



## 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 "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries, associate and jointly controlled entities are set out in notes 16, 17 and 18 respectively.

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

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "New HKFRSs") which are effective for accounting periods beginning on or after 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 New HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These New 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 certain properties and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

### 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.

## Notes to the Financial Statements

For the year ended 31 December 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 net assets of the associates less 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 jointly controlled entities 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.

#### 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 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 is transferred to the income statement.

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



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less depreciation and amortisation and accumulated impairment loss.

Construction in progress is stated at cost, which includes land cost and the related construction cost, less accumulated impairment losses. No depreciation is provided on construction in progress until the construction is completed and the properties and assets are ready for use.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land and buildings	Over the lease terms or 50 years, whichever is shorter
Machinery, moulds and tools	4% – 20%
Equipment, furniture and fixtures	15% – 20%
Motor vehicles	25% – 33 $\frac{1}{3}$ %
Leasehold improvements	4% – 20%

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

#### Intangible assets

Intangible assets are stated at cost less amortisation and accumulated impairment loss. Amortisation is provided on a straight line basis over the estimated useful lives.

#### 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 income immediately.

## Notes to the Financial Statements

For the year ended 31 December 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying 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 the initial recognition 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, jointly controlled entities and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition

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

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

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

Rental income is recognised on a straight line basis over the relevant lease terms.

Service income is recognised when services are provided.

#### 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 term.

#### 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. Gains and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. 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 year in which the operation is disposed of.

## Notes to the Financial Statements

For the year ended 31 December 2004

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)**Retirement benefit costs**

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as expense as they fall due.

**4. TURNOVER**

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, revenue arising from services rendered and rental income for the year, and is analysed as follows:

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Sales of goods	<b>422,855</b>	375,485
Rendering of services	<b>12,233</b>	10,855
Gross rental income	<b>1,444</b>	1,404
	<b>436,532</b>	387,744

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS****(a) Business segments**

For management purposes, the Group is currently organised into five operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Intersegment sales are charged at prevailing market prices.

Segment information about these businesses is presented below:



## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### (a) Business segments (continued)

#### For the year ended 31 December 2004

	Telephone accessories and power cords HK\$'000	Adaptors and electronic products HK\$'000	Printed circuit boards HK\$'000	High precision metal components HK\$'000	Photomask business HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000
<b>TURNOVER</b>								
External sales	210,022	90,750	65,096	54,820	2,167	13,677	-	436,532
Inter-segment sales	29,469	1,130	233	155	-	24,034	(55,021)	-
<b>Total</b>	<b>239,491</b>	<b>91,880</b>	<b>65,329</b>	<b>54,975</b>	<b>2,167</b>	<b>37,711</b>	<b>(55,021)</b>	<b>436,532</b>
<b>RESULT</b>								
Segment results	(15,379)	(15,294)	227	4,219	(99,391)	(9,776)		(135,394)
Other operating income								10,542
Loss from operations								(124,852)
Finance costs								(10,837)
Share of result of an associate			12,497					12,497
Share of results of jointly controlled entities						31,320		31,320
Loss before taxation								(91,872)
Taxation charge								(1,777)
Minority interests								(370)
<b>Net loss for the year</b>								<b>(94,019)</b>
<b>BALANCE SHEET</b>								
Segment assets	127,406	57,163	63,650	45,335	418,124	152,244		863,922
Investment in an associate			35,385					35,385
Interests in jointly controlled entities						182,613		182,613
Unallocated assets								1,658
<b>Total assets</b>								<b>1,083,578</b>
Segment liabilities	(36,255)	(18,091)	(24,145)	(16,318)	(25,178)	(32,052)		(152,039)
Unallocated liabilities								(212,141)
<b>Total liabilities</b>								<b>(364,180)</b>
<b>OTHER INFORMATION</b>								
Capital expenditure	10,595	2,237	2,585	2,878	40,415	6,206		64,916
Depreciation	9,031	1,398	5,801	3,595	74,445	4,779	-	99,049
Amortisation	1,082	1,500	-	-	86	-	-	2,668
Other non-cash expense	11,056	9,296	-	-	430	621	-	21,403

