NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

1. GENERAL INFORMATION

The Company is incorporated in Bermuda 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 development, design and marketing of consumer packaged electronics. Details of the principal activities of the Company's subsidiaries are set out in note 13.

The directors consider the ultimate holding company to be Sino-i Technology Limited ("Sino-i"), a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION

The financial statements on pages 21 to 59 are prepared in accordance with and comply with all applicable Hong Kong Financial Reporting Standards ("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 at 31 December 2004, the Group had net current liabilities of HK$1,375,220,000. Notwithstanding this, the financial statements have been prepared on a going concern basis, the validity of which depends upon the following:

1) the Group is currently in the course of discussion with some of its bankers to apply for new credit facilities and the directors anticipate that the Group will be able to obtain new credit facilities from its bankers. Such new credit facilities will be used for working capital purpose after repayment of the existing loan liabilities;

2) the ultimate holding company and certain fellow subsidiaries have undertaken to provide financial support to the Group and not to demand repayment of debts due by the Group until such time when repayment will not affect the Group's ability to repay other creditors in the normal course of business;

3) Robina Profits Limited, the holder of the Company's convertible notes and a fellow subsidiary, has confirmed in writing to the Company that it will convert the entire principal amount under the convertible notes HK$200,000,000 into ordinary shares of the Company prior to the due date of these convertible notes; and

4) the directors anticipate that the Group will generate positive cash flows from its property development business.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made 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 sale 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 controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

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.

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

Moulds and tools	25% – 33%
Machinery and equipment	25% – 33%
Furniture and fixtures	20% – 33%
Motor vehicles	25% – 33%
Computers	25% – 33%
Leasehold improvements	Over the shorter of the terms of the leases or the estimated useful lives. The principal annual rates used for this purpose range from 1.7% to 4%.

(ii) Measurement bases

Property, plant and equipment are stated at cost 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.

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 income statement.

(e) 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 subsidiary, 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.

On disposal of subsidiaries 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Goodwill/Negative goodwill (Continued)

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.

Negative goodwill not yet recognised in the consolidated income statement is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as goodwill.

(f) 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 to the income statement in the accounting period in which they are incurred.

(g) 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.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials computed using the weighted average method and, where applicable, direct labour and those 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Income tax

Income tax for the year comprises current and deferred taxes.

Current tax is the expected tax payable on the taxable income for the year 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.

(j) 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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Impairment (Continued)

(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.

(k) 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 are dealt with as movement in exchange reserve.

(l) 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 benefit costs

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 scheme 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 13% to 19% of basic salary of their employees and there are no other further obligations to the Group.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Employee entitlements (Continued)

(ii) Retirement benefit costs (Continued)

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.

(m) 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 up to the completion of its development. Any other borrowing costs are charged to the income statement in the period in which they are incurred.

(n) Cash and cash equivalents

Cash comprises cash on hand and demand 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) 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 land held for development, deposit for acquisition of an investment, property, plant & equipment, intangible assets, inventories, receivables and operating cash, and exclude interests in associates. Segment liabilities comprise land premium payables, deposit received and operating liabilities and exclude items such as certain corporate borrowings.

Capital expenditure comprises additions to property, plant & equipment, land held for development and deposit for acquisition of an investment.

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.

(p) 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 the date of conversion.

(q) 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.

(r) 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:

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

– interest income is recognised on a time proportion basis.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) 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.

(t) 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		
	– Sale of goods	**1,215**	2,164
	Discontinuing operations		
	– Provision of electronic manufacturing services	**–**	9,544
		1,215	11,708
(b)	**Other revenue:**		
	Interest income	**3,363**	6,848
	Negative goodwill recognised as income	**14,089**	10,566
	Gain on disposal of property, plant and equipment	**6**	2,393
	Write back of provision for a doubtful debt	**65**	–
		17,523	19,807
	Total revenue	**18,738**	31,515

5. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and 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 of details of the business segments are as follows:

(a) Consumer packaged electronics

(b) Electronics manufacturing services

(c) Property development

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

(e) Telecommunication products

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(a). BUSINESS SEGMENTS

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 December 2004 and for the period from 1 April 2003 to 31 December 2003.

