

1. GENERAL

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

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 34.

The interest income, commission income arising from provision of financial services and rental income on property investment earned by the Group, have been redefined as part of turnover for the year ended 31 December 2004. Accordingly, the comparative interest income from loan receivables of HK\$2,341,000, commission income of HK\$135,000 and rental income of HK\$3,349,000 have also been reclassified from other operating income to turnover for the year ended 31 December 2003.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties, land and buildings, and investments in securities.

The financial statements have been prepared 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 the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

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

Goodwill arising on acquisitions 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 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 the acquisition of subsidiary is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions of subsidiaries 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.

Negative goodwill arising on acquisitions of subsidiaries after 1 January 2001 is presented as a deduction from assets and will be 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 but which do not represent identifiable liabilities at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill not exceeding aggregate fair values of acquired identified non-monetary assets 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.

Revenue recognition

Trading of securities is recognised on trade-date basis when the relevant contracts are executed.

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

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

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

Commission income is recognised when services are provided.

Rental income, including rental invoiced in advance from properties let under operating lease, is recognised on a straight line basis over the lease terms.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the balance sheet date. Any revaluation increase or decrease 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 revaluation 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 is transferred to the income statement.

No depreciation is provided in respect of investment properties except where the unexpired term, including the renewable period, of the relevant lease is twenty years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation, amortisation and any identified impairment losses.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the asset revaluation reserve except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of land and buildings is dealt with as an expense to the extent that it exceeds the balance, if any, held in asset revaluation reserve relating to a previous revaluation of that particular property. On the subsequent sale of land and buildings, the attributable revaluation increase not yet transferred to retained profits in prior years is transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

Leasehold land	Over the remaining lease terms
Buildings	Over the shorter of the lease terms or 30-50 years
Computer and electronic equipment	20%
Furniture and fixtures	20% – 50%
Motor vehicles	20% – 50%

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

Subsidiaries

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

Jointly controlled entity

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 goodwill/less negative goodwill in so far as it has not been written off/amortised/released to income, 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.

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities (Continued)

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Inventories

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

Other non-current assets

Other non-current assets represents club debentures carried at cost less any identified impairment loss.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivatives used for trading and investment

Derivatives used in the Group's trading activities are recorded at fair value, and unrealised gains and losses are reflected in the income statement. The fair values of the trading positions generally are based on listed market prices. If listed market prices are not available or if the liquidation of the Group positions would reasonably be expected to impact market prices, fair value is determined based on other relevant factors, including dealer price quotations and price quotations for similar instruments traded in different markets, including markets located in different geographic areas. Fair values for certain derivative contracts are derived from pricing models which consider current market and contractual prices for the underlying financial instruments or commodities, as well as time value and yield curve or volatility factors underlying the positions.

Taxation

Tax charge 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 income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying 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 other 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 and interests in joint ventures, 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 asset 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged as expenses on a straight line basis over the term of the relevant lease.

Retirement benefits scheme

Payments to the Group's defined contribution scheme or Mandatory Provident Fund Scheme or the central pension scheme are charged as an expense as they fall due.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the exchange rates prevailing on the balance sheet date. Income and expense items denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars 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 expense in the period in which the operation is disposed of.

Notes to the Financial Statements

For the year ended 31 December 2004

4. TURNOVER

	2004 HK\$'000	2003 HK\$'000 (restated)
Sales of mobile phones	237,205	98,775
Proceeds from sales of listed trading investments	581,128	381,237
Dividend income from listed investments	10,927	6,662
Interest income from loan receivables	11,933	2,341
Commission income	3,854	135
Rental income	2,444	3,349
Sales of other communication products	–	1,034
	847,491	493,533

5. BUSINESS AND GEOGRAPHICAL INFORMATION

Business segments

For management purposes, the Group is currently organised into four main operating divisions – mobile phone distribution, securities trading and investments, financial services and property investment. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31 December 2004

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Unallocated segment HK\$'000	Consolidated HK\$'000
<i>Revenue</i>						
External sales	237,205	592,055	15,787	2,444	–	847,491
Other operating income	–	7,478	20	–	–	7,498
	237,205	599,533	15,807	2,444	–	854,989
<i>Result</i>						
Segment result	21,791	191,026	15,747	781	–	229,345
Unallocated other operating income	–	–	–	5,540	7,364	12,904
Unallocated corporate expenses						(38,318)
Profit from operations						203,931
Finance costs						(530)
Profit before taxation						203,401
Tax charge						(127)
Profit for the year						203,274

