discontinuing operation is a clearly distinguishable component of the Group's business that is disposed of or abandoned pursuant to a single plan, and which represents a separate major line of business of operations.

(ab) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

4. TURNOVER AND OTHER REVENUE

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
(a) Turnover:		
Continuing operations		
Information technology business	**378,184**	211,004
Provision of financial information and related services	**20,438**	18,009
Royalty income	**59,037**	55,296
Property investment	**1,467**	2,141
Distance learning and application services	**71,252**	42,954
Sales of consumer packaged electronic products	**1,215**	2,164
Sales of securities	**110,213**	912
	641,806	332,480
Discontinuing operations		
Electronics manufacturing services	**–**	9,544
Hotel operations	**39,583**	62,175
	39,583	71,719
	681,389	404,199
(b) Other revenue:		
Write back of impairment losses on land held for development	**–**	17,391
Write back of other payables	**–**	2,226
Interest income	**5,326**	10,330
Gain on disposal of other investments	**77**	–
Negative goodwill recognised as income	**18,158**	13,618
Provision of research services	**–**	1,500
Surplus on revaluation of investment properties	**–**	7,000
Surplus on revaluation of hotel properties	**–**	9,000
Surplus on revaluation of properties under development	**3,992**	–
Sundry income	**5,992**	5,152
	33,545	66,217
Total revenue	**714,934**	470,416

The Group's hotel operations were discontinued with effect from June 2004 and accordingly, the hotel business of the Group was treated as discontinuing operation.

The Group's operation of manufacture of consumer electronics products was discontinued with effect from December 2003 and accordingly, the electronic manufacturing services of the Group was treated as discontinuing operation.

5. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

In accordance with the Group's internal financial reporting policy, its segment information is presented by way of two segments format: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

Summary details of the business segments are as follows:

(a) Provision of financial information and related services

(b) Information technology business

(c) Consumer packaged electronics

(d) Property development

(e) Sales of securities

(f) Property investment

(g) Distance learning and application services

(h) Hotel operations

(i) Electronics manufacturing services

(j) Telecommunication products

(k) The corporate and other segment comprises operations other than those as specified above

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the locations of the customers, and assets are attributed to the segments based on the locations of the assets.

There were no inter-segment sales and transfers between segments.

5. SEGMENT INFORMATION (Continued)

(a) Business segments

The following table presents revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 December 2004 :

	Continuing operations								Discontinuing operations				
	Provision of financial information and related services HK$'000	Information technology business HK$'000	Consumer packaged electronics HK$'000	Property development HK$'000	Sale of securities HK$'000	Property investment HK$'000	Distance learning and application services HK$'000	Other segments HK$'000	Hotel operations HK$'000	Electronic manu-facturing services HK$'000	Telecom-munication products HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue													
Sales to external customers	78,468	378,184	1,215	–	110,213	1,467	71,252	1,007	39,583	–	–	–	681,389
Segment results	22,424	89,812	(4,834)	685	(563)	(12,947)	53,230	(1,921)	2,666	–	–	–	148,552
Interest income													5,326
Net gain on disposal and dissolution of subsidiaries													2,304
Unallocated corporate expenses													(44,357)
Profit from operations													111,825
Finance costs													(13,269)
Share of results of associates		2,084		(417)				(395)	56			417	1,745
Profit before taxation													100,301
Taxation													(8,939)
Profit after taxation but before minority interests													91,362
Minority interests													(8,783)
Profit attributable to shareholders													82,579
Segment assets	360,439	216,422	2,474	4,582,051	8,606	366	53,250	1,697	200,000	–	–	–	5,425,305
Unallocated assets													91,310
Interest in associates		56,479		208,256				(8,167)				(208,256)	48,312
Total assets													5,564,927
Segment liabilities	(13,456)	(52,526)	(11,578)	(523,502)	(18,516)	(159)	(1,216)	(8,898)	–	–	–	–	(629,851)
Unallocated liabilities													(493,588)
Total liabilities													(1,123,439)
Other information													
Capital expenditure	2,225	80,188	7	155,737	–	–	1,174	–	–	–	–	–	239,331
Depreciation and amortisation	21,380	21,624	1,027	16,115	–	98	1,286	1,054	3,124	–	–	–	65,708
Negative goodwill recognised as income	–	–	–	(18,158)	–	–	–	–	–	–	–	–	(18,158)
Other non-cash expenses	–	8,208	164	–	–	12,714	–	–	2,777	–	–	–	23,863

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

The following table presents revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the period from 1 April 2003 to 31 December 2003 :

	Continuing operations								Discontinuing operations				
	Provision of financial information and related services HK$'000	Information technology business HK$'000	Consumer packaged electronics HK$'000	Property development HK$'000	Sale of securities HK$'000	Property investment HK$'000	Distance learning and application services HK$'000	Other segments HK$'000	Hotel operations HK$'000	Electronic manu-facturing services HK$'000	Telecom-munication products HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue													
Sales to external customers	73,009	211,004	2,164	–	912	2,141	42,954	296	62,175	9,544	–	–	404,199
Segment results	34,929	47,242	(6,728)	(9,638)	118	22,083	34,525	(214)	(21,270)	(8,358)	–	–	92,689
Interest income													10,330
Net gain on disposal and dissolution of subsidiaries										40,388			40,388
Unallocated corporate expenses													(33,621)
Profit from operations													109,786
Finance costs													(35,192)
Interest waived by creditors													41,419
Share of results of associates				(550)				(297)	173			550	(124)
Profit before taxation													115,889
Taxation													(747)
Profit after taxation but before minority interests													115,142
Minority interests													(34,171)
Profit attributable to shareholders													80,971
Segment assets	379,497	162,675	19,008	4,391,024	200	148,264	38,138	116,662	481,674	–	379	–	5,737,521
Unallocated assets													160,914
Interest in associates				208,673				8,263	(1,219)			(208,673)	7,044
Total assets													5,905,479
Segment liabilities	(13,174)	(67,436)	(12,134)	(342,156)	(7,593)	(4,863)	(439)	(4,520)	(59,423)	–	(3,009)	–	(514,747)
Unallocated liabilities													(1,393,401)
Total liabilities													(1,908,148)
Other information													
Capital expenditure	506	6,725	97	77,585	–	201	457	–	–	161	–	–	85,732
Depreciation and amortisation	16,188	12,070	549	12,061	–	57	708	823	7,752	3,474	–	–	53,682
Negative goodwill recognised as income	–	–	–	(13,618)	–	–	–	–	–	–	–	–	(13,618)
Impairment in goodwill	–	–	–	–	–	–	–	–	9,664	–	–	–	9,664
Reduction of goodwill due to recognition of deferred tax assets	–	–	–	–	–	–	–	–	13,327	–	–	–	13,327
Other non-cash expenses	–	1,663	89	130	–	5,542	–	–	–	1,400	–	–	8,824

5. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table presents the revenue, certain assets and capital expenditure information for the Group's geographical segments for the year ended 31 December 2004:

	Europe, other than United Kingdom	Hong Kong	PRC, other than Hong Kong	Philippines	Other	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue						
Sales to external customers	59	111,680	528,911	39,583	1,156	681,389
Other segment information						
Segment assets	1,201	10,617	5,353,109	200,000	–	5,564,927
Capital expenditure	–	7	239,324	–	–	239,331

The following table presents the revenue, certain assets and capital expenditure information for the Group's geographical segments for the period from 1 April 2003 to 31 December 2003:

	Europe, other than United Kingdom	Hong Kong	PRC, other than Hong Kong	Philippines	Other	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue						
Sales to external customers	857	3,053	329,226	60,212	10,851	404,199
Other segment information						
Segment assets	27,834	248,904	5,254,875	373,866	–	5,905,479
Capital expenditure	–	16,336	69,396	–	–	85,732

6. INTEREST WAIVED BY CREDITORS

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Interest waived by		
– Power Ocean Investments Limited ("Power Ocean")	**–**	30,137
– third party creditors	**–**	11,282
	–	41,419

On 18 September 2001, a subsidiary of the Company issued HK$210,000,000 5% convertible notes to Power Ocean, an independent third party, for settlement of a loan of HK$210,000,000 under a loan agreement dated 30 August 2001. These convertible notes had not been converted into shares by the original due date of 18 September 2002 and Power Ocean had agreed in writing to extend the repayment date to 31 December 2003.

On 31 December 2003, the principal amount of HK$210,000,000 has been settled by the Group and Power Ocean has agreed in writing to waive the aggregate interest accrued on the principal amount unconditionally. This gave rise to a gain of HK$30,137,000 which was dealt with in the consolidated income statement for the prior period.

7. DISCONTINUING OPERATIONS

The Group disposed of a subsidiary in January 2004 and ceased to have control over the voting power and the composition of the board of directors of another subsidiary in June 2004. The subsidiaries were engaged in the hotel operations and, since their disposal and ceased control, the Group ceased its hotel operations.