	Continuing operations						Discontinued operations					
	Consumer packaged electronics		Property development		Others		Electronics manufacturing services		Telecommunication products		Total	
	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000
Segment revenue												
Sales to external customers	**1,215**	2,164	**-**	–	**-**	–	**-**	9,544	**-**	–	**1,215**	11,708
Segment results	**(4,834)**	(6,728)	**8,296**	7,311	**(285)**	(214)	**-**	(8,358)	**-**	–	**3,177**	(7,989)
Interest income											**3,363**	6,848
Finance costs											**(2,369)**	(22,251)
Interest waived by creditors											**-**	34,066
(Loss on dissolution of a subsidiary)/Gain on disposal of subsidiaries					**(177)**	(109)		53,530			**(177)**	53,421
Share of profits/(losses) of associates			**(417)**	(550)	**1,661**						**1,244**	(550)
Profit before taxation											**5,238**	63,545
Taxation											**(21)**	–
Profit after taxation but before minority interests											**5,217**	63,545
Minority interests											**-**	–
Profit for the year/period attributable to shareholders											**5,217**	63,545

5(a).BUSINESS SEGMENTS (Continued)

	Continuing operations						Discontinued operations					
	Consumer packaged electronics		Property development		Others		Electronics manufacturing services		Telecommunication products		Total	
	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000
Segment assets	**2,474**	19,008	**3,610,295**	3,455,125	**372**	116,662	**-**	–	**-**	379	**3,613,141**	3,591,174
Interests in associates	**-**	–	**208,256**	224,711	**20,812**	–	**-**	–	**-**	**-**	**229,068**	224,711
Total assets	**2,474**	19,008	**3,818,551**	3,679,836	**21,184**	116,662	**-**	–	**-**	379	**3,842,209**	3,815,885
Segment liabilities	**11,578**	12,134	**669,002**	609,853	**193,388**	352,044	**-**	–	**-**	3,009	**873,968**	977,040
Loan liabilities	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**548,839**	424,660
Total liabilities	**11,578**	12,134	**669,002**	609,853	**193,388**	352,044	**-**	–	**-**	3,009	**1,422,807**	1,401,700
Other segment information												
Capital expenditure	**7**	97	**90,190**	77,585	**-**	–	**-**	161	**-**	–	**90,197**	77,843
Depreciation and amortisation	**880**	522	**66**	27	**-**	47	**-**	3,474	**-**	–	**946**	4,070
Write-off of product development costs	**149**	27	**-**	–	**-**	–	**-**	–	**-**	–	**149**	27
Amortisation of goodwill	**-**	–	**1,085**	181	**-**	–	**-**	–	**-**	–	**1,085**	181
Negative goodwill recognised as income	**-**	–	**(14,089)**	(10,566)	**-**	–	**-**	–	**-**	–	**(14,089)**	(10,566)

5(b). GEOGRAPHICAL SEGMENTS

The following tables present revenue, results, certain assets and capital expenditure information for the Group's geographical segments.

	Europe		Asia		Total	
	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000
Segment revenue						
Sales to external customers	**59**	857	**1,156**	10,851	**1,215**	11,708
Segment results	**(175)**	(2,652)	**3,352**	(5,337)	**3,177**	(7,989)

	Europe/North America		Hong Kong		People's Republic of China ("PRC"), other than Hong Kong		Total	
	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000	**Year ended 31 December 2004 HK$'000**	Period from 1 April 2003 to 31 December 2003 HK$'000
Segment assets	**1,201**	1,621	**1,645**	134,428	**3,839,363**	3,679,836	**3,842,209**	3,815,885
Other segment information								
Capital expenditure	**–**	–	**7**	16,135	**90,190**	61,708	**90,197**	77,843

6. 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:		
Write-off of product development costs	**149**	27
Amortisation of goodwill	**1,085**	181
Auditors' remuneration	**1,307**	1,304
Cost of inventories recognised as expense	**1,569**	6,120
Cost of services provided	**–**	15,087
Depreciation and amortisation on owned property, plant and equipment	**946**	4,070
Operating lease charges on land and buildings	**207**	93
Provision for bad and doubtful debts	**17**	1,592
Exchange loss	**968**	–
Redundancy costs	**36**	90
Staff costs		
– Directors' remuneration	**191**	–
– Staff salary	**5,622**	4,235
– Contributions to defined contribution retirement schemes for staff	**71**	116
	5,884	4,351

The amortisation of goodwill is included in administrative expenses in the consolidated income statement.