Notes to the Financial Statements

For the year ended 31 December 2004

5. BUSINESS AND GEOGRAPHICAL INFORMATION (Continued)

Business segments (Continued)

For the year ended 31 December 2004 (Continued)

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
<i>Balance sheet</i>						
<i>Assets</i>						
Segment assets	31,928	1,043,315	104,034	44,986	–	1,224,263
Unallocated corporate assets						39,600
Consolidated total assets						<u>1,263,863</u>
<i>Liabilities</i>						
Segment liabilities	5,152	21,536	1,048	1,540	–	29,276
Unallocated corporate liabilities						10,935
Consolidated total liabilities						<u>40,211</u>
<i>Other information</i>						
Capital expenditure	177	–	–	249	41	467
Depreciation and amortisation	572	–	–	271	243	1,086
Other non-cash expenses	–	–	–	–	41	41

5. BUSINESS AND GEOGRAPHICAL INFORMATION (Continued)**Business segments (Continued)***For the year ended 31 December 2003*

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000 (restated)
<i>Revenue</i>						
External sales	98,775	387,899	2,476	3,349	1,034	493,533
Other operating income	–	7,275	20	–	–	7,295
	98,775	395,174	2,496	3,349	1,034	500,828
<i>Result</i>						
Segment result	1,301	174,471	2,484	(505)	(2,520)	175,231
Unallocated other operating income						7,121
Unallocated corporate expenses						(20,843)
Profit from operations						161,509
Finance costs						(545)
Gain on expiry of warrants						90,369
Gain on disposal of subsidiaries	41,109	–	–	–	–	41,109
Share of result of a jointly controlled entity	–	–	–	–	(28)	(28)
Profit before taxation						292,414
Tax charge						(336)
Profit for the year						292,078

Notes to the Financial Statements

For the year ended 31 December 2004

5. BUSINESS AND GEOGRAPHICAL INFORMATION (Continued)

Business segments (Continued)

For the year ended 31 December 2003 (Continued)

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000 (restated)	
<i>Balance sheet</i>							
<i>Assets</i>							
Segment assets	37,760	855,176	28,823	38,960	–	960,719	
Unallocated corporate assets						162,737	
Consolidated total assets						<u>1,123,456</u>	
<i>Liabilities</i>							
Segment liabilities	2,740	3,167	–	1,174	–	7,081	
Unallocated corporate liabilities						12,838	
Consolidated total liabilities						<u>19,919</u>	
	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Others HK\$'000	Unallocated segment HK\$'000	Consolidated HK\$'000
<i>Other information</i>							
Capital expenditure	233	–	–	–	–	44	277
Depreciation and amortisation	511	–	–	167	32	751	1,461
Impairment losses recognised in consolidated income statement	–	2,409	–	–	–	124	2,533
Other non-cash expenses	–	–	–	1,128	–	398	1,526

5. BUSINESS AND GEOGRAPHICAL INFORMATION (Continued)**Geographical segments**

The Group's operations are located in Hong Kong and Mainland China ("China").

The Group's distribution of mobile phones is carried out in Hong Kong. Securities trading and investment and financial services are carried out in Hong Kong. Rental income from property investment is from Hong Kong and China. Commission income is earned in Hong Kong.

The following table provides an analysis of the Group's revenue by geographical market:

	Revenue by geographical market	
	2004 HK\$'000	2003 HK\$'000
Hong Kong	853,621	498,544
China	1,368	2,284
	854,989	500,828

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	At 31.12.2004 HK\$'000	At 31.12.2003 HK\$'000	Year ended 31.12.2004 HK\$'000	Year ended 31.12.2003 HK\$'000
Hong Kong	1,237,996	1,098,756	218	277
China	25,867	24,700	249	–
	1,263,863	1,123,456	467	277

Notes to the Financial Statements

For the year ended 31 December 2004

6. NET GAIN ON INVESTMENTS

	2004 HK\$'000	2003 HK\$'000
Net realised gain (loss) on derivatives	3,939	(14,205)
Net unrealised gain on trading investments	56,580	137,976
Impairment loss recognised in respect of trading investment (Note a)	–	(2,409)
Discount on early redemption of loan note (Note b)	(1,500)	–
	59,019	121,362

Notes:

- (a) The listing of one of the trading securities was cancelled on 19 January 2004. The Directors are of the opinion that the value of the trading investment was fully impaired.
- (b) The Group early redeemed part of the loan notes issued by SHK (as defined in note 18) of HK\$100,000,000 with a discount on early redemption of HK\$1,500,000. The net redemption proceed was HK\$98,500,000.