The results from the hotel operations included in the consolidated income statement are as follows:

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Turnover	**39,583**	62,175
Cost of sales and services provided	**(24,086)**	(36,864)
Gross profit	**15,497**	25,311
Interest waived by creditors	**–**	5,371
Other revenue	**–**	9
Administrative expenses	**(5,644)**	(8,640)
Other operating expenses	**(7,187)**	(37,950)
Profit/(Loss) from operations	**2,666**	(15,899)
Finance costs	**(943)**	(3,526)
	1,723	(19,425)
Share of result of an associate	**56**	173
Profit/(Loss) before taxation	**1,779**	(19,252)
Taxation	**(1,084)**	8,215
Profit/(Loss) before minority interests	**695**	(11,037)
Minority interests	**(1,798)**	(2,360)
Loss for the year/period	**(1,103)**	(13,397)

7. DISCONTINUING OPERATIONS (Continued)

The net cash flows attributable to the hotel operations included in the consolidated cash flow statement are as follows:

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Operating activities	**11,633**	14,309
Investing activities	**–**	(15,247)
Financing activities	**972**	(16,099)
	12,605	(17,037)

The net assets of the hotel operations at the date of discontinuance are as follows:

	Date of discontinuance HK$'000	31 December 2003 HK$'000
Total assets	**490,836**	481,674
Total liabilities	**(238,050)**	(232,931)
Net assets	**252,786**	248,743

8. PROFIT FROM OPERATIONS

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Profit from operations is arrived at after charging:		
Auditors' remuneration	**3,358**	3,189
Exchange loss	**1,043**	3,531
Depreciation and amortisation on property, plant and equipment	**18,295**	18,840
Operating lease rentals on land and buildings	**29,727**	17,838
Staff costs (excluding directors' remuneration)	**213,648**	132,439
Redundancy costs	**194**	90
Retirement benefits contributions:		
Gross retirement benefit contributions	**5,889**	4,460
Less: forfeited contributions	**(10)**	(70)
Net retirement benefit contributions	**5,879**	4,390
Cost of provision of hotel services	**24,086**	36,864
Cost of provision of information technology business	**108,277**	82,613
Cost of provision of financial information and related services	**3,797**	4,557
Cost of provision of proprietary software	**3,045**	1,197
Cost of inventories sold – consumer electronic products	**1,569**	6,120
Cost of provision of electronic manufacturing services	**–**	15,087
Cost of inventories sold – distance learning materials	**11,750**	4,463
Cost of securities sold	**110,799**	1,194
Cost of sales and services provided	**263,323**	152,095
Deficit on revaluation of properties under development	**–**	12,598
Impairment losses on goodwill	**–**	9,664
Impairment losses on short term investments	**3,053**	–
Provision for bad and doubtful debts	**5,708**	7,203
Provision for inventories	**1,741**	–
Loss on disposal of property, plant and equipment	**12,305**	1,594
Amortisation of intangible assets (included in other operating expenses)	**46,947**	34,842
Amortisation of goodwill on interests in associates (included in other operating expenses)	**466**	–
Reduction of goodwill due to recognition of deferred tax assets	**–**	13,327
Write off of product development costs under intangible assets	**148**	27
Write off of property, plant and equipment	**908**	–

9. FINANCE COSTS

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Interest on:		
Bank loans and overdrafts		
– wholly repayable within five years	**25,318**	32,511
– not wholly repayable within five years	**–**	4,154
Other borrowings, payable and convertible notes wholly repayable within five years	**38,269**	43,949
Total interest expenses	**63,587**	80,614
Less: Amounts capitalised directly attributable to:		
– land held for development	**(49,746)**	(40,214)
– properties under development	**(572)**	(5,208)
	(50,318)	(45,422)
	13,269	35,192

10. TAXATION

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
The tax charge comprises:		
Company and subsidiaries:		
Current tax – Overseas		
Tax for the year/period	**8,918**	16,651
Current tax – Hong Kong		
Under provision in respect of prior years	**21**	–
Deferred tax		
– Current year/period (note 29)	**–**	(15,904)
	8,939	747

10. TAXATION (Continued)

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit subject to Hong Kong profits tax for the year/period.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation between tax expenses and accounting profit at applicable tax rates:

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Profit before taxation	**100,301**	115,889
Tax calculated at the rates applicable to the jurisdiction concerned	**212**	18,745
Tax effect of expenses that are not deductible in determining taxable profit	**33,750**	119,221
Tax effect of non-taxable revenue	**(23,205)**	(137,952)
Tax effect of current year/period's tax losses not recognised	**297**	739
Tax effect of utilisation of tax losses previously not recognised	**(2,152)**	–
Tax effect of accelerated depreciation allowances not previously recognised	**16**	(6)
Under provision in respect of prior year	**21**	–
Actual tax expenses	**8,939**	747

11. PROFIT FOR THE YEAR/PERIOD ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit for the year/period attributable to shareholders, a profit of HK$5,004,000 (period ended 31 December 2003: a profit of HK$126,219,000) is dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$82,579,000 (period ended 31 December 2003: HK$80,971,000) and on the weighted average of 19,634,723,456 (period ended 31 December 2003: 15,296,323,059) ordinary shares in issue during the year/period.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to shareholders for the year of HK$82,779,000 (period ended 31 December 2003: HK$81,122,000) and the weighted average of 19,917,363,766 (period ended 31 December 2003: 17,921,804,147) ordinary shares outstanding during the year/period, adjusted for the effects of all dilutive potential shares.

12. EARNINGS PER SHARE (Continued)

The adjusted net profit attributable to shareholders is calculated based on the net profit attributable to shareholders for the year of HK$82,579,000 (period ended 31 December 2003: HK$80,971,000) plus the dilution in the results of interests payable of HK$200,000 (period ended 31 December 2003: HK$151,000) on the convertibles notes.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 19,634,723,456 (period ended 31 December 2003: 15,296,323,059) ordinary shares in issue during the year/period plus the weighted average of 282,640,310 (period ended 31 December 2003: 2,625,481,088) ordinary shares deemed to be issued at no consideration as if all the Company's convertible notes had been converted and share options had been exercised.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel properties HK$'000	Properties under development HK$'000	Investment properties HK$'000	Construction in progress HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles and pleasure yacht HK$'000	Total HK$'000
Cost or valuation							
At 1 January 2004	300,000	254,000	77,000	–	138,501	7,524	777,025
Additions	–	21,008	–	13,498	27,562	613	62,681
Acquisition of a subsidiary	–	–	–	–	15	–	15
Disposal and dissolution of subsidiaries	(76,000)	–	–	–	(21,577)	(242)	(97,819)
Deconsolidation of a subsidiary	(224,000)	–	–	–	–	–	(224,000)
Disposals	–	–	(77,000)	–	(266)	(2,256)	(79,522)
Surplus on revaluation credited to income statement	–	3,992	–	–	–	–	3,992
Written off	–	–	–	–	(2,771)	–	(2,771)
At 31 December 2004	**-**	**279,000**	**-**	**13,498**	**141,464**	**5,639**	**439,601**
Accumulated depreciation and amortisation and impairment losses							
At 1 January 2004	–	–	–	–	96,065	6,547	102,612
Depreciation and amortisation charge for the year	–	–	–	–	18,168	127	18,295
Disposal and dissolution of subsidiaries	–	–	–	–	(11,513)	–	(11,513)
Disposals	–	–	–	–	(59)	(1,461)	(1,520)
Written off	–	–	–	–	(1,863)	–	(1,863)
At 31 December 2004	**-**	**-**	**-**	**-**	**100,798**	**5,213**	**106,011**
Net book value							
At 31 December 2004	**-**	**279,000**	**-**	**13,498**	**40,666**	**426**	**333,590**
At 31 December 2003	300,000	254,000	77,000	–	42,436	977	674,413
The analysis of the cost or valuation of the above assets is as follows:							
At cost	–	–	–	13,498	141,464	5,639	160,601
At professional valuation	–	279,000	–	–	–	–	279,000
At 31 December 2004	**-**	**279,000**	**-**	**13,498**	**141,464**	**5,639**	**439,601**
At cost	–	–	–	–	138,501	7,524	146,025
At professional valuation	300,000	254,000	77,000	–	–	–	631,000
At 31 December 2003	300,000	254,000	77,000	–	138,501	7,524	777,025

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost			
At 1 January 2004 and			
at 31 December 2004	**2,375**	**674**	**3,049**
Accumulated depreciation			
At 1 January 2004	1,881	672	2,553
Charge for the year	198	–	198
At 31 December 2004	**2,079**	**672**	**2,751**
Net book value			
At 31 December 2004	**296**	**2**	**298**
At 31 December 2003	494	2	496

(a) At 31 December 2003, the Group's hotel properties were situated in the PRC and Philippines and held under long term leases. They were valued by DTZ Debenham Tie Leung Limited and Vigers Hong Kong Limited, independent professional valuers, at 31 December 2003 on an open market value basis and a fully operational hotel entity basis respectively. The total surplus of HK$9,000,000 arising from the revaluation of hotel properties, representing the excess of the revalued amounts above the carrying values of the hotel properties, had been credited to the consolidated income statement for the period ended 31 December 2003.

(b) At 31 December 2003, all of the Group's hotel properties were pledged to secure banking facilities granted to the Group.

(c) The properties under development located at No.1 Dong San Huan South Road, Chao Yang District, Beijing, the PRC were originally owned by a PRC party and subsequently transferred to Beijing Golden Era Hotel Limited, a wholly-owned subsidiary of the Company. The Group has obtained the Land Use Rights Certificate of the land for the properties under development which was granted following the settlement of the relevant land premium in the prior period.

(d) The Group's properties under development are held under long term leases. They were valued by DTZ Debenham Tie Leung Limited, independent professional valuers, at 31 December 2004 on an open market value basis. The surplus of HK$3,992,000 (period ended 31 December 2003: the deficit of HK$12,598,000) arising from the revaluation of properties under development, representing the excess/shortfall of the revalued amounts over/below the carrying values of the properties under development, has been credited/charged to the consolidated income statement.

(e) At 31 December 2003, all of the Group' properties under development were pledged to secure banking facilities granted to the Group.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

(f) At 31 December 2003, the Group's investment properties were all situated in Hong Kong and were held under long term leases. They were valued by Vigers Hong Kong Limited, independent professional valuers, at 31 December 2003 on an open market existing use basis at HK$77,000,000. The surplus of HK$7,000,000 arising from the revaluation of investment properties, representing the excess of the revalued amounts over the carrying values of these properties, had been credited to the consolidated income statement for the period ended 31 December 2003.