## Notes to the Financial Statements

For the year ended 31 December 2004

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

## (a) Business segments (continued)

For the year ended 31 December 2003

	Telephone accessories and power cords HK\$'000	Adaptors and electronic products HK\$'000	Printed circuit boards HK\$'000	High precision metal components HK\$'000	Photomask business HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000
<b>TURNOVER</b>								
External sales	187,473	62,861	62,842	53,665	-	20,903	-	387,744
Inter-segment sales	10,372	-	-	-	-	50,643	(61,015)	-
<b>Total</b>	<b>197,845</b>	<b>62,861</b>	<b>62,842</b>	<b>53,665</b>	<b>-</b>	<b>71,546</b>	<b>(61,015)</b>	<b>387,744</b>
<b>RESULT</b>								
Segment results	(5,294)	(289)	793	4,723	(1,481)	(7,713)		(9,261)
Other operating income								15,776
Profit from operations								6,515
Finance costs								(7,324)
Share of result of an associate			6,040					6,040
Share of results of jointly controlled entities						13,925		13,925
Profit before taxation								19,156
Taxation credit								3,706
Minority interests								(462)
<b>Net profit for the year</b>								<b>22,400</b>
<b>BALANCE SHEET</b>								
Segment assets	121,164	56,337	63,609	40,769	464,423	261,668		1,007,970
Investment in an associate			24,997					24,997
Interests in jointly controlled entities						128,469		128,469
Unallocated assets								2,097
<b>Total assets</b>								<b>1,163,533</b>
Segment liabilities	(29,086)	(13,103)	(15,423)	(10,932)	(63,420)	(63,434)		(195,398)
Unallocated liabilities								(157,562)
<b>Total liabilities</b>								<b>(352,960)</b>
<b>OTHER INFORMATION</b>								
Capital expenditure	8,874	2,586	45	3,004	397,303	55,090	-	466,902
Depreciation	9,528	2,021	6,247	4,148	-	5,779	-	27,723
Amortisation	1,051	1,500	-	-	-	-	-	2,551
Other non-cash expense	10,560	1,345	-	-	-	-	-	11,905



**5. BUSINESS AND GEOGRAPHICAL SEGMENTS** (continued)**(b) Geographical segments**

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

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

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
The PRC	<b>52,756</b>	71,958
Hong Kong	<b>235,739</b>	206,735
Europe	<b>81,838</b>	66,890
Australia	<b>10,834</b>	8,804
Others	<b>55,365</b>	33,357
	<b>436,532</b>	387,744

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

	<b>Carrying amount of segment assets</b>		<b>Additions to property, plant and equipment and intangible assets</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
The PRC	<b>391,525</b>	408,361	<b>21,429</b>	13,602
Hong Kong	<b>690,395</b>	753,075	<b>43,487</b>	453,300
	<b>1,081,920</b>	1,161,436	<b>64,916</b>	466,902

## Notes to the Financial Statements

For the year ended 31 December 2004

**6. OTHER OPERATING INCOME**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Dividend income from investments in securities	–	3,019
Gain on disposal of property, plant and equipment	–	308
Interest on bank deposits	<b>741</b>	2,711
Proceeds from scrap sales	<b>4,768</b>	4,153
Others	<b>5,033</b>	5,585
	<b>10,542</b>	15,776

**7. (LOSS) PROFIT FROM OPERATIONS**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
(Loss) profit from operations has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (note 8):		
– Salaries, wages and other benefits	<b>79,171</b>	61,120
– Retirement benefit scheme contributions	<b>2,872</b>	2,854
Total staff costs	<b>82,043</b>	63,974
Allowance for doubtful debts, net	<b>2,940</b>	–
Allowance for inventories	<b>6,708</b>	5,009
Amortisation of intangible assets (included in administrative expenses)	<b>2,668</b>	2,551
Auditors' remuneration	<b>1,306</b>	1,000
Cost of inventories recognised as expenses	<b>477,367</b>	344,246
Depreciation and amortisation of property, plant and equipment	<b>99,049</b>	27,723
Loss on disposal of property, plant and equipment	<b>19</b>	–
Net exchange loss (gain)	<b>710</b>	(116)
Write-back of allowance for doubtful debts	–	(224)
Write-off of inventories	–	6,896
Impairment loss recognised for intangible assets	<b>9,750</b>	–
Impairment loss recognised for golf club membership	<b>400</b>	–



## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive directors	60	60
Independent non-executive directors	20	30
Non-executive directors	140	–
	<u>220</u>	<u>90</u>
Other emoluments of executive directors:		
Salaries and other benefits	7,162	4,513
Retirement benefit scheme contributions	161	149
	<u>7,323</u>	<u>4,662</u>
Total directors' emoluments	<u>7,543</u>	<u>4,752</u>

The emoluments of the directors were within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	13	7
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	2	2
	<u>16</u>	<u>10</u>

In April 2005, a director has agreed to waive his emoluments of HK\$10,000 for the year ended 31 December 2004. No director waived any emoluments for the year ended 31 December 2003.