7. OTHER OPERATING INCOME

	2004 HK\$'000	2003 HK\$'000 (restated)
Interest income from:		
– Debt securities	7,478	7,275
– Banks	602	479
– Others	166	8
	8,246	7,762
Compensation from litigation (Note)	–	4,941
Revaluation increase of investment properties	5,540	–
Revaluation increase of leasehold land and buildings	1,704	–
Net exchange gain	4,668	–
Others	244	1,713
	20,402	14,416

Note: Included a compensation of HK\$4,778,000 as settlement in respect of a litigation which was made against ex-employees for damages in relation to their improper behaviour.

8. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	800	620
Cost of inventories recognised as expenses	201,511	90,182
Revaluation decrease of investment properties	–	1,060
Revaluation decrease of leasehold land and buildings	–	68
Depreciation and amortisation of property, plant and equipment	1,086	1,461
Impairment loss recognised in respect of other non-current assets	–	124
Loss on disposal of property, plant and equipment	41	398
Staff costs, inclusive of directors' emoluments	23,899	12,478
Rental income from properties under operating leases after outgoings of HK\$266,000 (2003: HK\$253,000)	(2,178)	(3,096)

9. FINANCE COSTS

The amounts represent interest on bank and other borrowings wholly repayable within five years.

For the year ended 31 December 2004

10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

Directors' emoluments

The Directors' emoluments are analysed as follows:

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive Directors	–	–
Non-executive Directors	–	–
Independent Non-executive Directors	200	267
	<hr/> 200	<hr/> 267
Other emoluments to Executive Directors:		
Salaries and other benefits	2,470	1,709
Performance related incentive payments	12,360	–
Retirement benefits scheme contributions	36	45
	<hr/> 15,066	<hr/> 2,021

The emoluments of the Directors are within the following bands:

	2004 Number of Directors	2003 Number of Directors
Nil to HK\$1,000,000	5	6
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$12,000,001 to HK\$12,500,000	1	–

There was no compensation for loss of office paid to Directors or former Directors and no Directors waived any emoluments for each of the two years ended 31 December 2004.

10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (Continued)**Highest paid individuals**

During the year, the five highest paid individuals included three Directors (2003: two), details of which are set out above. The emoluments for the remaining two (2003: three) highest paid individuals of the Group are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	1,227	1,958
Performance related incentive payments	75	–
Retirement benefits scheme contributions	24	61
	1,326	2,019

The emoluments are within the following bands:

	2004 Number of employees	2003 Number of employees
Nil to HK\$1,000,000	2	3

11. GAIN ON DISPOSAL OF SUBSIDIARIES

In March 2003, Fulltime Profits Limited, an indirect wholly-owned subsidiary of the Company, and its subsidiaries ("Fulltime Group"), which were engaged in mobile phone distribution and the intelligent building system integration business in China (collectively the "China Operations") were disposed of to an independent third party at a nominal consideration of HK\$1. The disposal was completed on 29 March 2003, on which date the control of the China Operations was passed to the acquirer.

For the year ended 31 December 2004

11. GAIN ON DISPOSAL OF SUBSIDIARIES (Continued)

The results of the China Operations for the period from 1 January 2003 to 29 March 2003, which have been included in the consolidated income statement, were as follows:

	HK\$'000
Turnover	1,062
Operating costs	(2,034)
Share of result of a jointly controlled entity	(28)
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Loss for the period	(1,000)

During the year ended 31 December 2003, the China Operations did not make a significant contribution to the net cash flows on the results of the Group.

The carrying amounts of the assets and liabilities of the China Operations at the date of disposal are set out in note 26.

A gain of HK\$41,109,000 arose on the disposal of the China Operations, being the proceeds of disposal less the carrying amount of net liabilities of Fulltime Group at the date of disposal, attributable goodwill and translation reserve (see note 26). No tax charge or credit arose from the transaction.