7. FINANCE COSTS

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Interest on convertible notes	**833**	–
Interest on bank loans and overdrafts	**17,920**	21,948
Interest on other payables	**32,136**	40,517
Interest on amount due to ultimate holding company	**1,226**	–
Total interest expenses	**52,115**	62,465
Less: Amount directly attributable to land held for development capitalised	**(49,746)**	(40,214)
	2,369	22,251

8. TAXATION

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
The tax charge comprises:		
Current tax – Hong Kong profits tax		
– Under-provision in respect of prior years	**21**	–

No Hong Kong profits tax has been provided in the financial statements in respect of the current year and the prior period as the Group did not derive any assessable profit in Hong Kong during that year/period.

The tax charge represents under-provision of Hong Kong profits tax calculated at the rate of 16% on the assessable profits in prior years.

No income tax for other jurisdictions has been provided in the financial statements as the Group did not derive any taxable income in those jurisdictions for the year/period.

Reconciliation between tax expense 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	**5,238**	63,545
Tax charge/(credit) calculated at the rates applicable to the jurisdictions concerned	**3,128**	(31,907)
Tax effect of expenses that are not deductible in determining taxable profit	**6,753**	110,350
Tax effect of non-taxable revenue	**(10,178)**	(79,254)
Tax effect of unrecognised tax losses	**297**	811
Under-provision in prior years	**21**	–
Actual tax expense	**21**	–

9. PROFIT FOR THE YEAR/PERIOD ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit for the year/period attributable to shareholders, a loss of HK$14,840,000 (period ended 31 December 2003: a loss of HK$2,385,000) is dealt with in the financial statements of the Company.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit for the year/period attributable to shareholders of HK$5,217,000 (period ended 31 December 2003: HK$63,545,000) and on the weighted average of 29,931,804,183 (period ended 31 December 2003: 29,931,804,183) ordinary shares in issue during the year/period.

Diluted earnings per share for the year ended 31 December 2004 was not presented because the impact of the exercise of the convertible notes was anti-dilutive.

Diluted earnings per share for the period ended 31 December 2003 has not been presented as there was no dilutive potential ordinary shares.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Moulds and tools HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Cost							
At 1 January 2004	3,287	4,083	10,206	3,892	1,906	6,708	30,082
Additions	–	7	100	43	–	33	183
Dissolution of a subsidiary	–	–	(24)	(36)	(242)	(48)	(350)
Disposals	–	–	(35)	(75)	(1,253)	(773)	(2,136)
At 31 December 2004	**3,287**	**4,090**	**10,247**	**3,824**	**411**	**5,920**	**27,779**
Accumulated depreciation and amortisation							
At 1 January 2004	3,287	3,366	10,024	3,846	1,634	6,523	28,680
Charge for the year	–	658	170	21	20	77	946
Dissolution of a subsidiary	–	–	(6)	(9)	–	(11)	(26)
Disposals	–	–	(36)	(76)	(1,253)	(771)	(2,136)
At 31 December 2004	**3,287**	**4,024**	**10,152**	**3,782**	**401**	**5,818**	**27,464**
Net book value							
At 31 December 2004	**–**	**66**	**95**	**42**	**10**	**102**	**315**
At 31 December 2003	–	717	182	46	272	185	1,402

At 31 December 2004, none of the Group's property, plant and equipment (2003: property, plant and equipment with an aggregate net book value of HK$939,000) was pledged as security for the Group's bank loans and bank facilities.

12. LAND HELD FOR DEVELOPMENT

	Group	
	2004	2003
	HK$'000	HK$'000
At cost	**3,482,809**	3,394,457
Interest capitalised in land held for development	**282,400**	232,654

Land held for development as at 31 December 2004 was situated in the PRC.

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:

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 approximately 220,691 square metres for a term of 70 years from 1 January 1996 to 1 January 2066 was vested in Shenzhen Nanhai Yitian Realty Co., Ltd. ("Shenzhen Nanhai Yitian") (formerly Shenzhen Liu Wan Industry Development Co., Ltd.), a subsidiary of the Company.

The Land Use Rights 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 as at 31 December 2004 (2003: HK$163,606,000). Such 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 on land site Lot No. K708-5. 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 was 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.

