

## 1. GENERAL

The Company is a public limited company 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. The principal activities of its major subsidiaries, associates and jointly controlled entities are set out in notes 39, 40 and 41, respectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or up to their effective date of acquisition or disposal, respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### **Goodwill**

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

Goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

### **Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves, and will be credited to income at the time of disposal of the relevant subsidiary or associate.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Negative goodwill** *(Continued)*

Negative goodwill arising on the acquisition of an associate after 1 January 2001 is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries after 1 January 2001 is presented separately in the balance sheet as a deduction from assets.

Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

#### **Investments in subsidiaries**

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

#### **Interests in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the goodwill in so far it has not been written off or amortised, less any identified impairment loss.

In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

#### **Jointly controlled entities**

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities plus the goodwill in so far as it has not already been written off or amortised less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

In the Company's balance sheet, investments in jointly controlled entities are stated at cost, as reduced by any identified impairment loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investments in securities**

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

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

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

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

### **Revenue recognition**

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

Sales of properties are recognised on the execution of legally binding, unconditional and irrevocable contracts.

Service income is recognised when services are rendered.

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

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight line basis over the term of the relevant lease.

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

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

Properties in the course of development for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any identified impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment (Continued)

Depreciation is provided to write off the cost of assets, other than properties under development, over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates per annum:

Leasehold land	Over the unexpired lease term
Buildings	4% or over the term of lease, whichever is shorter
Plant and equipment	5% – 15%
Others	6% – 25%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the relevant lease.

#### Investment properties

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

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

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

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

#### Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease terms.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Research and development expenses**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

### **Inventories**

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

The cost of properties for sale includes the land cost, development expenditure, interests and other direct costs attributable to such properties. Net realisable value is the estimated selling price less all estimated costs to completion and the estimated costs necessary to make the sale.

### **Impairment**

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

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

### **Retirement benefits scheme**

Contributions to retirement benefits schemes are charged to the income statement as an expense.

### **Foreign currencies**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Taxation**

The charge for taxation represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary differences 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 profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is 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.

#### **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 3. TURNOVER AND COST OF SALES AND SERVICES

- (a) Turnover represents the gross invoiced sales of goods less discounts and returns, proceeds on sales of properties, rental income, interest income and investment income as follows:

	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	<b>1,349,535</b>	1,091,250
Proceeds on sales of properties	<b>33,938</b>	120,377
Rental income	<b>24,528</b>	25,776
Interest income	<b>2,239</b>	2,230
	<u><b>1,410,240</b></u>	<u>1,239,633</u>

- (b) Cost of sales and services includes an amount of HK\$19,371,000, net of allowance of HK\$1,537,000 (2003: HK\$23,104,000), being reversal of allowance for obsolete inventories.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's turnover and contribution to trading results, analysed by principal activity, were as follows:

#### (a) Business segments

Segment information in respect of turnover for the year ended 31 December 2004 is presented below:

#### INCOME STATEMENT

	External sales <i>HK\$'000</i>	Inter-segment sales <i>HK\$'000</i>	Total turnover <i>HK\$'000</i>
<b>TURNOVER</b>			
Manufacturing			
Plastic products	450,114	28,208	478,322
Liquid crystal display	82,176	–	82,176
Audio-video products	322,244	–	322,244
Printed circuit boards	125,785	–	125,785
Intelligent chargers and security system	321,478	415	321,893
Other products	571	–	571
Property	58,466	10,123	68,589
Trading	47,167	–	47,167
Finance	2,239	7,546	9,785
	<u>1,410,240</u>	<u>46,292</u>	<u>1,456,532</u>
Elimination	–	(46,292)	(46,292)
Consolidated total	<u>1,410,240</u>	<u>–</u>	<u>1,410,240</u>

Inter-segment sales are charged at prevailing market prices.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

#### (a) Business segments *(Continued)*

Segment information in respect of the results for the year ended 31 December 2004 is presented below:

#### RESULTS

	<b>Amount</b> <i>HK\$'000</i>
Manufacturing	
Plastic products	45,788
Liquid crystal display	2,539
Audio-video products	4,284
Printed circuit boards	19,606
Intelligent chargers and security system	34,094
Other products	(7,101)
Property	77,518
Trading	2,276
Finance	(247,006)
	(68,002)
Elimination	(20,807)
	(88,809)
Total segment results	(88,809)
Unallocated corporate income	203,349
Unallocated corporate expenses	(49,144)
	65,396
Profit from operations	65,396
Finance costs	(50,135)
Share of results of associates <i>(note)</i>	(102)
Share of results of jointly controlled entities	(9,996)
Gain on deemed disposal of subsidiaries	65,806
Allowance for amounts due from jointly controlled entities	(26,949)
Gain on deemed disposal of an associate	11,590
	55,610
Profit before taxation	55,610
Taxation	397
	56,007
	56,007
<i>Note:</i>	
Share of results of associates:	
Manufacturing	
Telecommunication products	1,973
Other products	(627)
Trading	13
Others	(1,461)
	(102)
	(102)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### (a) Business segments (Continued)

Segment information in respect of balance sheet at 31 December 2004 is presented below:

#### BALANCE SHEET

	Segment assets <i>HK\$'000</i>	Interests in associates <i>HK\$'000</i>	Interests in jointly controlled entities <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>				
Manufacturing				
Plastic products	309,334	–	–	309,334
Liquid crystal display	92,967	–	–	92,967
Audio-video products	150,289	–	–	150,289
Printed circuit boards	127,516	–	–	127,516
Telecommunication products	–	79,747	–	79,747
Intelligent chargers and security system	162,498	–	–	162,498
Other products	72,595	–	78,535	151,130
Property	623,712	–	–	623,712
Trading	84,115	7,876	–	91,991
Finance	458,621	–	–	458,621
Others	–	7,344	–	7,344
	<u>2,081,647</u>	<u>94,967</u>	<u>78,535</u>	2,255,149
Unallocated corporate assets				<u>286,529</u>
Consolidated total				<u>2,541,678</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### (a) Business segments (Continued)

#### BALANCE SHEET (Continued)

	Segment liabilities HK\$'000
<b>LIABILITIES</b>	
Manufacturing	
Plastic products	97,203
Liquid crystal display	22,915
Audio-video products	101,985
Printed circuit boards	45,617
Intelligent chargers and security system	115,495
Other products	73,709
Property	88,232
Trading	69,963
Finance	314,741
Others	–
	<u>929,860</u>
Unallocated corporate liabilities	641,084
Consolidated total	<u>1,570,944</u>