12. TAX CHARGE

	2004 HK\$'000	2003 HK\$'000
Current tax:		
Profits Tax in Hong Kong	(13)	–
Income tax in China	(114)	(104)
Underprovision in prior years		
Hong Kong	–	(3)
China	–	(229)
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	(127)	(336)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

12. TAX CHARGE (Continued)

No provision for Hong Kong Profits Tax in last year was made in the financial statements as the Group had no assessable profit for last year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	203,401	292,414
Tax at the income tax rate of 17.5% (2003: 17.5%)	(35,595)	(51,172)
Tax effect of expenses that are not deductible	(5,797)	(17,707)
Tax effect of income that are not taxable	6,843	32,647
Utilisation of tax losses previously not recognised	35,439	39,972
Tax effect of tax losses not recognised	(1,174)	(3,799)
Underprovision in respect of prior years	–	(232)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(54)	(49)
Others	211	4
Tax charge for the year	(127)	(336)

13. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Ordinary shares:		
Interim dividend paid – HK\$0.01 (2003: HK\$0.01) per share	3,017	3,715
Final dividend proposed – HK\$0.04 (2003: HK\$0.04) per share	12,070	14,859

The final dividend of HK\$0.04 per share has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	2004 HK\$'000	2003 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	203,274	292,078
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	347,849,919	371,464,499

The computation of diluted earnings per share for 2003 does not assume the exercise of the Company's warrants because their exercise price was higher than the average market price. The warrants expired and lapsed in June 2003 per note 24(e).

15. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
VALUATION	
At 1 January 2004	31,550
Revaluation increase	5,540
Transfer from leasehold land and buildings	7,550
At 31 December 2004	44,640

15. INVESTMENT PROPERTIES (Continued)

The Group's investment properties are analysed as follows:

	2004 HK\$'000	2003 HK\$'000
Properties held under medium term leases:		
– in Hong Kong	20,990	14,850
– in China	20,850	16,700
Properties situated in China held under long leases	2,800	–
	44,640	31,550

The Group's investment properties were revalued at 31 December 2004 by DTZ Debenham Tie Leung Limited, a firm of independent professional property valuers, on an open market value basis. The resulting revaluation increase has been credited to the consolidated income statement of HK\$5,540,000.

Certain of the investment properties of the Group are rented out under operating leases.

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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Computer and electronic equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP					
COST OR VALUATION					
At 1 January 2004	10,625	2,088	2,765	501	15,979
Additions	–	92	375	–	467
Disposals	–	(32)	(82)	–	(114)
Revaluation increase	2,075	–	–	–	2,075
Transfer to investment properties	(7,550)	–	–	–	(7,550)
At 31 December 2004	5,150	2,148	3,058	501	10,857
Comprising:					
At cost	–	2,148	3,058	501	5,707
At valuation – 2004	5,150	–	–	–	5,150
	5,150	2,148	3,058	501	10,857
DEPRECIATION AND AMORTISATION					
At 1 January 2004	–	1,223	1,922	501	3,646
Provided for the year	237	428	421	–	1,086
Eliminated on disposals	–	(18)	(46)	–	(64)
Eliminated on revaluation	(237)	–	–	–	(237)
At 31 December 2004	–	1,633	2,297	501	4,431
NET BOOK VALUES					
At 31 December 2004	5,150	515	761	–	6,426
At 31 December 2003	10,625	865	843	–	12,333

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The land and buildings of the Group are analysed as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Properties situated in Hong Kong, held under medium term leases	5,150	4,345
Properties situated in China, held under:		
– long leases	–	2,800
– medium term leases	–	3,480
	5,150	10,625

All the land and buildings of the Group were revalued at 31 December 2004 by DTZ Debenham Tie Leung Limited, a firm of independent professional property valuers, on an open market value basis. The resulting revaluation increase arising on the revaluation has been credited to the consolidated income statement and asset revaluation reserve of HK\$1,704,000 and HK\$608,000 respectively.

Had all the land and buildings of the Group been carried at cost less accumulated depreciation and amortisation, the carrying values of these properties would have been stated at HK\$6,892,000 (2003: HK\$18,482,000).

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	32,168	32,168
Amounts due from subsidiaries	3,980,215	3,887,417
	4,012,383	3,919,585
Less: Allowances on amounts due from subsidiaries	(1,822,548)	(1,822,548)
	2,189,835	2,097,037

Particulars of the principal subsidiaries as at 31 December 2004 are set out in note 34.

In the opinion of the directors, the amounts due from subsidiaries will not be repaid within twelve months from the balance sheet date. Accordingly, they are classified as non-current.