13. INTERESTS IN SUBSIDIARIES

	Company 2004 HK$'000	Company 2003 HK$'000
Unlisted shares, at cost	**80,708**	80,708
Less: Impairment	**(80,708)**	(80,708)
	–	–
Amounts due from subsidiaries	**3,211,753**	3,088,845
Amounts due to subsidiaries	**(30,804)**	(4,067)
Less: Provision for doubtful debts	**(445,584)**	(438,681)
	2,735,365	2,646,097
	2,735,365	2,646,097

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

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

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ Registered capital	Percentage of capital held by the Company Directly	Percentage of capital held by the Company Indirectly	Principal activities
Team Industrial Company Limited	Hong Kong	57,143,000 ordinary shares of HK$1 each	65%	–	Investment holding and provision of management services
Team Concepts Marketing Limited	Hong Kong	500,000 ordinary shares of HK$ 1 each	–	65%	Design and marketing of electronic educational products
Team Concepts Technologies Limited	Hong Kong	2 ordinary shares of HK$10 each	–	65%	Design and marketing of consumer electronic products
Team Concepts (UK) Limited	United Kingdom	100 ordinary shares of GBP1 each	–	65%	Provision of marketing services
Team Concepts Global Enterprise Limited	Hong Kong	8,000 ordinary shares of HK$1 each	–	65%	Design and marketing of electronic educational products

13. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ Registered capital	Percentage of capital held by the Company		Principal activities
			Directly	Indirectly	
South Sea Development (HK) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	–	Investment holding
Liu Wan Development (BVI) Company Limited ("Liu Wan (BVI)")	British Virgin Islands	215,000,000 ordinary shares of US$1 each	–	100%	Investment holding
Liu Wan Investment Company Limited	Hong Kong	2 ordinary shares of US$1 each	–	100%	Investment holding
Shenzhen Nanhai Yitian Realty Co., Ltd. ("Shenzhen Nanhai Yitian") (formerly Shenzhen Liu Wan Industry Development Co., Ltd.)	PRC	RMB100,000,000 (see *below)	–	100%	Investment holding and property development
Top Gallant Development Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Investment holding
Sheen Asset Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Investment holding
Yorkwell International Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Investment holding
Shenzhen Jin Yi Tian Industry Development Company Limited ("Shenzhen Jin Yi Tian")	PRC	RMB18,000,000 (see **below)	–	100%	Property investment
Top First Assets Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
Longwise Development Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Investment holding
Sheen Grades Associates Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Management services to the group
深圳市融杰投資有限公司	PRC	RMB40,000,000	–	100%	Investment holding

13. INTERESTS IN SUBSIDIARIES (Continued)

* Shenzhen Nanhai Yitian was a co-operative 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 (BVI), Liu Wan Investment Company Limited (a wholly-owned subsidiary of 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 of the above, Liu Wan (BVI) directly and indirectly owns the entire equity interest in Shenzhen Nanhai Yitian.

** 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.

The above table lists out the subsidiaries of the Company as at 31 December 2004 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 the directors, result in particulars of excessive length.

14. INTERESTS IN ASSOCIATES

	Group	
	2004	2003
	HK$'000	HK$'000
Share of net assets	**225,955**	224,711
Amount due from an associate	**3,113**	–
	229,068	224,711

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

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

Name	Country of incorporation/ establishment and operations	Percentage of interest held by the Group		Nature of business
		2004	2003	
Listar Properties Limited	British Virgin Islands	**49%**	49%	Investment holding
Easy-Trade Technology Services Ltd.	PRC	**30%**	30%	Leasing of POS machines and provision of information technology services

15. DEPOSIT FOR ACQUISITION OF INVESTMENT

The amount of RMB349,800,000 (equivalent to HK$330,000,000) as at 31 December 2004 (2003: RMB80,000,000, equivalent to HK$75,472,000) represented 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 payment by the subsidiary of the remaining consideration of RMB21,200,000. On 30 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.