	Capital additions HK\$'000	Depreciation HK\$'000	Reversal of impairment losses HK\$'000	Surplus on revaluation of investment properties HK\$'000	Reversal of allowance for obsolete inventories HK\$'000	Allowance for loans receivable HK\$'000	Allowance of doubtful debts HK\$'000	Gain (loss) on disposal of property, plant and equipment HK\$'000
<b>OTHER INFORMATION</b>								
Manufacturing	65,985	33,560	–	100	19,371	–	3,622	3,006
Property	1,297	8,346	–	60,798	–	–	983	(121)
Trading	19	664	–	–	–	–	–	–
Finance	–	–	–	–	–	369,239	–	–
Others	345	5,254	93,104	–	–	–	750	–
Consolidated total	<u>67,646</u>	<u>47,824</u>	<u>93,104</u>	<u>60,898</u>	<u>19,371</u>	<u>369,239</u>	<u>5,355</u>	<u>2,885</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### (a) Business segments (Continued)

Segment information in respect of turnover for the year ended 31 December 2003 is presented below:

#### INCOME STATEMENT

	External sales <i>HK\$'000</i>	Inter-segment sales <i>HK\$'000</i>	Total turnover <i>HK\$'000</i>
<b>TURNOVER</b>			
Manufacturing			
Plastic products	329,112	19,076	348,188
Liquid crystal display	63,226	–	63,226
Audio-video products	239,138	–	239,138
Printed circuit boards	83,363	–	83,363
Telecommunication products	79,340	–	79,340
Intelligent chargers and security system	258,406	654	259,060
Other products	9,748	–	9,748
Property	146,155	9,260	155,415
Trading	28,914	–	28,914
Finance	2,231	2,322	4,553
	<u>1,239,633</u>	<u>31,312</u>	<u>1,270,945</u>
Elimination	–	(31,312)	(31,312)
Consolidated total	<u>1,239,633</u>	<u>–</u>	<u>1,239,633</u>

Inter-segment sales are charged at prevailing market prices.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

Segment information in respect of the results for the year ended 31 December 2003 is presented below:

RESULTS

	Amount HK\$'000
Manufacturing	
Plastic products	33,825
Liquid crystal display	3,541
Audio-video products	(7,189)
Printed circuit boards	10,328
Telecommunication products	4,103
Intelligent chargers and security system	27,130
Other products	(10,955)
Property	47,668
Trading	(4,321)
Finance	14,457
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	118,587
Elimination	(14,636)
	<hr/>
Total segment results	103,951
Unallocated corporate income	52,816
Unallocated corporate expenses	(35,508)
	<hr/>
Profit from operations	121,259
Finance costs	(64,645)
Share of results of associates (note)	3,701
Loss on deemed disposal of subsidiaries	(28,331)
Gain on partial disposal of subsidiaries	238
Loss on disposal of an associate	(78)
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Profit before taxation	32,144
Taxation	(5,432)
	<hr/>
Profit before minority interests	<u>26,712</u>
Note:	
Share of results of associates:	
Manufacturing	
Telecommunication products	6,712
Other products	(1,966)
Trading	180
Others	(1,225)
	<hr/>
	<u>3,701</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

#### (a) Business segments *(Continued)*

Segment information in respect of balance sheet at 31 December 2003 is presented below:

#### BALANCE SHEET

	Segment assets <i>HK\$'000</i>	Interests in associates <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>			
Manufacturing			
Plastic products	260,392	–	260,392
Liquid crystal display	74,399	–	74,399
Audio-video products	144,361	–	144,361
Printed circuit boards	120,856	–	120,856
Telecommunication products	–	66,184	66,184
Intelligent chargers and security system	126,580	–	126,580
Other products	82,728	31,791	114,519
Property	601,380	–	601,380
Trading	75,233	7,863	83,096
Finance	849,090	–	849,090
Others	35,753	15,976	51,729
	<u>2,370,772</u>	<u>121,814</u>	2,492,586
Unallocated corporate assets			<u>238,614</u>
Consolidated total			<u>2,731,200</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### (a) Business segments (Continued)

#### BALANCE SHEET (Continued)

	Segment liabilities HK\$'000
<b>LIABILITIES</b>	
Manufacturing	
Plastic products	85,549
Liquid crystal display	12,472
Audio-video products	86,325
Printed circuit boards	35,347
Intelligent chargers and security system	60,677
Other products	78,458
Property	68,468
Trading	6,204
Finance	480,308
Others	912
	<u>914,720</u>
Unallocated corporate liabilities	912,989
Consolidated total	<u>1,827,709</u>

	Capital additions HK\$'000	Depreciation HK\$'000	Amortisation of development costs, goodwill and licence right HK\$'000	Impairment losses HK\$'000	Surplus on revaluation of investment properties HK\$'000	Reversal of allowance for obsolete inventories HK\$'000	Reversal of allowance for doubtful debts HK\$'000	Gain (loss) on disposal of property, plant and equipment HK\$'000
<b>OTHER INFORMATION</b>								
Manufacturing	68,722	36,764	1,911	7,106	70	13,203	5,866	23,152
Property	188	8,702	–	–	5,840	–	(4,304)	(204)
Trading	15	699	–	5,533	–	9,901	2,700	(125)
Finance	–	–	–	–	–	–	–	–
Others	24	5,342	–	–	–	–	–	(6,129)
Consolidated total	<u>68,949</u>	<u>51,507</u>	<u>1,911</u>	<u>12,639</u>	<u>5,910</u>	<u>23,104</u>	<u>4,262</u>	<u>16,694</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### (b) Geographical segments

(i) The following table provides an analysis of the Group's sales by geographical market:

	Sales revenue by geographical market		Profit from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	940,252	942,311	(125,400)	95,950
The People's Republic of China, other than Hong Kong (the "PRC")	469,988	297,322	36,591	8,001
	<u>1,410,240</u>	<u>1,239,633</u>	<u>(88,809)</u>	<u>103,951</u>
Unallocated corporate income			203,349	52,816
Unallocated corporate expenses			<u>(49,144)</u>	<u>(35,508)</u>
Profit from operations			<u>65,396</u>	<u>121,259</u>

(ii) The following table provides an analysis of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	1,513,597	1,735,938	17,051	12,335
The PRC	1,028,081	995,262	50,595	56,614
	<u>2,541,678</u>	<u>2,731,200</u>	<u>67,646</u>	<u>68,949</u>



### 5. WAIVER OF DEBTS

Pursuant to the announcement dated 8 December 2004, a debt restructuring deed was entered into between a banker, CASIL Clearing Limited and CASIL Properties Limited, wholly-owned subsidiaries of the Company, as the borrowers (“Borrowers”) and the Company as the guarantor (“Debt Restructuring Deed”) to restructure the debts due to the banker.