(g) At 31 December 2003, all of the Group's investment properties were pledged to secure banking facilities granted to the Group.

(h) The Group's construction in progress represents the land located at site 40-4, 40th Street Zone, Beijing Economic Technological Development Area, Beijing, the PRC and was held under medium term leases. The Group has obtained the Land Use Rights Certificates from the PRC government, Beijing, in respect of the land with a total area of 49,617 square metres under a 50 years lease term. No interest was capitalised as at 31 December 2004. At 31 December 2004, all of the Group's construction in progress was pledged to secure banking facilities granted to the Group.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	HK$'000
Unlisted shares, at cost	**616,508**	628,788
Less: Provision for impairment losses	**(531,794)**	(531,794)
	84,714	96,994
Amounts due from subsidiaries	**4,245,893**	4,243,484
Less: Provision for doubtful debts	**(1,048,818)**	(1,048,818)
	3,197,075	3,194,666
	3,281,789	3,291,660
Amounts due to subsidiaries	**322**	2,330

During the year/period, the Company made advances to certain subsidiaries to finance their operating requirements.

Included in the amounts due from subsidiaries are HK$Nil (2003: HK$210,000,000), HK$145,000,000 (2003: HK$145,000,000) and HK$373,399,000 (2003: HK$332,686,000) which bear interest at 1%, 5% and 7% per annum respectively. Except for these, the balances with subsidiaries are unsecured, interest free and the Company has undertaken not to demand repayment of the balances within one year from 31 December 2004.

The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

For the year ended 31 December 2004

14. INTERESTS IN SUBSIDIARIES (Continued)

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

Name	Country/Place of incorporation/ registration and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Huckerbye Limited	British Virgin Islands/Hong Kong	1 ordinary shares of US$1 each	100	–	Property investment
Linfield Properties Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	55	30	Investment holding
Rich Country Enterprises Limited	Hong Kong	2 ordinary shares of HK$1 each	100	–	Property development
Techgood Development Limited	Hong Kong	2 ordinary shares of HK$1 each	100	–	Provision of office management services
Union Max Development Limited	Hong Kong	2 ordinary shares of HK$1 each	100	–	Investment holding
Sino-i.com (Shanghai) Limited ("Sino-i.com Shanghai") (note (d))	Hong Kong	2 ordinary shares of HK$1 each	100	–	Investment holding
Airmount Limited	Hong Kong	2 ordinary shares of HK$100 each	–	100	Property investment
Evallon Investment Limited	Hong Kong	10,000 ordinary shares of HK$100 each	–	100	Investment holding
Ever Genius Development Limited	Hong Kong	2 ordinary shares of HK$1 each	–	85	Investment in property development projects
Listar Properties Limited	British Virgin Islands	20,000,000 ordinary shares of US$1 each	1	83.18	Investment holding
Honest Link Development Limited ("Honest Link") (note (a))	Hong Kong	2 ordinary shares of HK$1 each	–	84.18	Investment holding

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ registration and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Guangzhou Dong Jin Xin Cheng Properties Co., Ltd ("Dong Jin") (note (a))	PRC	US$14,000,000	–	84.18	Property development
Oriental Rise Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100	Property investment
Oriental Team Development Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100	Property investment
Union Key Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100	Investment holding
Topwide Corporation	British Virgin Islands	1 ordinary share of US$1 each	100	–	Investment holding
Swift Gain International Inc.	British Virgin Islands	1 ordinary share of US$1 each	100	–	Investment holding
Mark Chain Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100	Investment holding
北京世華國際金融信息有限公司 (「北京世華」) (note (b))	PRC	RMB130,000,000	–	80	Provision of financial information on the internet
CE Dongli Technology Company Limited ("CE Dongli")	PRC	RMB148,570,000	–	80	Information technology business
深圳國南數碼信息有限公司 ("Shenzhen Guonan") (note (c))	PRC	RMB3,000,000	–	100	Investment holding

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ registration and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
China Education Online Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100	Education portal
Dadi Entertainment Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100	Music broadcasting on the internet
Dadi Media Limited ("Dadi Media")	Hong Kong	2 ordinary shares of HK$1 each	100	–	Investment holding
Powerful Resources Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100	Investment holding
China Enterprise ASP Limited ("China Enterprise")	Hong Kong	9,000,000 ordinary shares of HK$1 each	–	100	Investment holding
北京新網科技發展有限公司	PRC	RMB10,000,000	–	80	Information technology business
北京新網數碼信息技術有限公司	PRC	RMB10,000,000	–	80	Information technology business
北京中商建明科技信息有限公司	PRC	RMB10,000,000	–	80	Information technology business
Shihua (Hong Kong) Financial Information Company Limited	Hong Kong	5,000,000 ordinary shares of HK$1 each	100	–	Provision of financial information
The Net Paper Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100	Internet newspaper
上海朗寧數碼投資有限公司 (「上海朗寧」) (notes (b) and (d))	PRC	US$30,000,000	–	100	Investment holding
Hancheers International Enterprise Limited ("Hancheers")	Hong Kong	10,000 ordinary shares of HK$1 each	–	100	Investment holding
Rich King Inc.	British Virgin Islands	50,000 ordinary shares of US$1 each	100	–	Investment holding

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ registration and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Beijing Chinese Dadi Distance Education Company Limited (note (e))	PRC	RMB50,000,000	–	80	Operation of an educational portal and provision of online distance learning education services
Victorious Limited	British Virgin Islands	1 ordinary share of US$1 each	100	–	Investment holding
Robina Profits Limited	British Virgin Islands	1 ordinary share of US$1 each	100	–	Investment holding
Ko Tact Limited	British Virgin Islands	1 ordinary share of US$1 each	100	–	Investment holding
South Sea Holding Company Limited ("South Sea", a Hong Kong listed company)	Bermuda	29,931,804,183 ordinary shares of HK$0.01 each	–	67.71	Investment holding
South Sea Development (HK) Limited	Hong Kong	2 ordinary shares of HK$1 each	–	67.71	Investment holding
Team Industrial Company Limited	Hong Kong	57,143,000 ordinary shares of HK$1 each	–	44.01	Investment holding and provision of management services
Team Concepts Marketing Limited	Hong Kong	500,000 ordinary shares of HK$1 each	–	44.01	Design and marketing of electronic educational products
Team Concepts Technologies Limited	Hong Kong	2 ordinary shares of HK$ 10 each	–	44.01	Design and marketing of consumer electronic products
Team Concepts (UK) Limited	The United Kingdom	100 ordinary shares of GBP1 each	–	44.01	Provision of marketing services
Liu Wan Development (BVI) Company Limited ("Liu Wan (BVI)") (note (f))	British Virgin Islands	215,000,000 ordinary shares of US$1 each	–	67.71	Investment holding

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ registration and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Liu Wan Investment Company Limited	Hong Kong	2 ordinary shares of US$1 each	–	67.71	Investment holding
Shenzhen Nanhai Yitian Realty Co., Ltd. "Shenzhen Nanhai Yitian" (formerly Shenzhen Liu Wan Industry Development Co., Ltd (note (f) and (g))	PRC	RMB100,000,000	–	67.71	Investment holding and property investment
Shenzhen Jin Yi Tian Investment Company Limited ("Shenzhen Jin Yi Tian") (note (g))	PRC	RMB18,000,000	–	67.71	Property investment
Sheen Grades Associates Limited	British Virgin Islands	1 ordinary share of US$1 each	–	67.71	Management services to the group
South Port Development Limited ("South Port")	British Virgin Islands	100 ordinary shares of US$1 each	100	–	Investment holding
First Foundation Limited ("First Foundation")	British Virgin Islands	10 ordinary share of US$1 each	100	–	Investment holding
Nickell International Limited ("Nickell")	British Virgin Islands	1 ordinary share of US$1 each	–	100	Investment holding
Acesite Limited	British Virgin Islands	10 ordinary share of US$1 each	–	100	Investment holding
深圳市融杰投資有限公司	PRC	RMB40,000,000	–	67.71	Investment holding
Cosmos Decade Developments Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100	Trading and provision of financial information products
Century Unicorn Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100	Trading and provision of information technology products

The above table lists the particulars of the subsidiaries of the Company which, in the opinion of the directors, principally affected the Group's 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.

14. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

(a) Dong Jin was a co-operative joint venture established under a joint venture agreement between Honest Link and a PRC party. Dong Jin is engaged in the undertaking of a property project which involves the development of a land site measuring approximately 1,000 acres by area. Pursuant to the joint venture agreement, in respect of the profits derived from the first 150 acres of land comprised in the first phase of the property development project, the co-joint venture partner would be entitled to a fixed profit of RMB13,090,000 and thereafter all residual profit in excess of RMB13,090,000 would be attributable to Honest Link. For the profits arising on the remaining phases of the project, Honest Link and the co-joint venture partner were entitled to share the profits at a ratio of 70% and 30% respectively.

Pursuant to a supplementary agreement entered into between Honest Link and the co-joint venture partner on 24 November 1993 which superseded the above arrangement, the co-joint venture partner has waived all of its 30% interest including profit-sharing and controlling interests in Dong Jin from the date of incorporation of Dong Jin in return for a pre-emptive return of RMB87,271,030. Pursuant to a supplementary agreement dated 28 December 2000, the co-joint venture partner agreed to waive the pre-emptive return of RMB87,271,030. Since then Honest Link has attained 100% share in profits and controlling interests in Dong Jin.