16. INTANGIBLE ASSETS

	Product development costs HK$'000	**Negative goodwill** HK$'000	**Goodwill** HK$'000	**Total** HK$'000
Opening net book amount at 1 January 2004	149	(246,547)	21,518	(224,880)
Write-off	(149)	–	–	(149)
Amount recognised as income for the year	–	14,089	–	14,089
Amortisation charge for the year	–	–	(1,085)	(1,085)
Closing net book amount at 31December 2004	**–**	**(232,458)**	**20,433**	**(212,025)**
At 31 December 2004				
Cost	**–**	**(281,767)**	**21,699**	**(260,068)**
(Accumulated amortisation and impairment losses)/ Accumulated amount recognised as income	**–**	**49,309**	**(1,266)**	**48,043**
Net book amount	**–**	**(232,458)**	**20,433**	**(212,025)**
At 31 December 2003				
Cost	149	(281,767)	21,699	(259,919)
(Accumulated amortisation and impairment losses)/ Accumulated amount recognised as income	–	35,220	(181)	35,039
Net book amount	149	(246,547)	21,518	(224,880)

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.

17. INVENTORIES

	Group 2004 HK$'000	2003 HK$'000
Raw materials	**6**	–
Finished goods	**5,109**	5,109
	5,115	5,109
Less: Provision for slow-moving and obsolete inventories	**(5,109)**	(5,109)
	6	–

All the finished goods are stated at net realisable value.

18. TRADE RECEIVABLES

At 31 December 2004, the ageing analysis of the trade receivables was as follows:

	Group 2004 HK$'000	2003 HK$'000
0 – 90 days	**52**	38
91 – 180 days	**–**	–
181 – 270 days	**–**	–
271 – 360 days	**–**	5
Over 360 days	**15,625**	15,668
Less: Provision	**(15,625)**	(15,673)
	52	38

The Group's sales are entered into on credit terms ranging from 30 to 60 days. The Group encountered difficulties in collection of certain trade debts in prior years and therefore appropriate provision has been made against certain bad and doubtful debts.

19. TRADE PAYABLES

At 31 December 2004, the ageing analysis of the trade payables was as follows:

	Group 2004 HK$'000	2003 HK$'000
0 – 90 days	**–**	–
91 – 180 days	**–**	–
181 – 270 days	**–**	–
271 – 360 days	**–**	6
Over 360 days	**2,153**	2,150
	2,153	2,156

20. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

At 31 December 2004, the amount due to ultimate holding company is unsecured, interest-free and has no fixed repayment terms. At 31 December 2003, included in amount due to ultimate holding company was an amount of HK$210,000,000 which born interest at 1% per annum.

21. AMOUNTS DUE TO FELLOW SUBSIDIARIES

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

22. BANK LOANS AND OVERDRAFTS (SECURED)

	Group	
	2004	2003
	HK$'000	HK$'000
Bank overdrafts	**272**	272
Bank loans (secured)	**348,567**	378,594
	348,839	378,866
Less: Current portion due within one year included under current liabilities	**(348,839)**	(68,007)
	–	310,859

23. CONVERTIBLE NOTES

On 30 July 2004, the Company issued HK$200,000,000 unsecured convertible notes to Robina Profits Limited, a fellow subsidiary. The convertible notes carry the right at any time commencing on the date of issue but before 30 July 2005 to convert the whole or part of the outstanding principal amounts of the notes into a total of 11,111,111,111 ordinary shares of the Company at an initial conversion price of HK$0.018 per share. The conversion price is subject to adjustment in certain circumstances.

If the convertible notes have not been converted on the due date, the Company will repay HK$200,000,000 to the holder of such notes.

The convertible notes bear interest on the outstanding principal thereof from the date of issue at a rate of 1% per annum, and the interest is payable quarterly in arrears.

24. OTHER LOAN (SECURED)

The loan bore interest at 1% over the best lending rate per annum, compounded monthly and was originally due on 14 November 2006. The loan was fully repaid during the year.

25. SHARE CAPITAL

	2004 **HK$'000**	2003 HK$'000
Authorised:		
500,000,000,000 ordinary shares of HK$0.01 each	**5,000,000**	5,000,000
Issued and fully paid:		
29,931,804,183 ordinary shares of HK$0.01 each	**299,318**	299,318

Share options

Pursuant to the Company's Share Option Scheme ("the Scheme") which was adopted on 29 August 2002, 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 of directors of the Company. The subscription price of the shares granted under the Scheme shall not be less than the highest of (i) the closing price of shares as stated in The Stock Exchange of Hong Kong Limited'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 of Hong Kong Limited'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.