Pursuant to the terms of the Debt Restructuring Deed (“Terms”), the banker will waive the debts of HK\$193,520,000 provided the Group fully complies with the repayment terms of the Debt Restructuring Deed. In the opinion of the directors of the Company, the Group has sufficient financial resources to comply with the repayment terms as specified in the Debt Restructuring Deed and the waiver of debts of HK\$193,520,000 is recognised as income in the consolidated income statement for the year ended 31 December 2004.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 6. PROFIT FROM OPERATIONS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Amortisation of development costs ( <i>note a</i> )	–	1,396
Amortisation of goodwill ( <i>note b</i> )	–	138
Amortisation of technology licence right ( <i>note a</i> )	–	377
Auditors' remuneration	2,617	3,064
Cost of inventories consumed	1,052,125	773,998
Depreciation on		
– owned assets	45,957	50,158
– assets held under finance leases	1,867	1,349
Minimum lease payments paid under operating leases on land and buildings	10,675	6,296
Research expenses	1,488	4,800
Total staff costs, including directors' remuneration	140,838	145,520
and after crediting:		
Gross rental income from		
– land and buildings	6,217	6,335
– investment properties	18,311	19,441
	<u>24,528</u>	<u>25,776</u>
Less: Outgoings	<u>(5,009)</u>	<u>(5,317)</u>
	<u>19,519</u>	<u>20,459</u>
Gain on disposal of property, plant and equipment	2,885	16,694
Interest income	2,239	2,230
Reversal of allowance for obsolete inventories, net of allowance HK\$1,537,000 (2003: Nil) ( <i>note a</i> )	19,371	23,104
Waiver of interest expense on other loans	–	36,273

Notes:

- (a) The amounts are included in cost of sales and services.
- (b) The amount is included in administrative expenses.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

## 7. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

### (a) Directors' emoluments

2004	Rui	Zhao	Zhou	Zhao	Wu	Guo	Zhang	Lee	Chow	Luo	Li	Xu	Chen	Chan	Total
	Xiaowu	Liqiang	Qingquan	Yuanchang	Hongju	Xianpeng	Tao	Hung Sang	Chan Lum, Charles	Zhenbang	Jinsheng	Shilong	Dingyi	Ching Har, Eliza	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors' fees															
Executives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-executives (excluding independent non-executives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent non-executives	-	-	-	-	-	-	-	100	150	1	-	-	-	150	401
	-	-	-	-	-	-	-	100	150	1	-	-	-	150	401
Other emoluments															
Salaries and other benefits	717	258	842	842	842	775	238	-	-	-	-	-	716	-	5,230
Bonuses	-	60	171	171	171	164	-	-	-	-	-	-	1,154	-	1,891
Contributions to retirement benefit schemes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	717	318	1,013	1,013	1,013	939	238	-	-	-	-	-	1,870	-	7,121
Total emoluments	717	318	1,013	1,013	1,013	939	238	100	150	1	-	-	1,870	150	7,522

2003	Rui	Zhou	Zhao	Wu	Zhang	Lee	Chow	Luo	Li	Xu	Chen	Chan	Total
	Xiaowu	Qingquan	Yuanchang	Hongju	Tao	Hung Sang	Chan Lum, Charles	Jinsheng	Shilong	Dingyi	Ching Har, Eliza		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors' fees													
Executives	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-executives (excluding independent non-executives)	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent non-executives	-	-	-	-	-	-	80	130	-	-	-	130	340
	-	-	-	-	-	-	80	130	-	-	-	130	340
Other emoluments													
Salaries and other benefits	-	1,032	843	843	843	843	-	-	-	-	591	-	4,995
Bonuses	-	-	152	152	152	152	-	-	-	-	1,098	-	1,706
Contributions to retirement benefit schemes	-	-	-	-	-	-	-	-	-	-	12	-	12
	-	1,032	995	995	995	995	-	-	-	-	1,701	-	6,713
Total emoluments	-	1,032	995	995	995	995	80	130	-	-	1,701	130	7,053

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 7. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

#### (b) Highest paid individuals' emoluments

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

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and other benefits	<b>2,491</b>	2,434
Contributions to retirement benefits scheme	<b>24</b>	20
	<b><u>2,515</u></b>	<u>2,454</u>

The emoluments of these individuals were within the following bands:

<b>Emoluments band</b>	<b>Number of individuals</b>	
	<b>2004</b>	2003
HK\$1,000,001 to HK\$1,500,000	<b><u>2</u></b>	<u>2</u>

During the year, no emoluments were paid by the Group to the six (2003: five) highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the year, no director waived any emoluments.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 8. FINANCE COSTS

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Interest expenses on:		
– bank loans and overdrafts wholly repayable within five years	<b>41,067</b>	52,242
– bank loans not wholly repayable within five years	<b>8,590</b>	9,167
– finance lease charges	<b>478</b>	282
– other loans wholly repayable within five years	–	2,954
	<u><b>50,135</b></u>	<u>64,645</u>

### 9. ALLOWANCE FOR AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts represented allowances for amounts due from China Aerospace New World Technology Limited (“CANW”) and CASIL Science & Technology Development (Shenzhen) Company Limited.

### 10. GAIN ON DEEMED DISPOSAL OF AN ASSOCIATE

Pursuant to a placing and underwriting agreement dated 3 March 2004, CASIL Telecommunications Holdings Limited (“CASTEL”), an associate of the Group issued 100,000,000 shares of HK\$0.10 each at a placing price of HK\$0.41 per share. The Group’s interest in this associate decreased from approximately 49% to 44% after this placement.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 11. TAXATION

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Current tax:		
Hong Kong Profits Tax	<b>1,974</b>	2,793
Overseas income tax	<b>1,560</b>	4,073
	<u><b>3,534</b></u>	<u>6,866</u>
Overprovision in previous years:		
Hong Kong Profits Tax	<u><b>(3,443)</b></u>	<u>(2,288)</u>
Deferred tax ( <i>note 28</i> ):		
Current year	<b>(488)</b>	(740)
Attributable to a change in tax rate	<u>–</u>	<u>1,594</u>
	<u><b>(488)</b></u>	<u>854</u>
Taxation attributable to the Company and its subsidiaries	<u><b>(397)</b></u>	<u>5,432</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 11. TAXATION (Continued)

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

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation	<u>55,610</u>	<u>32,144</u>
Tax at Hong Kong Profits Tax of 17.5% (2003: 17.5%)	9,732	5,625
Tax effect of expenses not deductible for tax purposes	12,543	14,655
Tax effect of income not taxable for tax purpose	(78,956)	(7,860)
Tax effect of deferred tax assets not recognised	66,104	7,567
Utilisation of tax losses previously not recognised	(8,019)	(12,033)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,101	(814)
Tax effect of share of results of associates	1,124	(648)
Increase in opening deferred tax liability resulting from an increase in tax rate	–	1,594
Overprovision in prior years	(3,443)	(2,288)
Others	<u>(583)</u>	<u>(366)</u>
Taxation for the year	<u>(397)</u>	<u>5,432</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profits for the year.