(b) 北京世華 is an equity joint venture established on 12 October 1999 for a period of 20 years, of which 98.8% and 1.2% equity interests were owned by a PRC party and Hampstead International Group Limited (a former subsidiary of the Company) respectively. Pursuant to an agreement dated 21 June 2001, 上海朗寧 acquired 78.8% equity interest in北京世華 from the PRC party. As part of the corporate structural arrangement, CE Dongli holds the 80% equity interest in 北京世華 on trust for上海朗寧, and as a result, 上海朗寧 effectively owns 80% interest in北京世華.

(c) Shenzhen Guonan is an equity joint venture established for a period of 50 years commencing 28 April 1999 and in which the Group is entitled to 80% of its results. Pursuant to two agreements entered into between the Group and the PRC co-venturer on 15 June 1999 and 31 March 2000, the PRC co-venturer has agreed to waive its entitlement to 20% of the results in Shenzhen Guonan in return for a fixed annual fee of RMB10,000 and an undertaking from the Group to pay up RMB495,000 of the required capital contribution to Shenzhen Guonan to be fulfilled by the PRC co-venturer. In addition, the Group also has effective control over the composition of the board of directors of Shenzhen Guonan. Accordingly, Shenzhen Guonan was accounted for as a wholly-owned subsidiary of the Company.

(d) 上海朗寧 is an equity joint venture established on 4 April 2000 and has been approved by the government authority in Shanghai to operate for a period of 42 years up to 3 April 2042. Under a joint venture agreement entered into between a PRC party and Sino-i.com Shanghai which hold 40% and 60% equity interests in 上海朗寧 respectively, and under a deed of trust dated 1 April 2001 executed by the PRC party in favour of Sino-i.com Shanghai, Sino-i.com Shanghai is the beneficial owner of the 40% equity interest held by the PRC party, and as a result, Sino-i.com Shanghai effectively owns 100% equity interest in上海朗寧.

14. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(e) Beijing Chinese Dadi Distance Education Company Limited is an equity joint venture established in the PRC for a term of 20 years starting from 23 December 1999.

(f) Shenzhen Nanhai Yitian was a cooperative joint venture established for a period of 50 years up to April 2049 under a joint venture agreement dated 28 March 2000 among Shenzhen Golden Era Industry Development Co., Ltd. ("Shenzhen Golden Era"), Liu Wan Investment Company Limited (a subsidiary of Liu Wan (BVI)), Liu Wan (BVI), and a PRC party. Pursuant to the agreement, Shenzhen Golden Era injected a land site in Shenzhen into Shenzhen Nanhai Yitian in return for a 10% entitlement of profit sharing in Shenzhen Nanhai Yitian. According to an agreement dated 30 April 2000, the PRC party transferred all of its 5% interest including the profit-sharing and control in Shenzhen Nanhai Yitian to Liu Wan (BVI) for a consideration of RMB321,000,000. According to an agreement dated 10 August 2000, Shenzhen Golden Era transferred all its 10% profit-sharing interest in Shenzhen Nanhai Yitian to Liu Wan (BVI) for a consideration of HK$500,000,000. As a result, Liu Wan (BVI) directly and indirectly owns 100% equity interest in Shenzhen Nanhai Yitian.

(g) Shenzhen Jin Yi Tian is a PRC enterprise established on 28 January 1997 for a period of 10 years up to 28 January 2007. Pursuant to an agreement dated 2 September 1999, Shenzhen Nanhai Yitian and a PRC party acquired 90% and 10% respectively of the equity interest in Shenzhen Jin Yi Tian. Pursuant to an agreement dated 21 March 2001, the PRC party agreed to waive unconditionally its 10% equity interest in Shenzhen Jin Yi Tian and as a result, Shenzhen Nanhai Yitian effectively owns 100% equity interest in Shenzhen Jin Yi Tian.

15. INTERESTS IN ASSOCIATES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share of net assets	**27,981**	16,477	**–**	–
Goodwill	**27,511**	–	**–**	–
Amounts due from associates	**–**	–	**20,188**	20,185
Amounts due to associates	**(7,180)**	(9,433)	**–**	–
Less: Provision	**–**	–	**(4,535)**	(3,150)
	48,312	7,044	**15,653**	17,035

	Group	
	2004	2003
	HK$'000	HK$'000
Goodwill		
Carrying amount		
At January 2004	**–**	–
Addition	**27,977**	–
Amortisation charge for the year	**(466)**	–
At 31 December 2004	**27,511**	–
At 31 December 2004		
Cost	**27,977**	–
Accumulated amortisation	**(466)**	–
Net book amount	**27,511**	–
At 31 December 2003		
Cost	**–**	–
Accumulated amortisation	**–**	–
Net book amount	**–**	–

The balances with associates are unsecured, interest-free and have no fixed terms of repayment.

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

Name	Country/Place of incorporation and operations	Percentage of interest held by the Group	Nature of business
Genius Reward Company Limited	Hong Kong	50 (2003: 50)	Inactive
CIMA Realty Philippines, Inc.	Philippines	40 (2003: 40)	Property investment
Easy-Trade Technology Services Ltd	PRC	40 (2003: 20)	Leasing of POS machines and provision of information technology services

For the year ended 31 December 2004

16. OTHER INVESTMENTS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investment securities in the PRC, at cost	**–**	1,523	**–**	1,523
Consideration for acquisition of investments (note (a))	**20,583**	20,583	**–**	–
Advances to prospective investee companies (note (a))	**13,255**	53,417	**–**	–
Deposit for acquisition of investment (note (b))	**330,000**	75,472	**–**	–
Club debenture, at cost	**324**	324	**324**	324
	364,162	151,319	**324**	1,847

Notes:

(a) Consideration for acquisition of investments and advances to prospective investee companies.

The consideration for acquisition of investments represents consideration paid for the acquisition of interests in certain PRC companies. The Group has also advances of HK$13,255,000 (2003: HK$53,417,000) to these prospective investee companies. As at 31 December 2004, the acquisitions have not yet been completed. In this respect, Yu Pun Hoi ("Mr. Yu") a director and substantial shareholder of the Company has undertaken amongst other things to hold himself fully responsible for any loss that the Group may suffer in case that the acquisitions cannot be completed for whatever reasons.

(b) Deposit for acquisition of investment

Deposit for acquisition of represents the deposit paid by a subsidiary of the Company for the acquisition of a 49% equity interest in 深圳市益田假日世界房地產開發有限公司 (「益田假日世界」) which is an investment holding company incorporated in the PRC. 益田假日世界 holds the land use rights on the land site Lot No.T308-0062 in Shenzhen with an area of approximately 22,837 square metres. According to the sale and purchase agreement dated 21 April 2004, the completion date of the acquisition was 31 December 2004 upon the payment by the subsidiary of the remaining consideration of RMB21,200,000. On 31 December 2004, the subsidiary has signed a supplementary agreement with the vendor to defer the final payment date and the completion date of the acquisition to 30 June 2005.

17. LAND HELD FOR DEVELOPMENT

	Notes	Group 2004 HK$'000	2003 HK$'000
Land held in Hong Kong, at cost	(a)	**–**	102,981
Less: Provision for impairment losses		**–**	(26,802)
		–	76,179
Land held in the PRC, at cost	(b)	**3,893,715**	3,760,824
		3,893,715	3,837,003
Interest capitalised in land held for development		**282,400**	232,654

The interest was capitalised at the rates ranged from 3.24% to 18.25% per annum.

Particulars of the land held for development are as follows:

(a) Land held in Hong Kong

Location	**Interest attributable to the Group in percentage**	**Approximate floor area on completion (square metres)**	**Type of development**
Nos 6, 8, 10 and 12 Leighton Road, Causeway Bay, Hong Kong	48.99	6,692	Commercial

During the year, the Group disposed of its land held for development situated in Hong Kong with an aggregate carrying value of approximately HK$76 million to an independent third party for a total consideration of approximately HK$76 million.

At 31 December 2003, the land held in Hong Kong was pledged to secure banking facilities granted to the Group.

17. LAND HELD FOR DEVELOPMENT (Continued)

(b) Land held in the PRC

Location	Approximate site area (acres)	Type of development
Guang Hua Gong Lu, Hua Du City, Guangdong Province, the PRC	920	Commercial and residential

The land was a site under construction and development as at 31 December 2004.

The Group has obtained the Land Use Rights Certificates from the PRC Government of Hua Du City, in respect of land with a total area of 328 acres (2003: 229 acres) under 70 years lease terms. The Land Use Rights Certificates of the remaining land with a total area of 592 acres (2003: 691 acres) would be granted upon full settlement of land premium payables. As at 31 December 2004, the Group had land premium payables in the amount of HK$89,169,000 (2003: HK$110,668,000).

At 31 December 2003, certain parts of the land were pledged to secure banking facilities granted to the Group.

Location	Approximate site area (square metres)	Type of development
Liu Wan, Shekou, Shenzhen, the PRC (Lot No.K708-5, K708-2 and K708-3	313,074	Shopping arcade/residential/ hotel/recreational facilities

The land was a site under construction and development as at 31 December 2004.

Pursuant to the Real Property Ownership Certificate, the land use rights of the land site Lot No. K708-5 with an area of 220,691 square metres for a term of 70 years from 1 January 1996 to 1 January 2066 were vested in Shenzhen Nanhai Yitian, a subsidiary of the Company.

The Land Use Right Certificate of the land site Lot No. K708-2 and K708-3 with an aggregate area of approximately 81,488 square metres will be granted upon full settlement of the land premium payables amounting to HK$163,606,000 (2003: HK$163,606,000). The land premium payables bear interest at the rate of 18.25% per annum.