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For the year ended 31 December 2004

18. INVESTMENTS IN SECURITIES THE GROUP

	Trading investments		Other securities		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Equity securities						
– listed in Hong Kong	456,312	425,249	128,176	112,045	584,488	537,294
– listed overseas	244,185	22,597	30,552	29,418	274,737	52,015
	700,497	447,846	158,728	141,463	859,225	589,309
Debt securities						
– unlisted (Note)	–	–	156,247	256,247	156,247	256,247
Unit trusts						
– unlisted	–	–	8,301	–	8,301	–
	700,497	447,846	323,276	397,710	1,023,773	845,556
Carrying amount analysed for reporting purposes as						
– Non-current	–	–	313,919	388,115	313,919	388,115
– Current	700,497	447,846	9,357	9,595	709,854	457,441
	700,497	447,846	323,276	397,710	1,023,773	845,556
Market value of listed securities	700,497	447,846	158,728	141,463	859,225	589,309

Note: The debt securities represent the loan notes issued by Sun Hung Kai & Co. Limited (“SHK”) and Allied Group Limited (“AG”) which formed part of the consideration for the sale of SHK’s and AG’s shares by the Group in year 2003. The loan notes bear interest at 4% and 2.25% per annum and are redeemable on or before 7 March 2008 and 15 August 2008, respectively.

18. INVESTMENTS IN SECURITIES (Continued)

As at 31 December 2004, particulars of the Group's investments in the equity securities which exceed 10% of the assets of the Group disclosed pursuant to Section 129(2) of the Hong Kong Companies Ordinance are as follows:

Name of company	Place of incorporation	Class of shares	Percentage of issued share capital held by the Group
Allied Group Limited	Hong Kong	Ordinary	9.3%
Mulpha International Bhd.	Malaysia	Ordinary	9.2%

19. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Inventories held for resale – finished goods	9,626	5,139

At 31 December 2004, all inventories were carried at cost (2003: an amount of HK\$2,049,000 was stated at net realisable value).

For the year ended 31 December 2004

20. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 30-90 days to its trade debtors.

An aged analysis of trade debtors is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 90 days	8,792	12,471
91 – 180 days	41	7
181 – 360 days	48	–
	8,881	12,478
Other debtors, deposits and prepayments	19,524	28,457
	28,405	40,935

21. LOAN RECEIVABLES

The loan receivables are unsecured, bear interest at commercial rates and are repayable within one year.

22. CREDITORS AND ACCRUED CHARGES

An aged analysis of trade creditors is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Trade creditors due within 90 days	24,776	1,723
Other creditors and accrued charges	7,607	6,667
	32,383	8,390

23. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries of the Company are unsecured, interest free and have no fixed terms of repayment. The subsidiaries confirmed that the repayment of the amounts will not be demanded within the next twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

24. SHARE CAPITAL

	Number of shares		Value	
	2004	2003	2004 HK\$'000	2003 HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At beginning of the year	30,000,000,000	30,000,000,000	300,000	300,000
Capital Reduction (as defined in Note a)	-	(28,800,000,000)	-	(288,000)
Increase during the year (Note d)	-	28,800,000,000	-	288,000
At end of the year	30,000,000,000	30,000,000,000	300,000	300,000
Issued and fully paid:				
At beginning of the year	371,468,753	9,286,462,340	3,715	92,865
Warrants exercised (Note e)	-	256,507	-	2
Capital Reorganisation	-	(8,915,250,094)	-	(89,152)
Repurchase of shares (Note f)	(69,713,206)	-	(697)	-
At end of the year	301,755,547	371,468,753	3,018	3,715

24. SHARE CAPITAL (Continued)

Notes:

Pursuant to resolutions proposed by the Directors and passed at a special general meeting of the Company held on 14 July 2003 (the "SGM"), the Company carried out a capital reorganisation in the following aspects:

- (a) (i) the issued share capital of the Company was reduced by cancelling paid-up capital of HK\$0.0096 on each share of nominal value of HK\$0.01 in the issued share capital of the Company as at the date of passing of this resolution so that each share was treated as one fully paid-up share of nominal value of HK\$0.0004 in the issued share capital of the Company; and
- (ii) the value of each of the authorised but unissued shares was reduced from HK\$0.01 to HK\$0.0004 each so that the authorised share capital of the Company was reduced from HK\$300,000,000 to HK\$12,000,000 (the "Capital Reduction");
- (b) an amount of HK\$375,995,500 standing to the credit in the share premium account of the Company as at 31 December 2002 was reduced (the "Share Premium Reduction") and together with the credit amount of HK\$89,152,500 arising from the Capital Reduction were applied to eliminate or reduce the deficit of the Company with accumulated balance of HK\$465,890,000 as at 31 December 2002 in accordance with the Bye-laws of the Company and the applicable laws of Bermuda;
- (c) every 25 reduced shares of HK\$0.0004 each was consolidated (the "Share Consolidation") into one new share of nominal value of HK\$0.01 each (the "New Shares"); and
- (d) the authorised share capital of the Company was increased from HK\$12,000,000 to HK\$300,000,000 by the creation of an additional 28,800,000 unissued New Shares in the capital of the Company following completion of the Capital Reduction and Share Consolidation (altogether the "Capital Reorganisation").

The Capital Reorganisation became effective on 15 July 2003.

- (e) During the year ended 31 December 2000, 1,856,688,098 warrants in the value of HK\$557,006,000 were issued at HK\$0.05 on the basis of one warrant for every five ordinary shares held on 15 May 2000. Each warrant entitled the holder to subscribe in cash at a price of HK\$0.30 each, subject to adjustment, for one ordinary share in the Company, at any time from the date of issue up to 6 June 2003 (both days inclusive).

During the year ended 31 December 2003, 256,507 warrants in the value of HK\$77,000 were exercised to subscribe for 256,507 ordinary shares of the Company at an exercise price of HK\$0.30 per share. The remaining 1,856,409,741 warrants in the value of HK\$556,923,000 expired and lapsed on 6 June 2003. Accordingly, the warrant reserve of HK\$90,369,000 was released to the consolidated income statement.

- (f) In August 2004, the Company repurchased 69,713,206 ordinary shares for HK\$1.20 in cash per share. The excess of the offer price over the nominal value amounted to HK\$82,958,000 was charged to the share premium account.

25. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Warrant reserve HK\$'000	Retained profit (deficit) HK\$'000	Total HK\$'000
THE COMPANY						
At 1 January 2003	1,135,685	32,883	1,922	90,381	(465,890)	794,981
Premium arose on exercise of warrants	87	-	-	(12)	-	75
Gain on expiry of warrants recognised in the income statement	-	-	-	(90,369)	-	(90,369)
Reduction of deficit by capital reorganisation and share premium reduction	(375,996)	-	-	-	465,148	89,152
Profit for the year	-	-	-	-	84,026	84,026
Interim dividend paid	-	-	-	-	(3,715)	(3,715)
At 31 December 2003	759,776	32,883	1,922	-	79,569	874,150
Repurchase of shares (Note 24(f))	(82,958)	-	-	-	-	(82,958)
Loss for the year	-	-	-	-	(20,560)	(20,560)
Dividends paid	-	-	-	-	(17,876)	(17,876)
At 31 December 2004	676,818	32,883	1,922	-	41,133	752,756

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued at the date on which the group reorganisation became effective, in exchange for the shares of the subsidiaries, and the underlying net assets of the subsidiaries acquired, less distributions subsequently made by the Company.

In addition to retained profits of the Company, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the Directors, the Company's reserves available for distribution to shareholders at 31 December 2004 amounted to HK\$74,016,000 (2003: HK\$112,452,000).

26. DISPOSAL OF SUBSIDIARIES

As explained in note 11, on 29 March 2003, the Group disposed of its China Operations at a consideration of HK\$1. The net liabilities at the date of disposal were as follows:

	29.3.2003 HK\$'000
NET LIABILITIES DISPOSED OF:	
Property, plant and equipment	252
Interest in a jointly controlled entity	2,001
Other non-current assets	95
Inventories	1,673
Debtors, deposits and prepayments	5,829
Taxation recoverable	8
Bank balances and cash	800
Creditors and accrued charges	(51,679)
Amount due to a jointly controlled entity	(1,200)
	(42,221)
Attributable goodwill	1,237
Translation reserve realised	(125)
	(41,109)
Gain on disposal	41,109
Total cash consideration	–
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(800)
	(800)

27. DEFERRED TAXATION

At 31 December 2004, the Group and the Company has estimated unused tax losses of HK\$1,761 million and HK\$65 million (2003: HK\$1,964 million and HK\$74 million), respectively, for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

The Group has deductible temporary differences of HK\$33 million (2003: HK\$32 million). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

28. CONTINGENT LIABILITIES

(a) The Company has given guarantees to banks in respect of credit facilities granted to a subsidiary. As at 31 December 2004, facilities of HK\$6,591,000 (2003: HK\$4,846,000) were utilised by the subsidiary.