Overseas income tax represents the income tax of the PRC. Pursuant to relevant laws and regulations in the PRC, certain subsidiaries of the Company and associates of the Group are entitled to exemption from income tax under certain tax holidays and concessions.

### 12. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the net profit for the year of HK\$55,780,000 (2003: net profit for the year of HK\$30,196,000) and on 2,142,420,000 shares (2003: 2,142,420,000 shares) outstanding during the year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 13. PROPERTY, PLANT AND EQUIPMENT

	Medium term leasehold land and buildings in Hong Kong HK\$'000	Long term leasehold land and buildings in the PRC HK\$'000	Medium term leasehold land and buildings in the PRC HK\$'000	Properties under development HK\$'000	Plant and equipment HK\$'000	Motor vehicles, furniture and other equipment HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
COST							
At 1 January 2004	350,758	10,963	429,946	45,530	376,537	190,020	1,403,754
Additions	–	2,990	304	1,150	42,035	21,167	67,646
Reclassifications	(28,935)	(10)	16,362	(16,362)	1,300	(1,290)	(28,935)
Deemed disposal of subsidiaries	–	–	–	–	–	(2,399)	(2,399)
Disposals	(8,822)	–	–	–	(14,674)	(41,126)	(64,622)
<b>At 31 December 2004</b>	<b>313,001</b>	<b>13,943</b>	<b>446,612</b>	<b>30,318</b>	<b>405,198</b>	<b>166,372</b>	<b>1,375,444</b>
DEPRECIATION AND IMPAIRMENT							
At 1 January 2004	236,371	4,811	71,516	–	227,415	143,977	684,090
Charged for the year	3,248	417	10,042	–	23,405	10,712	47,824
Reclassifications	(12,997)	–	–	–	–	–	(12,997)
Impairment loss (write back) recognised ( <i>note c</i> )	(98,294)	–	(1,412)	–	1,717	4,885	(93,104)
Eliminated on deemed disposal of subsidiaries	–	–	–	–	–	(863)	(863)
Eliminated on disposals	(5,985)	–	–	–	(11,452)	(36,160)	(53,597)
<b>At 31 December 2004</b>	<b>122,343</b>	<b>5,228</b>	<b>80,146</b>	<b>–</b>	<b>241,085</b>	<b>122,551</b>	<b>571,353</b>
NET BOOK VALUES							
<b>At 31 December 2004</b>	<b>190,658</b>	<b>8,715</b>	<b>366,466</b>	<b>30,318</b>	<b>164,113</b>	<b>43,821</b>	<b>804,091</b>
At 31 December 2003	114,387	6,152	358,430	45,530	149,122	46,043	719,664



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Medium term leasehold land and buildings in Hong Kong <i>HK\$'000</i>	Motor vehicles, furniture and other equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>			
COST			
At 1 January 2004	303,254	35,478	338,732
Additions	–	344	344
Disposals	–	(833)	(833)
<b>At 31 December 2004</b>	<b>303,254</b>	<b>34,989</b>	<b>338,243</b>
DEPRECIATION AND IMPAIRMENT			
At 1 January 2004	218,778	27,225	246,003
Charged for the year	2,770	2,486	5,256
Eliminated on disposals	–	(811)	(811)
Impairment loss (write back) recognised <i>(note c)</i>	(98,294)	4,885	(93,409)
<b>At 31 December 2004</b>	<b>123,254</b>	<b>33,785</b>	<b>157,039</b>
NET BOOK VALUES			
<b>At 31 December 2004</b>	<b>180,000</b>	<b>1,204</b>	<b>181,204</b>
At 31 December 2003	84,476	8,253	92,729

*Notes:*

- (a) The aggregate net book values of the Group's assets held under finance leases at 31 December 2004 amounted to HK\$16,937,000 (2003: HK\$15,835,000).
- (b) The properties under development are held under a medium term lease in the PRC.
- (c) On 10 November 2004, the Group entered into an agreement for the disposal of certain properties at a consideration of HK\$180,000,000 with a third party ("Disposal of Property"). The Disposal of Property is completed on 31 March 2005. A reversal of impairment loss of those properties of approximately HK\$98,294,000 is recognised with reference to the consideration of the Disposal of Property.

In addition, during the year, the Group reviewed the carrying amounts of property, plant and equipment taking into account the Disposal of Property, and identified that certain of the assets have no economic value to the Group. Accordingly, the carrying amounts of those assets are reduced to their respective recoverable amounts, which represent their net selling prices. The net selling prices were determined by reference to the market prices.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 14. INVESTMENT PROPERTIES

	<b>Long term leasehold investment properties in Hong Kong <i>HK\$'000</i></b>	<b>Medium term leasehold investment properties in Hong Kong <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>THE GROUP</b>			
VALUATION			
At 1 January 2004	17,080	182,465	199,545
Reclassifications from leasehold land and buildings in Hong Kong	–	15,938	15,938
Disposals	(9,430)	(12,111)	(21,541)
Surplus on revaluation	1,810	71,998	73,808
<b>At 31 December 2004</b>	<u>9,460</u>	<u>258,290</u>	<u>267,750</u>

The Group's investment properties have been revalued at 31 December 2004 by Dudley Surveyors Limited, a firm of independent professional valuers, on an open market basis.

The valuation as at 31 December 2004 gave rise to revaluation surplus of HK\$73,808,000 of which HK\$60,898,000 and HK\$12,910,000 have been credited to the income statement and the investment property revaluation reserve respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	511,498	528,626
Amounts due from subsidiaries	1,289,218	1,296,085
	<u>1,800,716</u>	<u>1,824,711</u>
Impairment loss recognised	(1,279,656)	(1,288,102)
	<u>521,060</u>	<u>536,609</u>

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the Company will not demand for repayment of the amounts within the twelve months from the balance sheet date. Accordingly, the amounts are classified as non-current assets in the balance sheet.