In a prior year, Shenzhen Nanhai Yitian and a third party entered into a co-operative agreement to develop the residential project. Upon completion of the project, the third party will be entitled to 40% profit on the project. At 31 December 2004, the total deposit received from the third party for the project amounted to HK$34,755,000 (2003: HK$28,695,000) which is included under non-current liabilities in the consolidated balance sheet.

At 31 December 2004 and 31 December 2003, the land Lot No. K708-5 was pledged to secure banking facilities granted to the Group.

18. INTANGIBLE ASSETS

	Group				
	Computer software	**Product development costs**	**Negative goodwill**	**Goodwill**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Opening net book amount at 1 January 2004	–	148	(320,969)	781,151	460,330
Additions	42,279	–	–	–	42,279
Acquisition of subsidiaries	–	–	–	2,275	2,275
Disposal of subsidiaries	–	–	160	(19,362)	(19,202)
Write off	–	(148)	–	–	(148)
Deconsolidation of a subsidiary	–	–	–	(115,619)	(115,619)
Amount recognised as income for the year	–	–	18,158	–	18,158
Amortisation charge for the year	(4,075)	–	–	(42,872)	(46,947)
Closing net book amount at 31 December 2004	**38,204**	**–**	**(302,651)**	**605,573**	**341,126**
At 31 December 2004					
Cost	42,279	–	(363,151)	730,868	409,996
(Accumulated amortisation and impairment losses)/Accumulated amount recognised as income	(4,075)	–	60,500	(125,295)	(68,870)
Net book amount	**38,204**	**–**	**(302,651)**	**605,573**	**341,126**
At 31 December 2003					
Cost	–	178	(363,311)	887,361	524,228
(Accumulated amortisation and impairment losses)/Accumulated amount recognised as income	–	(30)	42,342	(106,210)	(63,898)
Net book amount	–	148	(320,969)	781,151	460,330

Negative goodwill is recognised as income over a period of twenty years and the negative goodwill recognised as income for the year/period is included in other revenue in the consolidated income statement.

19. INVENTORIES

	Group	
	2004	2003
	HK$'000	HK$'000
Raw materials	**6**	–
Finished goods	**11,455**	9,555
	11,461	9,555
Less: Provision for slow-moving inventories	**(6,850)**	(5,109)
	4,611	4,446

All the above finished goods are stated at net realisable value.

20. SHORT TERM INVESTMENTS

	Group	
	2004	2003
	HK$'000	HK$'000
Interest in a deconsolidated subsidiary	**203,053**	–
Less: provision for impairment	**(3,053)**	–
	200,000	–
Listed equity securities in Hong Kong, at fair value	**8,558**	145
	208,558	145
Market value of listed investment	**8,558**	145

The interest in deconsolidated subsidiary represents the Group's share of net asset value together with unamortised goodwill of a deconsolidated subsidiary at the date of cessation of control over this subsidiary. The carrying value is stated based on the sales price as disclosed under post balance sheet event (note 43).

Particulars of the deconsolidated subsidiary at 31 December 2004 are as follows:

Name	Country of incorporation	Issued and paid-up share capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activity
Acesite (Phils) Hotel Corporation ("Acesite")	Philippines	99,852,308 common stock of PHP1 each	–	77.67	Hotel operations

20. SHORT TERM INVESTMENTS (Continued)

Note:

Acesite is listed on the Philippine Stock Exchange in Philippines. Acesite Limited, a company incorporated in the British Virgin Islands, was the former immediate holding company of Acesite before losing of its control by the Company.

Acesite's 74,889,231 issued common shares (representing 75% of its total outstanding common shares) held by Acesite Limited were pledged in favour of Equitable PCI Bank, Inc. ("EPCIB") as security for loans granted by EPCIB to Genius Reward Company Limited, an associate of the Group. On 18 February 2003, EPCIB foreclosed the 74,889,231 common shares and sold them as a block sale in the Philippine Stock Exchange. Acesite Limited has contested the sale, stating that an earlier restructuring agreement was entered into with EPICB on 15 January 2003 rendering both the foreclosure action and subsequent sale null and void on the ground that EPCIB, in its purported disposal of the mortgaged shares is, among other things, in breach of an earlier restructuring agreement and the mortgage, and hence such purported disposal were considered unlawful. While the court Proceedings was pending for merit trials before the Regional Trial Court of Makati City, Philippines ("RTC, Makati"), EPCIB filed a petition against Acesite and RTC Makati's presiding judge into the Court of Appeals, Manila praying the Court of Appeals to issue an order dismissing the claim of Acesite.

On 3 June 2004, an order was issued by the Regional Trial Court of Makati City to direct the transfer agent of Acesite to record the transfer of all the mortgaged shares in the statutory book of Acesite. As a result, the Company ceased to have control over Acesite and Acesite was no longer classified as a subsidiary since then. The Company's investment in Acesite was reclassified as a short term investment, stated at the Group's share of Acesite's net assets together with unamortised goodwill as at the date on which the Company ceased to have control over Acesite, as the directors intended to dispose of Acesite in due course. (note 43)

21. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

	Group	
	2004	2003
	HK$'000	HK$'000
Trade receivables analysed according to aging:		
0-90 days	**73,429**	100,696
91-180 days	**18,708**	3,568
181-270 days	**1,905**	1,710
271-360 days	**1,480**	536
Over 360 days	**69,862**	24,312
Less: Provisions	**(30,834)**	(25,126)
	134,550	105,696
Other receivables and deposits	**184,059**	542,563
	318,609	648,259

For sales of consumer electronic products, the majority of sales are entered into under letters of credit while the rest are entered into on credit terms ranging from 30 to 60 days. For operations of web sites and related services, the normal credit period granted ranges from 30 to 60 days.

During the year/period end 31 December 2004 and 31 December 2003, the Group encountered difficulties in collection of certain trade debts and appropriate provision has been made against certain bad and doubtful debts.

22. CASH AT BANKS AND IN HAND

Included in the Group's cash at banks and in hand is an aggregate amount of approximately HK$39,767,000 (2003: HK$61,958,000), representing Renminbi deposits placed with banks in the PRC by the Group.

Renminbi is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

23. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group	
	2004	2003
	HK$'000	HK$'000
Trade payables analysed according to aging:		
0-90 days	**2,836**	19,806
91-180 days	**1,735**	5,672
181-270 days	**940**	6,090
271-360 days	**184**	45
Over 360 days	**2,758**	2,434
	8,453	34,047
Other payables and accruals	**359,479**	301,602
	367,932	335,649

Included in other payables and accruals are amounts of HK$18,516,000 (2003: HK$7,593,000) due to certain securities brokers and margin financiers which are secured by 4,392,521,867 (2003: 3,992,521,867) shares in South Sea (representing about 21.7% (2003: 19.7%) out of the Company's total 67.71% (2003: 67.71%) interest in South Sea). The amounts due bear interest at the rate of 8% to 17% per annum (period ended 31 December 2003: 8% to 10% per annum).

24. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and repayable on demand.

25. AMOUNTS DUE TO SHAREHOLDERS

The amounts due to shareholders are unsecured, interest-free and repayable on demand.

26. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount due to a minority shareholder represents dividends payable to a minority shareholder of a subsidiary.

27. AMOUNT DUE TO A PROSPECTIVE INVESTEE COMPANY

The amount due to a prospective investee company is unsecured, interest-free and repayable on demand.

28. BANK AND OTHER BORROWINGS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts – unsecured	**271**	271	**–**	–
Short-term bank loans				
– secured	**12,736**	61,792	**–**	–
– unsecured	**9,151**	27,416	**–**	–
	21,887	89,208	**–**	–
Long-term bank loans – secured				
Due within one year	**354,390**	185,658	**–**	–
Due more than one year but not exceeding two years	**–**	357,362	**–**	–
Due more than two years but not exceeding five years	**–**	54,342	**–**	–
Due more than five years	**–**	8,820	**–**	–
	354,390	606,182	**–**	–
Other loan (note (a))	**–**	45,794	**–**	–
Other borrowings (note (b))	**29,464**	39,469	**29,464**	39,469
Convertible notes (note (c))				
Due within one year	**–**	200,000	**–**	200,000
Due more than one year but not exceeding two years	**–**	200,000	**–**	200,000
	–	400,000	**–**	400,000
	406,012	1,180,924	**29,464**	439,469
Less: Current portion due within one year included under current liabilities	**(406,012)**	(514,606)	**(29,464)**	(239,469)
Non-current portion included under non-current liabilities	**–**	666,318	**–**	200,000

28. BANK AND OTHER BORROWINGS (Continued)

The analysis of the borrowings is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Wholly repayable within five years				
Bank overdrafts	**271**	271	**–**	–
Bank loans	**376,277**	686,570	**–**	–
Other loan (note (a))	**–**	45,794	**–**	–
Other borrowings (note (b))	**29,464**	39,469	**29,464**	39,469
1% Convertible notes (note (c))	**–**	400,000	**–**	400,000
	406,012	1,172,104	**29,464**	439,469
Not wholly repayable within five years				
Bank loans	**–**	8,820	**–**	–
	406,012	1,180,924	**29,464**	439,469

As at 31 December 2004, the Group technically breached the covenants of certain bank and other loans totalling HK$76,263,000 (2003: HK$47,695,000). These bank and other loans had already been due for repayment before the balance sheet date.

Furthermore, certain post completion conditions attached to the bank loans of approximately HK$348 million (2003: HK$379 million) granted by two banks to Shenzhen Nanhai Yitian have not been fulfilled. The Group and the banks are in the course of negotiation for the banks to waive the conditions. At 31 December 2003, the directors were optimistic that the bankers would ultimately waive those conditions and would not make the loans become immediately due and repayable before the original due date. On this basis, these loans were shown as non-current liabilities in the consolidated balance sheet as at 31 December 2003 according to their terms of loan.