In addition, the Company has also provided guarantees to several securities houses in respect of the facilities granted to subsidiaries. As at 31 December 2004 and 2003, no facilities were utilised by the subsidiaries.

(b) In respect of the disposal of a subsidiary in prior years, the Group has given an indemnity to the purchaser against all liabilities, losses, costs and expenses suffered and/or incurred by the purchaser in relation to or arising out of the assignment of certain of the subsidiary's business contracts.

(c) In 1997, the Company had given a counter-indemnity to a former substantial shareholder and the ex-chairman of PCCW Limited (formerly Tricom Holdings Limited ("Tricom")), and Chambord Investment Inc. in respect of certain indemnities given to Tricom at the time of and to facilitate the listing of Tricom's shares on the Stock Exchange. These indemnities related to the use of the Tricom tradename, the infringement of the permitted use of properties, the guarantees granted to Tricom to secure banking facilities and tax liabilities.

In respect of (b) and (c) above, the Directors were not able to estimate the financial effect of the indemnities and warranty given.

29. LITIGATION

- (a) In November 1998, a writ was issued against the Company's subsidiaries, Hongkong Digital Television Limited ("Digital TV", formerly Star Interactive Television Limited) and Star Telecom Services Limited ("STSL", formerly Hong Kong Star Internet Limited) by nCube Corporation ("nCube"), claiming the sum of approximately US\$1,980,000 (equivalent to approximately HK\$15,305,000) plus interest in relation to the alleged purchase of two MediaCube 3000 systems by Digital TV from nCube. The claim of nCube against STSL was on the basis of a chop of STSL on the contract between Digital TV and nCube. STSL had taken legal advice and had been advised that it was very unlikely that STSL would be held liable to the claim of nCube. Digital TV was also opposing the claim of nCube and had taken legal advice.

As advised by its lawyers, Digital TV had reasonable grounds in defending the claim and, accordingly, had not made any provision in the financial statements in connection with the claim. Digital TV filed a defence in this section on 14 December 1998 and nCube had failed to take further action since that date. There was no progress during the year in respect of the litigation.

- (b) Stellar One Corporation ("Stellar One") served a statutory demand under Section 178 of the Hong Kong Companies Ordinance for the sum of approximately US\$1,152,000 (equivalent to approximately HK\$8,983,000) upon Digital TV in November 1998. Stellar One filed a winding up petition against Digital TV in December 1998 which was vigorously opposed by Digital TV. Digital TV applied for an order for security for the costs against Stellar One. On 4 May 1999, the Court ordered Stellar One to pay HK\$200,000 to the court as security for the costs of Digital TV on or before 7 May 1999. Stellar One failed to pay that amount to the court.

The petition was dismissed in November 1999 and Stellar One was to pay Digital TV its cost of the petition, which amounted to HK\$254,000. Stellar One had indicated that it would proceed to arbitration in Honolulu to recover the alleged amount.

Digital TV took legal advice and was advised that the arbitration proceedings had not commenced as of the date of approval of these financial statements. As advised by its lawyers, Digital TV had reasonable grounds in defending the claims and, accordingly, had not made any provision in the financial statements in connection with the claims.

Save and except for the matters specified above, neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against any companies of the Group.

30. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group were pledged to banks and securities house to secure short term credit facilities:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Investment properties	15,000	11,350
Marketable securities	631,924	54,583
Bank balances and cash	15,182	26,988
	662,106	92,921

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Minimum lease payments paid under operating leases in respect of premises	1,119	4,311

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	428	1,075
In the second to fifth year inclusive	–	428
	428	1,503

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two to five years and rentals are fixed for an average term of two years.

31. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor:

Property rental income earned during the year was HK\$2,444,000 (2003: HK\$3,349,000). The investment properties are expected to generate rental yields of 5.5% (2003: 6.3%). The properties held have committed tenants for an average of two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	2,459	2,272
In the second to fifth year inclusive	1,350	1,895
	3,809	4,167

At 31 December 2004, the Company had no commitments under operating leases (2003: Nil).

32. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme for its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustee.

The retirement benefits scheme contributions charged to the income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group or will be refunded to the Company upon request.