Particulars of the principal subsidiaries of the Company at 31 December 2004 are set out in note 39.

None of the subsidiaries had any debt securities outstanding at 31 December 2004 or at any time during the year.

### 16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	–	–	19,336	28,769
Share of net assets	94,967	121,814	–	–
	<u>94,967</u>	<u>121,814</u>	<u>19,336</u>	<u>28,769</u>
Impairment loss recognised	–	–	(6,548)	(6,548)
	<u>94,967</u>	<u>121,814</u>	<u>12,788</u>	<u>22,221</u>
Market value of listed shares	186,436	148,251	–	–

The amounts due from associate were unsecured, non-interest bearing and had no fixed repayment terms.

Particulars of the principal associates of the Group at 31 December 2004 are set out in note 40.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 16. INTERESTS IN ASSOCIATES (Continued)

The following details have been extracted from the audited financial statements of CASTEL and its subsidiaries ("CASTEL Group") (being significant associates of the Group):

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
<b>CASTEL Group</b>		
<b>Results for the year</b>		
Turnover	<u><b>148,126</b></u>	<u>143,872</u>
Net profit for the year	<u><b>5,368</b></u>	<u>2,217</u>
Net profit for the year attributable to the Group	<u><b>1,973</b></u>	<u>6,712</u>
<b>Financial position</b>		
Non-current assets	<b>89,137</b>	135,587
Current assets	<b>268,196</b>	181,445
Current liabilities	<b>(113,485)</b>	(114,226)
Non-current liabilities	<b>(62,506)</b>	(59,712)
Minority interests	<b>(796)</b>	(7,969)
Net assets	<u><b>180,546</b></u>	<u>135,125</u>
Net assets attributable to the Group	<u><b>79,747</b></u>	<u>66,184</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted shares, at cost	–	–	15,000	–
Share of net assets	78,535	–	–	–
	<u>78,535</u>	<u>–</u>	<u>15,000</u>	<u>–</u>

Particulars of the principal jointly controlled entities of the Group at 31 December 2004 are set out in note 41.

The following details have been extracted from the unaudited financial statements of CANW and its subsidiaries (“CANW Group”) (being significant jointly controlled entities of the Group):

	2004 <i>HK\$'000</i>
<b>CANW Group</b>	
<b>Results for the year</b>	
Turnover	<u>1,251</u>
Net loss for the year	<u>15,761</u>
Net loss for the year attributable to the Group	<u>9,996</u>
<b>Financial Position</b>	
Non-current assets	24,527
Current assets	138,575
Current liabilities	<u>(6,032)</u>
Net assets	<u>157,070</u>
Net assets attributable to the Group	<u>78,535</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 18. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Investment securities:				
– listed in Hong Kong	241,300	241,300	–	–
– unlisted	568,944	568,944	–	–
	<u>810,244</u>	<u>810,244</u>	<u>–</u>	<u>–</u>
Impairment loss recognised for investment securities				
– listed in Hong Kong	161,890	161,890	–	–
– unlisted	421,325	421,325	–	–
	<u>583,215</u>	<u>583,215</u>	<u>–</u>	<u>–</u>
	<u>227,029</u>	<u>227,029</u>	<u>–</u>	<u>–</u>
Market value of listed investments	<u>46,800</u>	<u>74,100</u>	<u>–</u>	<u>–</u>

### 19. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	103,860	48,442
Work-in-progress	31,541	29,423
Finished goods	40,361	31,345
Properties for sale	–	7,204
	<u>175,762</u>	<u>116,414</u>

Included above are raw materials of HK\$971,000 (2003: HK\$8,335,000), work-in-progress of HK\$55,000 (2003: HK\$12,020,000), finished goods of HK\$905,000 (2003: HK\$1,920,000) and properties for sale of HK\$nil (2003: HK\$7,204,000) carried at net realisable values.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 20. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Trade receivables	191,807	176,487	–	–
Other receivables, deposits and prepayments	43,501	157,038	27,032	34,579
	<u>235,308</u>	<u>333,525</u>	<u>27,032</u>	<u>34,579</u>

The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables at 31 December:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 90 days	189,882	157,694
Between 91 – 180 days	1,925	10,470
Between 181 – 365 days	–	5,182
Between 1 to 2 years	–	3,141
	<u>191,807</u>	<u>176,487</u>

### 21. LOANS RECEIVABLE

The Directors of the Company review the recoverability of the loans receivable and an allowance of HK\$369,239,000 is provided.

### 22. PLEDGED BANK DEPOSITS

The amount of the Group represents bank deposits pledged for the Group's bank loans.

### 23. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Trade payables	254,128	182,978	–	–
Other payables and accruals	205,435	457,347	58,571	117,960
	<u>459,563</u>	<u>640,325</u>	<u>58,571</u>	<u>117,960</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 23. TRADE AND OTHER PAYABLES (Continued)

The following is an aged analysis of trade payables at 31 December:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 90 days	220,331	146,715
Between 91 – 180 days	6,537	5,601
Between 181 – 365 days	1,819	1,845
Between 1 to 2 years	197	6,847
Over 2 years	25,244	21,970
	<u>254,128</u>	<u>182,978</u>

### 24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>THE GROUP</b>				
Amounts payable under finance leases:				
Within one year	8,045	5,416	7,596	5,114
In the second to the fifth year inclusive	7,280	3,280	7,084	3,196
	<u>15,325</u>	<u>8,696</u>	<u>14,680</u>	<u>8,310</u>
Less: Future finance charges	(645)	(386)	N/A	N/A
Present value of lease obligations	<u>14,680</u>	<u>8,310</u>	<u>14,680</u>	<u>8,310</u>
Less: Amount due within one year			<u>(7,596)</u>	<u>(5,114)</u>
Amount due after one year			<u>7,084</u>	<u>3,196</u>

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 3 years. For the year ended 31 December 2004, the average effective borrowing rate was 3.97%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payment.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 25. BANK LOANS AND OVERDRAFTS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank overdrafts and short term bank loans				
– secured	33,491	38,208	–	–
– unsecured	–	103,908	–	–
	<u>33,491</u>	<u>142,116</u>	<u>–</u>	<u>–</u>
Current portion of long term bank loans (note 27)	188,485	462,544	175,604	302,122
	<u>221,976</u>	<u>604,660</u>	<u>175,604</u>	<u>302,122</u>