(a) Other loan

In a prior year, the Group entered into an agreement with one of its lending banks (the "Bank"), pursuant to which the repayment period for bank loans and overdrafts of approximately HK$116 million due to the Bank was extended. Under the agreement, the Group was allowed to consolidate all these bank loans and overdrafts into a restructure loan which should be repaid on or before 14 November 2006 while interest on these balances for the first thirty months after 1 May 2001 would be waived. Restructure loan was repaid during the prior period following the disposal of certain land and buildings by the Group.

On 27 October 2003, the remaining balance of the restructure loan was sold by the bank to Sincere Development Inc. ("Sincere"), an independent third party, with the same terms. The loan due to Sincere was therefore classified as other loan. The loan bore interest at 1% over the best lending rate per annum, compounded monthly was originally scheduled to be due on 14 November 2006. The loan was fully repaid during the year. In addition, the Group had provided guarantees to the Bank for the payment obligations of the loan due by Sincere to the Bank as the results of its purchase of the restructure loan from the Bank. Such guarantees provided by the Group and remained outstanding at 31 December 2003 amounted to HK$105 million and were included in the Group's contingent liabilities in note 37. These contingent liabilities were released upon the repayment of the loan during the year.

28. BANK AND OTHER BORROWINGS (Continued)

(b) Other borrowings

At 31 December 2004, the loan of HK$29,460,000 (2003: HK$30,000,000) granted to the Company by CITIC Capital Credit Limited, an associate of a substantial shareholder, which is secured by 15,265,220,133 shares (2003: 15,265,220,133 shares) in South Sea (representing about 75.3% (2003: 75.3%)) out of the Company's total 67.71% (2003: 67.71%) interest in South Sea. The loan bears interest at prime rate plus 3% margin rate per annum. According to the loan agreement dated 9 May 2003, the loan was originally due on 9 November 2003. Penalty interest of approximately HK$4 million was accrued and included in other accruals under current liabilities.

(c) 1% Convertible notes

	Group and Company	
	2004	2003
	HK$'000	HK$'000
At 1 January/1 April	**400,000**	400,000
Issued during the year/period	**–**	200,000
Converted during the year/period	**(400,000)**	(200,000)
	–	400,000
Less: Current portion due within one year included under current liabilities	**–**	(200,000)
Non-current portion included under non-current liabilities	**–**	200,000

On 31 December 2002, the Company issued HK$180,000,000 and HK$20,000,000 convertible notes to Procare Group Limited, an independent third party, and CITIC Active Partner Fund Limited, an associate of a substantial shareholder, respectively. These convertible notes bore interest at 1% per annum and were due on 31 December 2004. Each of the convertible notes carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the outstanding principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. On 13 January 2004 and on 30 December 2004, the convertible notes held by Procare Group Limited and CITIC Active Partner Fund Limited were fully converted into 1,800,000,000 and 200,000,000 ordinary shares of HK$0.10 each of the Company at a conversion price of HK$0.10 per share.

On 31 December 2003, the Company issued HK$200,000,000 convertible notes to First Best Assets Limited, a company wholly owned by Mr. Yu. These convertible notes bore interest at 1% per annum and were due on 31 December 2005. Each of the convertible notes carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the outstanding principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. On 5 January 2004, these convertible notes were fully converted into 2,000,000,000 ordinary shares of HK$0.10 each of the Company at a conversion price of HK$0.10 per share.

28. BANK AND OTHER BORROWINGS (Continued)

(c) 1% Convertible notes (Continued)

On 31 December 2002, the Company issued HK$200,000,000 convertible notes to Empire Gate Industrial Limited, an independent third party, for settlement of the consideration for the acquisition of certain subsidiaries. These convertible notes bore interest at 1% per annum and were due on 31 December 2004. Each of the convertible notes carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. On 25 June 2003, these convertible notes were fully converted into 2,000,000,000 ordinary shares of HK$0.10 each of the Company at a conversion price of HK$0.10 per share.

29. DEFERRED TAX

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

As at 31 December 2004, the amount of deferred tax assets recognised is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of unrealised foreign exchange loss due to adoption of SSAP 12	**–**	15,904	**–**	–
Exchange difference	**–**	(848)	**–**	–
	–	15,056	**–**	–
Less: Current portion included under current assets	**–**	(3,166)	**–**	–
Non-current portion included under non-current assets	**–**	11,890	**–**	–

The movement of the deferred tax assets during the year/period is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January/1 April	**15,056**	–	**–**	–
Exchange differences	**–**	(848)	**–**	–
Tax effect of unrealised foreign exchange loss due to adoption of SSAP 12	**–**	15,904	**–**	–
Deconsolidation of a subsidiary	**(15,056)**	–	**–**	–
At 31 December	**–**	15,056	**–**	–

29. DEFERRED TAX (Continued)

As at 31 December 2004, the amount of deferred tax liabilities provided for is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of temporary differences attributable to accelerated depreciation allowances	**790**	790	**–**	–

As at 31 December 2004, the amount of unrecognised deferred tax assets is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of temporary differences attributable to:				
– accelerated depreciation allowances	**61**	45	**61**	45
– unused tax losses	**106,250**	113,294	**11,743**	18,707
	106,311	113,339	**11,804**	18,752

Deferred tax asset in respect of unused tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams. The tax losses will not expire under current tax legislation.

30. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	HK$'000
Authorised:		
At 1 April 2003, 31 December 2003 and **31 December 2004**	**30,000,000,000**	**3,000,000**
Issued and fully paid:		
At 1 April 2003	13,914,504,877	1,391,450
Conversion of convertible notes (note (c))	2,000,000,000	200,000
At 31 December 2003 and 1 January 2004	15,914,504,877	1,591,450
Conversion of convertible notes (note (a) and (b))	4,000,000,000	400,000
At 31 December 2004	**19,914,504,877**	**1,991,450**

30. SHARE CAPITAL (Continued)

Note:

(a) On 31 December 2002, the Company issued HK$180,000,000 and HK$20,000,000 convertible notes to Procare Group Limited, an independent third party, and CITIC Active Partner Fund Limited, an associate of a substantial shareholder, respectively. These convertible notes bore interest at 1% per annum and were due on 31 December 2004. Each of the convertible notes carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the outstanding principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price is subject to adjustment in certain circumstances. On 13 January 2004 and on 30 December 2004, the convertible notes held by Procare Group Limited and CITIC Active Partner Fund Limited were fully converted into 1,800,000,000 and 200,000,000 ordinary shares of HK$0.10 each of the Company at a conversion price of HK$0.10 per share.

(b) On 31 December 2003, the Company issued HK$200,000,000 convertible notes to First Best Assets Limited, a company wholly owned by Mr. Yu. These convertible notes bore interest at 1% per annum and were due on 31 December 2005. Each of the convertible notes carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the outstanding principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. On 5 January 2004, these convertible notes were fully converted into 2,000,000,000 ordinary shares of HK$0.10 each of the Company at a conversion price of HK$0.10 per share.

(c) On 31 December 2002, the Company issued HK$200,000,000 convertible notes to Empire Gate Industrial Limited, an independent third party, for settlement of the consideration for the acquisition of certain subsidiaries. These convertible notes bore interest at 1% per annum and were due on 31 December 2004. Each of the convertible notes carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. On 25 June 2003, these convertible notes were fully converted into 2,000,000,000 ordinary shares of HK$0.10 each of the Company at a conversion price of HK$0.10 per share.

31. SHARE OPTION SCHEME

The Company operates a share option scheme, On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board.

31. SHARE OPTION SCHEME (Continued)

On 12 November 2004, share options to subscribe for a total of 233,360,000 Sino-i Shares, representing approximately 1.68% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors and employees of the Company and subsidiaries and the persons who have provided research, development or other technological support or services to the Group (the "Consultants") at an exercise price of HK$0.16 per Sino-i Share. The closing price of Sino-i Share immediately before the date of grant was HK$0.158. Details of the share options granted during the year are as follows:

					No. of Sino-i Shares		
Grantee	Date of Grant	Exercisable period	Exercise price per Sino-i Share	Number of Sino-i Share under options granted during the year	Exercised during the year	Cancelled during the year	Outstanding as at 31 December 2004
Directors							
Zhang Hong Ren	12-11-2004	1-7-2005 to 30-6-2008	HK$0.16	5,000,000	–	–	5,000,000
		1-7-2006 to 30-6-2008	HK$0.16	5,000,000	–	–	5,000,000
Lam Bing Kwan	12-11-2004	1-7-2005 to 30-6-2008	HK$0.16	9,000,000	–	–	9,000,000
		1-7-2006 to 30-6-2008	HK$0.16	9,000,000	–	–	9,000,000
Employees							
In aggregate	12-11-2004	1-7-2005 to 30-6-2008	HK$0.16	96,780,000	–	895,000	95,885,000
		1-7-2006 to 30-6-2008	HK$0.16	96,780,000	–	895,000	95,885,000
		1-1-2006 to 31-12-2008	HK$0.16	4,100,000	–	–	4,100,000
		1-1-2007 to 31-12-2008	HK$0.16	4,100,000	–	–	4,100,000
Consultants							
In aggregate	12-11-2004	1-1-2006 to 31-12-2008	HK$0.16	1,800,000	–	–	1,800,000
		1-1-2007 to 31-12-2008	HK$0.16	1,800,000	–	–	1,800,000

31. SHARE OPTION SCHEME (Continued)

A summary of the Scheme is as follows:

(a) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants or their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which any member of the Group holds any equity interests (the "Invested Entity").