Share options granted under the Scheme are exercisable at any time during a period to be determined and notified by the directors of the Company 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.

During the year/period, no share option had been granted under the Scheme.

As at 31 December 2004 and 31 December 2003, there were no options outstanding under the share option scheme operated by the Company.

26. RESERVES

Group

	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 April 2003	96,069	32	1,934,955	8,108	25,709	2,064,873
Release on disposal of properties	–	(32)	–	–	32	–
Exchange differences on translation of the financial statements of foreign subsidiaries	–	–	–	(933)	–	(933)
Release upon disposal of subsidiaries	–	–	(13,077)	459	–	(12,618)
Profit for the period	–	–	–	–	63,545	63,545
At 31 December 2003 and 1 January 2004	96,069	–	1,921,878	7,634	89,286	2,114,867
Profit for the year	–	–	–	–	5,217	5,217
At 31 December 2004	**96,069**	**–**	**1,921,878**	**7,634**	**94,503**	**2,120,084**

The reserves are retained as follows:

	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
Company and subsidiaries	96,069	–	1,921,878	7,634	94,586	2,120,167
Associates	–	–	–	–	(83)	(83)
At 31 December 2004	**96,069**	**–**	**1,921,878**	**7,634**	**94,503**	**2,120,084**
Company and subsidiaries	96,069	–	1,921,878	7,634	90,613	2,116,194
Associates	–	–	–	–	(1,327)	(1,327)
At 31 December 2003	96,069	–	1,921,878	7,634	89,286	2,114,867

Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2003	96,069	1,971,857	(3,205)	2,064,721
Loss for the period	–	–	(2,385)	(2,385)
At 31 December 2003 and 1 January 2004	96,069	1,971,857	(5,590)	2,062,336
Loss for the year	–	–	(14,840)	(14,840)
At 31 December 2004	**96,069**	**1,971,857**	**(20,430)**	**2,047,496**

Note: Contributed surplus of the Company represents the difference between the aggregate net asset value of the subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition. Under the Bermuda Companies Act, the contributed surplus is distributable to the shareholders under certain circumstances.

27. DEFERRED TAXATION

At 31 December 2004, the amount of deferred tax liabilities on temporary differences provided for is as follows:

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

At 31 December 2004, the amount of unrecognised deferred tax asset in respect of unused tax losses is as follows:

	Group	
	2004 HK$'000	2003 HK$'000
At 1 Jan/April	**80,872**	73,202
Effect of change in tax rate	**–**	6,859
Amount (utilised)/generated during the year/period	**(80)**	811
At 31 December	**80,792**	80,872

Deferred tax asset in respect of 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.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Net assets acquired:		
Interest in an associate	**–**	16,038
Goodwill arising on consolidation	**–**	21,699
	–	37,737
Satisfied by cash consideration	**–**	37,737

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

(b) Dissolution of a subsidiary/Disposal 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	**324**	49,031
Inventories	**–**	1,118
Trade and other receivables	**20**	54,585
Amounts due from fellow subsidiaries	**–**	239
Cash at banks and in hand	**28**	377
Amounts due to fellow subsidiaries	**(1,349)**	(158,176)
Trade and other payables	**(195)**	(26,473)
Provision for tax	**–**	(54)
Bank loans and overdrafts	**–**	(23,364)
	(1,172)	(102,717)
Reserves released upon disposal of subsidiaries:		
– Capital reserve	**–**	(13,077)
– Exchange reserve	**–**	459
(Loss on dissolution of a subsidiary)/Gain on disposal of subsidiaries	**(177)**	53,421
Waiver of amounts due to fellow subsidiaries	**1,349**	158,176
	–	96,262
Satisfied by:		
Consideration receivable included in other receivables	**–**	70,050
Assignment of other receivables to a subsidiary	**–**	26,212
	–	96,262

Analysis of the net (outflow)/inflow of cash and cash equivalents in respect of the dissolution of a subsidiary/disposal 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	**(28)**	(377)
Bank loans and overdrafts disposed of	**–**	23,364
	(28)	22,987

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

(c) Major non-cash transactions

(i) The deposit of HK$254,528,000 paid for acquisition of investment during the year was satisfied directly by certain other receivables of the Group and its fellow subsidiaries, amounting to HK$213,063,000 and HK$41,465,000 respectively.