### 26. OTHER LOANS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Other loans are repayable:				
– within one year	53,931	116,449	47,170	–
	<u>53,931</u>	<u>116,449</u>	<u>47,170</u>	<u>–</u>
Other loans comprise:				
Loan from a subsidiary of a substantial shareholder (note a)	47,170	–	47,170	–
Loans from third parties (note b)	6,761	7,321	–	–
Guaranteed exchangeable fixed/ floating rate notes (note c)	–	62,400	–	–
Guaranteed floating rate notes (note d)	–	46,728	–	–
	<u>53,931</u>	<u>116,449</u>	<u>47,170</u>	<u>–</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 26. OTHER LOANS

Notes:

- (a) On 22 March 2004, the Group borrowed a loan with a principal of RMB50,000,000 from a subsidiary of a major shareholder, China Aerospace Science & Technology Corporation ("CASC"). The loan is unsecured, bears interest at 5.09% per annum and repayable on 25 September 2004. The interest incurred during the period amounted to HK\$1,889,000. The Group is now negotiating with that company to extend the repayment terms of the loan.
- (b) Loans from third parties represent advances from independent third parties. The amounts are unsecured, non-interest bearing and are repayable on demand.
- (c) In 2001, a subsidiary of the Company issued US\$8,000,000 guaranteed exchangeable fixed/floating rate notes due 2004 which were in bearer form in the denomination of US\$1,000,000 each and was redeemed in March 2004. The notes were interest bearing at 6.5% per annum for the period up to September 2002 and at 1.5% above London interbank offered rate (for six-month US dollar deposits) thereafter. At 31 December 2003, unlisted investment securities with a carrying value of HK\$76,662,000 were pledged for the notes.
- (d) In 2001, a subsidiary of the Company issued US\$6,000,000 guaranteed secured floating rate notes due 2004 which were in bearer form in the denomination of US\$250,000 each and was redeemed in September 2004. The notes were interest bearing at 1.5% above London interbank offered rate. At 31 December 2003, listed investment securities with a carrying value of HK\$50,742,000 were pledged for the notes.

### 27. SECURED BANK LOANS

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans are repayable:				
– within one year or on demand	188,485	462,544	175,604	302,122
– in the second year	74,145	105,076	19,569	96,954
– in the third to fifth year inclusive	133,491	71,554	72,109	61,828
– after five years	371,891	35,690	158,426	35,689
	<u>768,012</u>	<u>674,864</u>	<u>425,708</u>	<u>496,593</u>
Less: Amount due within one year shown under current liabilities (note 25)	<u>(188,485)</u>	<u>(462,544)</u>	<u>(175,604)</u>	<u>(302,122)</u>
Amount due after one year	<u>579,527</u>	<u>212,320</u>	<u>250,104</u>	<u>194,471</u>

The Group's investment properties, property, plant and equipment, bank deposits and listed investment securities with aggregate net book value of HK\$256,600,000 (2003: HK\$199,545,000), HK\$227,664,000 (2003: HK\$84,476,000), HK\$66,612,000 (2003: HK\$67,407,000) and HK\$28,589,000 (2003: HK\$28,589,000), respectively, were pledged to banks. In addition, the Group's interest in a listed associate with a market value of HK\$186,436,000 (2003: HK\$148,251,000) and equity interest in a non-wholly owned subsidiary, China Aerospace (Huizhou) Industrial Garden Limited, were also pledged to banks.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 28. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior periods:

	Accelerated tax depreciation <i>HK\$'000</i>	Development costs <i>HK\$'000</i>	Technology licence right <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>						
At 1 January 2003	20,795	257	5,428	(6,234)	(2,622)	17,624
Change in tax rate ( <i>note 11</i> )	1,815	–	–	–	(221)	1,594
Credited to income for the year	(740)	–	–	–	–	(740)
Deemed disposal of subsidiaries	(1,008)	(257)	(5,428)	6,234	–	(459)
	<u>20,862</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,843)</u>	<u>18,019</u>
At 31 December 2003	20,862	–	–	–	(2,843)	18,019
Credited to income for the year	(657)	–	–	–	169	(488)
	<u>20,205</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,674)</u>	<u>17,531</u>

	Accelerated depreciation allowance <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>			
At 1 January 2003	6,896	(6,896)	–
Change in tax rate	646	(646)	–
Charge for the year	718	(718)	–
	<u>8,260</u>	<u>(8,260)</u>	<u>–</u>
At 31 December 2003	8,260	(8,260)	–
Credit for the year	(217)	217	–
	<u>8,043</u>	<u>(8,043)</u>	<u>–</u>

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with Statement of Standard Accounting Practice 12 (Revised) requirements.

At 31 December 2004, the Group has unused tax losses of approximately HK\$1,556 million (2003: HK\$1,212 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams, and such tax losses may be carried forward indefinitely.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 29. SHARE CAPITAL

#### (a) Share capital

	2004 & 2003	
	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$1 each:		
Authorised:		
At 1 January and 31 December	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
At 1 January and 31 December	<u>2,142,420</u>	<u>2,142,420</u>

#### (b) Share option scheme

Under the terms of the share option scheme of the Company (the "Scheme") which became effective on 8 July 1997 and shall be valid until 8 July 2007, the Board of Directors of the Company may offer to any full time employees of the Company, and/or any of its subsidiaries including executive directors of the Company, options to subscribe for shares in the Company at a price which is not less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time. The options granted must be accepted within 28 days from date of grant. Upon acceptance of an offer of options, an amount of HK\$1 by way of consideration is payable by the employee. Options may be exercised, at any time for a period to be determined by the Board of Directors of the Company, which shall not exceed ten years from the adoption of the Scheme. Unless otherwise terminated or altered, the Scheme will remain in force for a period of ten years from the date of adoption.

The purpose of the Scheme is to recognise the contribution of employees of the Group.

Pursuant to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with which the Company must comply, the exercise price of options under an option scheme must be at least the higher of: (i) the closing price of the shares on the Stock Exchange on the date of grant, which must be a business day; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant. The total number of options to be issued to each participant in any twelve-month period must not exceed 1% of the share capital of the Company in issue.

As the Listing Rules relating to a share option scheme were amended on 1 September 2001, share option can only be granted under the share option scheme provided that the existing Listing Rules on share option schemes are complied with.