As at 31 December 2004, there was no forfeited contributions (2003: HK\$5,000), which arose upon employees leaving the scheme and which were available to reduce the contributions payable by the Group in future years.

32. RETIREMENT BENEFITS SCHEMES (Continued)

In addition to the defined contribution retirement benefits scheme, the Group is required to contribute to Mandatory Provident Fund and central pension scheme for certain employees in Hong Kong and China, respectively, based on applicable rates of monthly salary in accordance with the relevant regulations.

During the year, the retirement benefits scheme contributions net of forfeited contributions of HK\$32,000 (2003: HK\$71,000), amounting to HK\$326,000 (2003: HK\$446,000).

33. RELATED PARTY TRANSACTION

On 2 April 2004, a credit facility with a maximum amount of US\$40,000,000 was granted by a related company to finance the general working capital of the Company and its subsidiaries.

One of the directors of the related company, Ms. Chong Sok Un is also a director of the Company. The loan was unsecured, borne annual interest rate of HIBOR plus 0.5% and was repayable in one and a half year from the drawdown date. The loan was fully settled during the year.

The interest expense in respect of the loan from the related company was HK\$511,000 (2003: Nil), which was included in finance costs per note 9.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Besford International Limited	The British Virgin Islands	Ordinary US\$1	100%	Investment holding
Classic Fortune Limited	The British Virgin Islands	Ordinary US\$1	100%	Investment holding

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34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held (Continued)				
Mission Time Holdings Limited	The British Virgin Islands	Ordinary US\$1	100%	Investment holding
Yuenwell Holdings Limited	The British Virgin Islands	Ordinary US\$1	100%	Investment holding
Star Paging (BVI) Limited	The British Virgin Islands	Ordinary US\$400	100%	Investment holding
Indirectly held				
China Capital Holdings Limited (Formerly known as New Century Network Technology Limited)	Hong Kong	Ordinary HK\$2	100%	Treasury service
China Online (Bermuda) Limited (Formerly known as Grandistar Company Limited)	Hong Kong	Ordinary HK\$2	100%	Investment holding
China Online Nominees Limited	Hong Kong	Ordinary HK\$200	100%	Investment holding and provision of nominee services
China Online Secretaries Limited	Hong Kong	Ordinary HK\$2	100%	Provision of secretarial services

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (Continued)				
Dualiane Limited	The British Virgin Islands	Ordinary US\$1	100%	Investment holding
Focus Clear Limited	The British Virgin Islands	Ordinary US\$1	100%	Securities trading in Hong Kong
Forepower Limited	The British Virgin Islands	Ordinary US\$1	100%	Property investment in Hong Kong
Genwo Limited	Hong Kong	Ordinary HK\$200,000	100%	Property investment
Gold Chopsticks Limited	The British Virgin Islands	Ordinary US\$1	100%	Investment holding
Honest Opportunity Limited	The British Virgin Islands	Ordinary US\$1	100%	Securities trading in Hong Kong and overseas
Join Capital Limited	Hong Kong	Ordinary HK\$2	100%	Money lending
Kintic Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Konnac Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Mega Harvest Resources Limited	The British Virgin Islands	Ordinary US\$1	100%	Securities trading in overseas

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34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (Continued)				
Pro Leader Limited	The British Virgin Islands	Ordinary US\$1	100%	Investment holding
Rich Investments Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Sparkling Summer Limited	The British Virgin Islands	Ordinary US\$6,500,000	100%	Securities trading in Hong Kong and overseas
Star Telecom (China Investment) Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Star Telecom Holding Limited	Hong Kong	Ordinary HK\$200 Deferred# HK\$4,000,000	100%	Investment holding
Star Telecom Limited	Hong Kong	Ordinary HK\$3,000,000	100%	Telecom and IT products distribution
Star Telecom Properties Limited	Hong Kong	Ordinary HK\$200	100%	Investment and property holding
Taskwell Limited	The British Virgin Islands	Ordinary US\$1	100%	Investment holding
Tricom Tianchi Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (Continued)				
Vinka Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Widerich Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
星電電子技術發展 (深圳)有限公司*	China	Registered HK\$1,000,000	100%	Research and development for computer software and relevant technical consultancy services

The deferred shares, which are not held by the Group, practically carry no rights to any dividend or to receive notice of or to attend or vote at any general meeting of the company or to any distribution in winding up.

* Wholly foreign-owned enterprise

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

All subsidiaries operate principally in their places of incorporation unless specified otherwise under "Principal activities".

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