(ii) The net proceeds of HK$200,000,000 raised from the issue of the Company's convertible notes was used directly to net off against the outstanding current account balance with the ultimate holding company.

(iii) The construction costs of RMB35,000,000 (equivalent to HK$33,019,000) incurred during the year on the land held for development were paid by the ultimate holding company on behalf of a subsidiary of the Company and were effected through its current account with the Group.

(iv) During the year, certain bank loans, amounting to HK$20,000,000, were repaid by the ultimate holding company on behalf of a subsidiary of the Company. Such repayment of bank loans was effected through the ultimate holding company's current account with the Group.

29. RETIREMENT BENEFIT COSTS

The Group operates a MPF scheme and an OROS scheme for all qualifying employees in Hong Kong. The assets of the schemes 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$71,000 (2003: HK$116,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes. Forfeited contributions in respect of the ORSO scheme totalling to HK$10,000 (2003: HK$Nil) were utilised during the year and there was no balance available as at 31 December 2004 (2003: HK$Nil) to reduce future contributions.

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

30. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments and fees disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Fees	**–**	–
Other emoluments payable to directors:		
– basic salaries, other allowances and benefits in kind	**191**	–
	191	–

All of the above emoluments were payable to four independent non-executive directors for the year ended 31 December 2004 (2003: HK$Nil).

The number of directors whose emoluments fall within the following bands are as follows:

	Number of directors			
	Executive directors		**Non-executive directors**	
	Year ended 31 December 2004	Period from 1 April 2003 to 31 December 2003	**Year ended 31 December 2004**	Period from 1 April 2003 to 31 December 2003
HK$Nil	**3**	3	**3**	4
HK$1 – HK$1,000,000	**–**	–	**4**	–

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

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, none (period ended 31 December 2003: none) is a director of the Company. The five highest paid individuals are senior management of the Group. The aggregate amount of the emoluments of the individuals is as follows:

	Year ended 31 December 2004 HK$'000	Period from 1 April 2003 to 31 December 2003 HK$'000
Basic salaries, other allowances and benefits in kind	**2,614**	1,703
Pension contributions	**60**	45
	2,674	1,748

30. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals (Continued)

The emoluments of the five highest paid individuals fell within the following band:

	Number of highest paid individuals	
Emolument band	**Year ended 31 December 2004**	Period from 1 April 2003 to 31 December 2003
HK$Nil – HK$1,000,000	**5**	5

During the year/period no emolument was 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.

31. COMMITMENTS

(a) Capital commitments

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

	2004 HK$'000	2003 HK$'000
Contracted but not provided for		
– purchase of property, plant and equipment and land held for development	**271,958**	26,976
– acquisition of investment	**20,000**	274,528
	291,958	301,504

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

(b) Commitments under operating leases

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

	Land and buildings	
	2004 HK$'000	2003 HK$'000
Within one year	**231**	15

At 31 December 2004 and 31 December 2003, the Company had no operating lease commitments.

32. CONTINGENT LIABILITIES

	Group	
	2004	2003
	HK$'000	HK$'000
Guarantees given in connection with credit facilities granted to third parties	**33,761**	96,254

At 31 December 2004 and 31 December 2003, the Company had no contingent liabilities.

33. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with its ultimate holding company and fellow subsidiaries:

Balances with ultimate holding company and fellow subsidiaries

As at 31 December 2004, the Group had payables due to the ultimate holding company and certain fellow subsidiaries. These balances are mainly in respect of advances from these parties, details of which are set out in notes 20 and 21.

Convertible notes

As at 31 December 2004, the Group had outstanding convertible notes issued to a subsidiary of the ultimate holding company, details of which are set out in note 23.

34. CREDIT FACILITIES

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

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

(ii) charge over the land held for development with Land Lot No. K708-5 at Liu Wan (see note 12) and all proceeds from sales of that land held for development.

35. PENDING LITIGATION

In a prior year, Team Concepts Marketing Limited, a subsidiary of the Company, issued a proceedings against an 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.

36. COMPARATIVE FIGURES

The Company changed its financial year end from 31 March to 31 December in the previous 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.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 21 to 59 were approved by the board of directors on 25 April 2005.