No share option under the Scheme was held by the directors or employees of the Company or its subsidiaries in both years ended 31 December 2003 and 31 December 2004.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 30. RESERVES

	Share premium <i>HK\$'000</i>	Special capital reserve <i>(note a)</i> <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>					
At 1 January 2003	939,048	84,656	1,080	(2,337,724)	(1,312,940)
Net loss for the year	–	–	–	(63,969)	(63,969)
At 31 December 2003	939,048	84,656	1,080	(2,401,693)	(1,376,909)
Net profit for the year	–	–	–	135,592	135,592
<b>At 31 December 2004</b>	<b>939,048</b>	<b>84,656</b>	<b>1,080</b>	<b>(2,266,101)</b>	<b>(1,241,317)</b>

*Notes:*

- (a) Under the terms of the court order in the reduction of the share premium on 11 July 1994 (the “effective date”), the Company had given an undertaking to the court that a sum equal to the amount of the distributable profits of the Company as at 11 July 1994 and any write back of the total provisions which have been made against at the effective date on the investments will be transferred to a special capital reserve account. The Company is unable to distribute the special capital reserve until the actual and contingent liabilities outstanding at the effective date are paid off.
- (b) General reserve of the Group is part of the shareholders’ funds and comprises reserve fund and enterprise expansion fund of the subsidiaries and associates in the PRC.
- (c) The Company had no reserve available for distribution as at 31 December 2004 (2003: nil).
- (d) The accumulated losses of the Group include the Group’s share of the reserves of its associates and jointly controlled entities amounting to HK\$51,552,000 (2003: HK\$61,650,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 31. DEEMED DISPOSAL OF SUBSIDIARIES

On 27 October 2003, the Company entered into a strategic alliance agreement with New World TMT Limited (“NWTMT”) in respect of the subscription of 15,000,000 shares in China Aerospace New World Technology Limited (“CANW”) at a consideration of HK\$150,000,000 to acquire 51% of the enlarged issued share capital of CANW. Subsequently, on 23 February 2004, a formal shareholders’ agreement which was entered into between the Company, NWTMT, CANW and Star Dream Group Limited, a wholly-owned subsidiary of NWTMT, to regulate their respective rights and responsibilities towards CANW and to amend the terms of the strategic alliance agreement. Pursuant to the shareholders’ agreement, NWTMT subscribed for 15,000,000 shares of CANW representing 50% of the enlarged issued share capital of CANW at a consideration of HK\$150,000,000.

	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:		
Property, plant and equipment	1,536	53,022
Goodwill	–	4,009
Development costs	–	8,758
Technology licence right	–	33,553
Interests in associates	38,335	32,800
Amounts due to associates	(2,830)	–
Amounts due from associates	–	26,229
Inventories	1,825	23,752
Trade and other receivables	53,841	52,100
Bank balances and cash	1,677	25,722
Trade and other payables	(69,936)	(47,111)
Obligations under finance leases	–	(21)
Bank loans	–	(52,077)
Other loans	–	(50,135)
Taxation recoverable (payable)	1	(1,012)
Deferred taxation	–	(459)
Minority interests	–	(42,920)
	<u>24,449</u>	<u>66,210</u>
Realisation of reserves	(1,724)	21,593
Gain (loss) on deemed disposal	<u>65,806</u>	<u>(28,331)</u>
	<u>88,531</u>	<u>59,472</u>
Represented/satisfied by:		
Interests in jointly controlled entities	88,531	–
Interests in associates	–	59,472
	<u>88,531</u>	<u>59,472</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 31. DEEMED DISPOSAL OF SUBSIDIARIES (Continued)

Analysis of the net outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries:

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Cash consideration	–	–
Bank balances and cash disposed of	<b>(1,677)</b>	(25,722)
	<b>(1,677)</b>	(25,722)

The subsidiaries disposed of during the year did not contribute significantly to the Group's cash flows or operating results.

### 32. MAJOR NON-CASH TRANSACTIONS

Except as disclosed in note 31, the Group has the following major non-cash transactions:

- (a) During the year, the Group entered into finance lease arrangements in respect of assets with total value at the inception of the leases of HK\$13,159,000 (2003: HK\$8,322,000).
- (b) In 2003, properties for sale of HK\$46,460,000 were disposed of at a consideration of HK\$48,920,000 to a lender of other loans. The consideration was applied to set off against other loan and interest payables of HK\$39,746,000 and HK\$9,174,000, respectively, due to the lender.

### 33. CONTINGENT LIABILITIES

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Guarantees given for banking and finance facilities granted to:				
– subsidiaries	–	–	<b>497,248</b>	707,160
– third parties	<b>2,055</b>	4,450	<b>2,055</b>	4,450
Guarantees given for fixed/floating rate notes issued by subsidiaries	–	–	–	109,032
	<b>2,055</b>	4,450	<b>499,303</b>	820,642

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 33. CONTINGENT LIABILITIES (Continued)

In addition, a subsidiary of the Company was named as a defendant in a litigation in respect of an alleged breach of the loan agreement in failing to advance the full amount of HK\$330,000,000 to an independent third party in 1997. Concurrently, the subsidiary resisted the claim and counterclaimed against the independent third party and sued against its guarantor upon default on, including but not limited to, interest and payment of the loan amount advanced under the loan agreement and the mortgage. On 30 July 2004, the Court judged that the independent third party was entitled to damages consequent upon the subsidiary's breach of loan agreement. However, the subsidiary was also entitled to repayment of principal outstanding under the loan agreement and interest thereon in terms of the loan agreement and to judgement against both the owners of the pledged assets under the mortgage and the guarantor under the guarantee.

The compensation to be made to the independent third party and the loan principal and interest to be received by the subsidiary have not yet been concluded. In the opinion of the directors, the amount of compensation cannot be determined at this stage and no provision was made accordingly.

### 34. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:				
– capital contribution to investee companies	2,829	2,829	–	–
– purchase of property, plant and equipment	9,071	6,908	–	–
– properties under development	165	–	–	–
	<u>12,065</u>	<u>9,737</u>	<u>–</u>	<u>–</u>
Capital expenditure authorised but not contracted for in respect of:				
– capital contribution to an investee company	873	–	–	–
	<u>873</u>	<u>–</u>	<u>–</u>	<u>–</u>



**35. OPERATING LEASE COMMITMENTS****The Group as lessee**

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	70	3,744
In the second to fifth year inclusive	3,077	660
Over five years	<u>27,900</u>	<u>–</u>
	<u><b>31,047</b></u>	<u>4,404</u>

Operating lease payments represent rentals payable by the Group for certain of its manufacturing plants, office properties and quarters. Leases are generally negotiated and rentals are fixed for an average term of thirty years.

At 31 December 2004, the Company had no commitments under non-cancellable operating leases (2003: nil).