(b) Participants

The participants include:

(i) any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

(ii) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support or other services to the Group or any Invested Entity;

(vi) any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

(vii) any ex-employee who has contributed or may contribute to the development and growth of the Group and any Invested Entity.

(c) Maximum number of shares available for subscription

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not in aggregate exceed 30 per cent. of the issued share capital of the Company from time to time.

(d) Maximum entitlement of each participant

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company in issue.

(e) Time of acceptance

An offer of grant of an option may be accepted by a participant within 28 days from the date of the offer of grant of the option. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

31. SHARE OPTION SCHEME (Continued)

(f) Maximum period for exercising an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option.

(g) Basis of determining the subscription price

The subscription price for shares under the Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the share.

(h) Remaining life of the Scheme

The Scheme will remain in force for a period of 10 years commencing on 29 August 2002 up to 28 August 2012.

During the year, no (period ended 31 December 2003: Nil) share options granted to the directors lapsed automatically on the expiry date and 1,790,000 (period ended 31 December 2003: Nil) share options granted to the employees lapsed automatically on the expiry date.

32. SHARE PREMIUM

	2004 **HK$'000**	2003 HK$'000
At 1 January 2004 and as at 31 December 2004	**472,736**	472,736

33. RESERVES

Group

	Capital redemption reserve HK$'000	General reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2003	2,258	(33,408)	9,570	865,697	844,117
Exchange differences	–	–	(5,809)	–	(5,809)
Reserves attributable to minority shareholders	–	–	2,170	–	2,170
Released on disposal of subsidiaries	–	–	448	–	448
Profit for the period attributable to shareholders	–	–	–	80,971	80,971
At 31 December 2003 and 1 January 2004	2,258	(33,408)	6,379	946,668	921,897
Exchange differences	–	–	304	–	304
Released on deconsolidation of a subsidiary	–	–	2,854	–	2,854
Profit for the year attributable to shareholders	–	–	–	82,579	82,579
Transfer to capital reserve	–	7,528	–	(7,528)	–
At 31 December 2004	**2,258**	**(25,880)**	**9,537**	**1,021,719**	**1,007,634**
The reserves are retained as follows:					
Company and subsidiaries	2,258	(25,880)	9,537	1,021,089	1,007,004
Associates	–	–	–	630	630
At 31 December 2004	**2,258**	**(25,880)**	**9,537**	**1,021,719**	**1,007,634**
Company and subsidiaries	2,258	(33,408)	6,379	947,783	923,012
Associates	–	–	–	(1,115)	(1,115)
At 31 December 2003	2,258	(33,408)	6,379	946,668	921,897

33. RESERVES (Continued)

Company

	Capital redemption reserve HK$'000	General reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2003	2,258	79,579	580,822	662,659
Profit for the period attributable to shareholders	–	–	126,219	126,219
At 31 December 2003	2,258	79,579	707,041	788,878
Profit for the year attributable to shareholders	–	–	5,004	5,004
At 31 December 2004	**2,258**	**79,579**	**712,045**	**793,882**

The Group's general reserve includes capital reserve arising from acquisition of subsidiaries in prior years, which represents the excess of the fair value of subsidiaries acquired over the consideration paid.

Included in the Company's retained profits is an amount of approximately HK$101,695,000 (2003: approximately HK$231,582,000) which represents the balance of the special reserve arising from the Company's capital reduction effected in a prior year. According to the court order dated 21 June 2001 confirming the Company's capital reduction, the Company was required to credit a sum arising from the capital reduction to a special reserve which cannot be treated as realised profit as long as (a) the outstanding liabilities of the Company as at the effective date of the capital reduction (i.e. the "Relevant Debts") are not fully discharged; and (b) the persons to whom the Relevant Debts are due have not agreed otherwise.

34. OPERATING LEASE ARRANGEMENTS

(a) At 31 December 2004, the Group and Company's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group Land and buildings		Company Land and buildings	
	2004 HK$'000	2003 HK$'000	**2004 HK$'000**	2003 HK$'000
Within one year	**31,678**	14,147	**4,272**	–
In the second to fifth years	**35,629**	22,038	**174**	–
After five years	**1,626**	9,925	**–**	–
	68,933	46,110	**4,446**	–

The Group leases a number of properties under operating leases. The leases run for an initial period of one to ten years, with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. None of the leases includes any contingent rentals.

The Company leases a number of properties under operating leases. The leases run for an initial period of one to two years. None of the leases includes any contingent rentals.

34. OPERATING LEASE ARRANGEMENTS (Continued)

(b) At 31 December 2004, the Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	Land and buildings	
	2004	2003
	HK$'000	HK$'000
Within one year	**588**	9,091
In the second to fifth years	**545**	1,824
After five years	**424**	462
	1,557	11,377

At 31 December 2004 and 31 December 2003, the Company had no outstanding operating lease arrangements as a lessor.

35. COMMITMENTS

(a) Capital commitments

At 31 December 2004, the Group had outstanding commitments as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Contracted but not provided for		
– purchase of property, plant and equipment and land held for development	**396,973**	82,814
– acquisition of investment	**20,000**	274,528
	416,973	357,342

At 31 December 2004 and 31 December 2003, the Company had no outstanding capital commitments.

(b) Other commitments

At 31 December 2004 and 31 December 2003, the Group had no other commitments.

At 31 December 2004, the Company had commitments of HK$11,700,000 (2003: HK$11,700,000) in respect of capital contributions to subsidiaries in the PRC.

36. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Remuneration of the Company's directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Fees:		
Executive directors	**146**	–
Non-executive directors	**9**	–
Other emoluments paid and payable to directors:		
Basic salaries, housing, other allowances and benefits in kind	**1,860**	2,745
Pension scheme contributions	**36**	27
	2,051	2,772

There were no fees or other emoluments paid or payable to the independent non-executive directors for the year ended 31 December 2004 (2003: HK$Nil).

(b) **The emoluments of the directors fell within the following bands:**

	Group	
	Year ended 31 December 2004	Period from 1 April 2003 to 31 December 2003
HK$Nil – HK$1,000,000	**10**	7
HK$1,000,001 – HK$2,000,000	**1**	1
	11	8

During the year, share options entitling holders thereof to subscribe for 28,000,000 shares were granted to certain directors in respect of their contribution to the Group. No value in respect of such shares options granted has been charged to the income statement or is otherwise included in the above directors' remuneration disclosures. During the year, no options had been exercised by the directors.

No directors waived or agreed to waive any emoluments in respect of the year/period ended 31 December 2004/31 December 2003.

36. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(c) Five highest paid individuals

The five highest paid individuals of the Group for the year included one (period ended 31 December 2003: two) director, details of whose emoluments are set out above. The emoluments of the remaining four (period ended 31 December 2003: three) employees were as follows:

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Basic salaries and housing allowances	**3,878**	2,342
Pension scheme contributions	**24**	9
	3,902	2,351

The emoluments of these employees were within the following bands:

Emolument bands

	Number of individuals	
	Year ended 31 December 2004	Period from 1 April 2003 to 31 December 2003
HK$Nil – HK$1,000,000	**2**	3
HK$1,000,001 – HK$2,000,000	**2**	–
	4	3

During the year, 23,000,000 share options were granted to two highest paid employees in respect of their services to the Group. No value in respect of the share options granted has been charged to the income statement, or is otherwise included in the above non-director, highest paid employees' remuneration disclosures.

(d) During the year/period, no emoluments were paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

37. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Subsidiaries	**–**	–	**5,825**	168,292
Associates	**20,832**	20,060	**9,268**	8,480
A minority shareholder of a subsidiary	**–**	47,029	**–**	47,029
Third party	**144,367**	173,925	**110,606**	77,736
	165,199	241,014	**125,699**	301,537

In addition, on 24 January 2004, the Group entered into an agreement to transfer its shareholding in a subsidiary which holds the title of the Group's hotel property namely Beijing Golden Era Hotel at a nominal consideration of RMB1. Upon completion of the agreement, the purchasers shall own the Beijing Golden Era Hotel and take over certain debts and liabilities of the subsidiary including bank loans amounting to approximately HK$92 million, taxes payable by the subsidiary in a total sum of RMB3,000,000 and estimated land premium payables of RMB12,000,000. The Group also guaranteed to the purchasers that the above debts and liabilities of the subsidiary would not exceed RMB112,500,000, and the taxes payable together with the land premium payables would not exceed RMB15,000,000. Any exceeding amounts will be borne by the Group. The agreement for the transfer of the shareholding of the subsidiary was completed on 10 March 2004.

38. CREDIT FACILITIES

As at 31 December 2004, the Group's credit facilities were supported by the following:

(a) charge over certain properties under construction in progress (note 13) with a net book value of HK$13,498,000 (2003: HK$Nil);

(b) charge over the land held for development with Land Lot No. K708-5 at Liu Wan and all proceeds from sales of that land held for development (note 17);

(c) pledge of 4,392,521,867 (2003: 3,992,521,867), 240,000,000 (2003: 240,000,000), 363,638,000 (2003: 363,638,000) and 15,265,220,133 (2003: 15,265,220,133) shares in South Sea as securities to certain securities brokers and margin financiers, bankers, a minority shareholder of a subsidiary and other borrowers respectively, the total of which represents about 99.97% out of 67.71% (2003: 98% out of 67.71%) of total interest in South Sea held by the Company. The market value of such listed shares as at 31 December 2004 was about HK$830,716,580 (2003: HK$397,227,600);

(d) charge over shares in certain subsidiaries within the Group; and

(e) unlimited personnel guarantee given by Mr. Yu.

39. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Financial support

(a) As at 31 December 2004 and 31 December 2003, the Group's banking facilities were secured by properties of certain related companies, and corporate and personal guarantees executed by certain related parties of the Company.

(b) As at 31 December 2004 and 31 December 2003, the banking facilities granted to Genius Reward, an associate of the Group, were supported by corporate guarantees executed by the Company and pledge of certain listed shares of short term investments and certain unlisted shares of a subsidiary.

Balances with related parties

As at 31 December 2004 and 31 December 2003, the Group had payables due to certain related parties. These balances are mainly in respect of advances from these parties.

Details of the terms of the Company's balances due from and to its subsidiaries are set out in note 14.

40. PENDING LITIGATIONS

(a) In a prior year, Team Concepts Marketing Limited, a subsidiary of the Company, issued a proceedings against a European distributor, Stadlbauer Marketing & Vertrieb GmbH ("SMV"), for outstanding accounts receivable of approximately US$0.8 million (HK$6.2 million). SMV filed a counterclaim for a sum amounting to Austrian Schilling 2.5 million (HK$1.6 million) for alleged breach of exclusive distributorship contracts. Up to the date of approval of these financial statements, the court case is still in progress and no settlement has yet been received by the Group. The directors are of the opinion that this litigation is unlikely to result in any material loss to the Group and adequate provision has been made against any potential loss.

(b) Acesite is listed on the Philippine Stock Exchange in Philippines. Acesite Limited, a company incorporated in the British Virgin Islands, was the former immediate holding company of Acesite before losing of its control by the Company.

Acesite's 74,889,231 issued common shares (representing 75% of its total outstanding common shares) held by Acesite Limited were pledged in favour of EPCIB as security for loans granted by EPCIB to Genius Reward Company Limited, an associate of the Group. On 18 February 2003, EPCIB foreclosed the 74,889,231 common shares and sold them as a block sale in the Philippine Stock Exchange. Acesite Limited has contested the sale, stating that an earlier restructuring agreement was entered into with EPICB on 15 January 2003 rendering both the foreclosure action and subsequent sale null and void.

The Court of Appeals, Manila issued a final resolution to dismiss Acesite's claim (note 20) on 24 November 2004. Acesite is appealing against the decision and the legal action is currently pending before the Supreme Court in Manila.

40. PENDING LITIGATIONS (Continued)

(c) On 12 May 2004, Dadi Media, a wholly owned subsidiary of the Company, issued a claim against two former minority shareholders of a subsidiary (collectively, "Defendants"), for the following reliefs: (a) the sum of approximately HK$27,750,000, (b) interest on the said sum and (c) costs arising out of the Defendants' breach of agreement. The Defendants then filed a defence and counterclaim on 24 June 2004 and an amended defence and counterclaim on 1 September 2004. On 27 September 2004, Dadi Media jointly with China Enterprise and other parties filed a reply and defence to counterclaim to the amended counterclaim.

The Defendants issued a claim against China Enterprise in the Labour Tribunal. The claim was transferred to the Court of First Instance and the notice of transfer was received on 22 December 2004. In the claim, the Defendants claimed for (a), the sum of approximately HK$806,000, (b) an award of compensation pursuant to section 32P of the Employment Ordinance, (c) interest, (d) the sum of HK$13,000 together with interest and costs. The defence was filed on 1 March 2005.

As at the date of approval of the financial statements, these two court cases are still in progress and no trial date has been fixed.

41. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Net assets acquired:		
Property, plant and equipment	**15**	7,463
Interest in an associate	**–**	16,038
Cash at banks and in hand	**8,529**	5,621
Trade receivables, other receivables and deposits	**1,612**	11,642
Provision for tax	**(5)**	–
Trade payables, other payables and accruals	**(3,561)**	(20,193)
Minority interests	**(1,318)**	–
	5,272	20,571
Goodwill arising on acquisition	**2,275**	49,243
	7,547	69,814
Satisfied by:		
Cash consideration	**7,547**	55,662
Decrease in other payables	**–**	1,887
Decrease in amount due to a director	**–**	12,265
	7,547	69,814

41. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Acquisition of subsidiaries (Continued)

The analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Cash consideration paid	**(7,547)**	(55,662)
Cash at banks and in hand acquired	**8,529**	5,621
	982	(50,041)

Since its acquisition, the subsidiary contributed HK$1,412,000 to the Group's turnover and loss of HK$879,000 to the consolidated profit after taxation but before minority interests for the year ended 31 December 2004.

The subsidiary acquired during the year utilised HK$2,916,000 for the Group's net operating cash flows and had no impact on the cash flows in relation to investing activities and financing activities.

41. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal and dissolution of subsidiaries

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Net assets disposed of:		
Property, plant and equipment	**86,306**	49,031
Inventories	**–**	1,118
Trade receivables, other receivables and deposits	**537**	28,373
Cash at banks and in hand	**72**	362
Minority interests	**1,448**	–
Trade payables, other payables and accruals	**(7,214)**	(26,252)
Provision for tax	**(5)**	(54)
Bank loans	**(91,850)**	(23,364)
Land premium payables	**(10,800)**	–
	(21,506)	29,214
Exchange reserve released on disposal	**–**	448
Negative goodwill released on disposal	**(160)**	–
Goodwill released on disposal	**19,362**	–
Net gain on disposal and dissolution of subsidiaries	**2,304**	40,388
	–	70,050
Satisfied by:		
Consideration receivable included in other receivables	**–**	70,050
	–	70,050

The analysis of the net outflow of cash and cash equivalents in respect of the disposal and dissolution of subsidiaries is as follows:

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Cash at banks and in hand disposed of	**(72)**	(362)

The subsidiary disposed of/dissolved of during the year contributed HK$Nil (period ended 31 December 2003: HK$2,540,000) to the Group's turnover and loss of HK$162,000 (period ended 31 December 2003: loss of HK$18,279,000) to the consolidated profit after tax but before minority interests for the year ended 31 December 2004.

41. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal and dissolution of subsidiaries (Continued)

The subsidiary disposed of during the year contributed HK$Nil (period ended 31 December 2003: utilised HK$1,810,000) to the Group's net operating cash flows, utilised HK$Nil (period ended 31 December 2003: HK$15,247,000) in respect of cash flows in relation to investing activities and no impact on the cash flows in relation to financing activities.

(c) Deconsolidation of a subsidiary

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Net assets deconsolidated:		
Property, plant and equipment	**224,000**	–
Inventories	**949**	–
Trade receivables, other receivables and deposits	**10,177**	–
Cash at banks and in hand	**21,600**	–
Deferred tax assets	**15,056**	
Minority interests	**(53,129)**	–
Trade payables, other payables and accruals	**(33,874)**	–
Provision for tax	**(1,418)**	–
Bank loans	**(91,867)**	–
Retirement benefit obligations	**(3,019)**	
Deposit received	**(3,895)**	–
	84,580	–
Exchange reserve released on deconsolidation	**2,854**	–
Goodwill released on deconsolidation	**115,619**	–
Reclassified as interest in a deconsolidated subsidiary under short term investments	**(203,053)**	–
	–	–

41. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Deconsolidation of a subsidiary (Continued)

The analysis of the net outflow of cash and cash equivalents in respect of the deconsolidation of a subsidiary is as follows:

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Cash consideration	**–**	–
Cash at banks and in hand deconsolidated	**(21,600)**	–

(d) Major non-cash transactions

(i) The further deposit of HK$254,528,000 for acquisition of investments was paid by certain debtors on behalf of the Group.

(ii) The consideration of HK$39,374,000 for the acquisition of computer software was paid by certain prospective investee companies on behalf of the Group.

(iii) The consideration of HK$37,736,000 for the acquisition of additional interest in an associate was paid by certain prospective investee companies paid on behalf of the Group.

(iv) The construction cost of HK$78,302,000 incurred during the year was paid by certain debtors on behalf of the Group.

42. RETIREMENT BENEFIT PLANS

Defined contribution retirement plans

The Group operates a MPF scheme and an ORSO scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.

Subsidiaries operating in the PRC are required to participate in a defined contribution retirement benefit plan organised by the relevant government authorities. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total cost charged to the consolidated income statement of HK$5,879,000 (2003: HK$4,390,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

Contribution payable of HK$8,000 as at 31 December 2004 (2003: HK$Nil) to the MPF Scheme are included in other payables.

43. POST BALANCE SHEET EVENT

On 18 April, 2005 the Company (as the vendor), Long Success Group Limited, an independent third party (as the purchaser) and Mr. Yu, (as the guarantor) entered into an agreement (the "Agreement") for sale and purchase of the entire issued share capital of South Port and First Foundation, wholly-owned subsidiaries of the Company, which held 75% and 2.67% of the total issued share capital of Acesite (note 20) at the total consideration of RMB212,000,000.

Pursuant to the Agreement, Mr. Yu has personally guaranteed to the purchaser that, in the event that the purported disposal of the mortgaged shares by the bank is not declared null and void under the Proceedings (note 20); or no damages is ultimately awarded by a court in respect of such purported disposal; or the damages awarded are less than the total consideration of RMB212,000,000, he will be solely responsible for paying to the purchaser the sum of RMB212,000,000 or the shortfall between that sum and the damages awarded (as the case may be) and the Company will not be liable for any claim or compensation in respect of this.

44. COMPARATIVE FIGURES

The Company changed its financial year end from 31 March to 31 December in the prior period in order to coincide with the financial year end of its subsidiaries in the PRC. The financial statements in the previous period therefore covered a period of 9 months from 1 April 2003 to 31 December 2003 and may not be directly comparable with the figures presented in the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes thereon for the current year.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 31 to 101 were approved by the board of directors on 25 April 2005.