## Notes to the Financial Statements

For the year ended 31 December 2004

**8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS** (continued)**(b) Employees' Emoluments**

During the year, the five highest paid individuals included five directors (2003: three directors), details of whose emoluments are set out in (a) above. The emoluments of the remaining two highest paid individuals for the year ended 31 December 2003 were as follows:

	2003 HK\$'000
Salaries and other benefits	1,241
Retirement benefit scheme contributions	106
	<u>1,347</u>

The remuneration of each of the highest paid, non-director employees was less than HK\$1,000,000 for the year ended 31 December 2003.

**9. FINANCE COSTS**

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	6,812	4,152
Finance leases	4,025	–
Convertible bonds	–	3,172
	<u>10,837</u>	<u>7,324</u>



## 10. TAXATION CHARGE (CREDIT)

	2004 HK\$'000	2003 HK\$'000
Current tax:		
Hong Kong		
Provision for the year	545	585
Overprovision in prior years	(747)	(303)
	<u>(202)</u>	<u>282</u>
Deferred tax (note 28):		
Current year	(422)	(4,438)
Attributable to a change in tax rate	–	280
	<u>(422)</u>	<u>(4,158)</u>
Taxation attributable to the Company and its subsidiaries	(624)	(3,876)
Share of taxation attributable to a jointly controlled entity	292	170
Share of taxation attributable to an associate	2,109	–
	<u>1,777</u>	<u>(3,706)</u>

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

## Notes to the Financial Statements

For the year ended 31 December 2004

**10. TAXATION CHARGE (CREDIT)** (continued)

The tax charge (credit) for the year can be reconciled to the (loss) profit before taxation as follows:

	2004 HK\$'000	2003 HK\$'000
(Loss) profit before taxation	<b>(91,872)</b>	19,156
Tax at Hong Kong Profits Tax rate of 17.5%	<b>(16,078)</b>	3,352
Tax effect of expenses that are not deductible in determining taxable profit	<b>5,305</b>	3,345
Tax effect of income that are not taxable in determining taxable profit	<b>(2,180)</b>	(7,035)
Tax effect of share of results of an associate	<b>(78)</b>	(1,057)
Tax effect of share of results of jointly controlled entities	<b>(5,189)</b>	(2,267)
Tax effect of different tax rates of the subsidiaries operating in other jurisdictions	–	246
Utilisation of tax losses not recognised in previous years	<b>(639)</b>	(267)
Tax effect of tax losses not recognised	<b>21,309</b>	–
Increase in opening deferred tax liabilities resulting from an increase in Hong Kong Profits Tax rate	–	280
Overprovision in prior years	<b>(747)</b>	(303)
Others	<b>74</b>	–
Tax charge (credit) for the year	<b>1,777</b>	(3,706)

**11. DIVIDEND**

No dividend was paid or proposed during 2004, nor has any dividend been proposed since the balance sheet date (2003: Nil).



## 12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share for the year is based on the following data:

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
(Loss) profit for the purposes of basic and diluted (loss) earnings per share	<b>(94,019)</b>	22,400
	<b>2004</b>	2003
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<b>1,198,657,282</b>	943,604,787
Effect of dilutive potential ordinary shares in respect of share options	–	31,608,158
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<b>1,198,657,282</b>	975,212,945

The computation of diluted loss per share for the year ended 31 December 2004 did not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in net loss per share from continuing ordinary operation.

## Notes to the Financial Statements

For the year ended 31 December 2004

**13. INVESTMENT PROPERTIES****THE GROUP**

HK\$'000

## AT VALUATION

At 1 January 2004	22,935
Surplus on revaluation	<u>4,515</u>
At 31 December 2004	<u><u>27,450</u></u>

The Group's investment properties were revalued at their open market values at 31 December 2004 by Messrs. AA Property Services Limited, a firm of an independent professionally qualified valuers. The valuation gave rise to a revaluation increase of approximately HK\$4,515,000 which has been credited to the income statement. All of the Group's investment properties are rented out under operating leases.