**The Group as lessor**

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

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	10,580	13,259
In the second to fifth year inclusive	<u>5,260</u>	<u>8,359</u>
	<u><b>15,840</b></u>	<u>21,618</u>

The properties held have committed tenants for the next one to two years. The properties are expected to generate rental yields of 10% on an ongoing basis.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 36. RETIREMENT BENEFIT SCHEMES

The Group operates a MPF 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 trustee. The Group basically contributes 5% of relevant payroll costs to the scheme.

The employees in the Company's PRC subsidiaries are members of the state-managed pension scheme operated by the PRC government. The Company's subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

The total cost charged to the income statement HK\$1,370,000 (2003: HK\$1,848,000) represents contribution to the schemes by the Group at the rates specified in the rules of the schemes.

### 37. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	2004 HK\$'000	2003 HK\$'000
Associates of the Group:		
– Sales thereto ( <i>note a</i> )	–	14,720
– Purchase therefrom ( <i>note a</i> )	–	82,043
– Sales of property, plant and equipment ( <i>note b</i> )	–	4,500
	<u>–</u>	<u>101,263</u>

Notes:

- (a) The transaction amounts were determined on a cost plus basis.
- (b) The transactions were carried in accordance with the relevant agreement.
- (c) Amounts due from or to associates are unsecured, non-interest bearing and with no fixed repayment terms.
- (d) Amount due from/to a major shareholder is unsecured and non-interest bearing. The amount is repayable in December 2006.

### 38. POST BALANCE SHEET EVENTS

On 22 January 2005, the Company and China Academy of Launch Vehicle Technology ("CALT") which is wholly-owned by CASC, has entered into an agreement for the disposal of the entire equity interest in and the shareholder's loan due from Astrotech Group Limited ("Astrotech") at an aggregate cash consideration of HK\$143,758,000. Astrotech holds 449,244,000 ordinary shares (representing approximately 44% equity interest) in CASIL Telecommunications Holdings Limited. The disposal is expected to be completed in June 2005 and the gain on disposal amounted to approximately HK\$65,290,000.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Nominal value of issued ordinary share capital/registered capital*	Percentage of equity			Principal activities
		held by the Company %	held by subsidiaries %	attributable to the Group %	
<i>Incorporated and operating in Hong Kong:</i>					
CASIL Clearing Limited	HK\$10,000,000	100	–	100	Provision of treasury services
CASIL Development Limited	HK\$1,000,000	–	100	100	Property development and investment
CASIL Electronic Products Limited	HK\$15,000,000	100	–	100	Distribution of electronic products
CASIL (Nominees) Limited	HK\$2	100	–	100	Provision of secretarial services
CASIL Optoelectronic Product Development Limited	HK\$3,000,000	–	100	100	Distribution of optoelectronic products
CASIL Properties Limited	HK\$10,000	100	–	100	Property investment
CASIL Realty Limited	HK\$200	100	–	100	Property investment and management
CASIL Satellite Holdings Limited	HK\$88,106,563 (2 ordinary shares of HK\$1 each and 11,295,713 ordinary shares of US\$1 each)	–	100	100	Investment holding
CASIL Semiconductor Limited	HK\$15,000,000	100	–	100	Distribution of liquid crystal displays
Chee Yuen Industrial Company Limited	HK\$20,000,000	100	–	100	Distribution of plastic products and moulds

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Nominal value of issued ordinary share capital/registered capital*	Percentage of equity			Principal activities
		held by the Company %	held by subsidiaries %	attributable to the Group %	
<i>Incorporated and operating in Hong Kong: (Continued)</i>					
Hong Yuen Electronics Limited	HK\$3,000,000	100	–	100	Manufacturing and selling of printed circuit boards
Jeckson Electric Company Limited	HK\$3,000,000	100	–	100	Manufacturing and distribution of electronic components
Sure Full Investments Limited	HK\$2	100	–	100	Property investment
Well Horn Company Limited	HK\$2	–	100	100	Property investment
<i>Incorporated in the British Virgin Islands and operating in Hong Kong:</i>					
Astrotech Group Limited	US\$1	100	–	100	Investment holding
Sinolike Investments Limited	US\$1	100	–	100	Investment holding
<i>Registered and operating in the PRC:</i>					
Chee Yuen Plastic Products (Huizhou) Company Limited <sup>†</sup>	RMB26,761,000*	–	100	100	Manufacturing of plastic products and moulds
China Aerospace (Huizhou) Industrial Garden Limited <sup>†‡</sup>	US\$12,000,000*	90	–	90	Property development

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital*	Percentage of equity			Principal activities
		held by the Company %	held by subsidiaries %	attributable to the Group %	
<i>Registered and operating in the PRC: (Continued)</i>					
Conhui (Huizhou) Electronics Company Limited <sup>†</sup>	RMB131,831,747*	–	100	100	Manufacturing and distribution of electronic products
Conhui (Huizhou) Semiconductor Company Limited <sup>†</sup>	RMB31,229,651*	–	100	100	Manufacturing of liquid crystal displays
Conhui (Huizhou) Worldwide Polyfoam Limited <sup>†</sup>	RMB3,728,813*	–	100	100	Manufacturing of polyfoam products
Huizhou Jackson Electric Company Limited <sup>††</sup>	US\$1,000,000*	–	90	90	Subcontractor for the manufacture of electronic products
Huizhou Zhi Fat Metal & Plastic Electroplating Company Limited <sup>††</sup>	US\$400,000*	–	90	90	Manufacturing of electronics and plastic products
CASIL New Century Technology Development (Shenzhen) Limited <sup>†</sup>	US\$2,000,000	100	–	100	The research and development of system technology in satellite application and digital broadcasting, transfer and service provision of technology
Shenzhen Chee Yuen Plastics Company Limited <sup>††</sup>	RMB22,000,000*	–	80	80	Manufacturing of plastic products
惠州市海燕賓館有限公司 <sup>††</sup>	RMB7,700,000*	–	51	46	Hotel operation

<sup>†</sup> Wholly foreign-owned enterprises registered in the PRC

<sup>††</sup> Sino-foreign joint equity enterprises registered in the PRC

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 40. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associate	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Incorporated in the Cayman Islands and operating in Hong Kong:</i>			
CASIL Telecommunications Holdings Limited**	HK\$101,713,976	44	Investment holding

\*\* Listed on The Stock Exchange of Hong Kong Limited

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

### 41. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

Name of jointly controlled entities	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Incorporated and operating in Hong Kong:</i>			
China Aerospace New World Technology Limited (formerly known as "CASIL Network System Engineering Limited")	HK\$30,000,000	50	Investment holding

The above table lists the jointly controlled entity of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

### **42. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS**

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 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 commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.