**THE GROUP**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
The carrying amount of investment properties comprises:		
Long-term leases in Hong Kong	<b>2,550</b>	2,550
Medium-term leases in Hong Kong	<b>22,500</b>	17,250
Long-term leases in the PRC	<b>2,400</b>	3,135
	<u><b>27,450</b></u>	<u>22,935</u>





## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Construction in progress	Machinery, moulds and tools	Equipment, furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP							
COST							
At 1 January 2004	92,473	1,793	638,745	121,313	8,060	58,593	920,977
Additions	-	1,168	48,656	8,605	781	2,801	62,011
Written off/Disposals	-	-	(19,451)	(1,578)	(1,216)	(3,315)	(25,560)
Reclassification	-	(2,259)	30,670	(29,125)	-	714	-
At 31 December 2004	<b>92,473</b>	<b>702</b>	<b>698,620</b>	<b>99,215</b>	<b>7,625</b>	<b>58,793</b>	<b>957,428</b>
ACCUMULATED DEPRECIATION AND AMORTISATION							
At 1 January 2004	25,807	-	212,292	71,140	7,074	25,507	341,820
Provided for the year	2,922	-	85,443	6,798	819	3,067	99,049
Written off/Disposals	-	-	(19,451)	(1,543)	(1,216)	(2,834)	(25,044)
At 31 December 2004	<b>28,729</b>	<b>-</b>	<b>278,284</b>	<b>76,395</b>	<b>6,677</b>	<b>25,740</b>	<b>415,825</b>
NET BOOK VALUES							
At 31 December 2004	<b>63,744</b>	<b>702</b>	<b>420,336</b>	<b>22,820</b>	<b>948</b>	<b>33,053</b>	<b>541,603</b>
At 31 December 2003	66,666	1,793	426,453	50,173	986	33,086	579,157

## Notes to the Financial Statements

For the year ended 31 December 2004

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

	Leasehold land and buildings HK\$'000	Machinery, moulds and tools HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
THE COMPANY						
COST						
At 1 January 2004	32,585	59,053	48,605	714	31,607	172,564
Written off	-	(15,353)	-	(685)	-	(16,038)
Transferred to a subsidiary	-	-	(30,420)	-	(10,530)	(40,950)
At 31 December 2004	<b>32,585</b>	<b>43,700</b>	<b>18,185</b>	<b>29</b>	<b>21,077</b>	<b>115,576</b>
ACCUMULATED DEPRECIATION AND AMORTISATION						
At 1 January 2004	12,856	59,053	18,185	714	12,448	103,256
Provided for the year	1,303	-	-	-	752	2,055
Written off	-	(15,353)	-	(685)	-	(16,038)
At 31 December 2004	<b>14,159</b>	<b>43,700</b>	<b>18,185</b>	<b>29</b>	<b>13,200</b>	<b>89,273</b>
NET BOOK VALUES						
At 31 December 2004	<b>18,426</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,877</b>	<b>26,303</b>
At 31 December 2003	<b>19,729</b>	<b>-</b>	<b>30,420</b>	<b>-</b>	<b>19,159</b>	<b>69,308</b>



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

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The net book value of land and buildings shown above comprises:				
Long leases in Hong Kong	<b>11,252</b>	11,772	<b>8,815</b>	9,206
Medium-term leases in Hong Kong	<b>6,691</b>	6,866	–	–
Long-term leases in the PRC	<b>944</b>	1,015	–	–
Medium-term leases in the PRC	<b>44,857</b>	47,013	<b>9,611</b>	10,523
	<b>63,744</b>	66,666	<b>18,426</b>	19,729

The net book value of machinery of approximately HK\$420,336,000 includes an amount of approximately HK\$128,706,000 (2003: HK\$11,795,000) in respect of assets held under finance leases.



## Notes to the Financial Statements

For the year ended 31 December 2004

**15. INTANGIBLE ASSETS**

	<b>THE GROUP</b>
	HK\$'000
<hr/>	
COST	
At 1 January 2004	29,212
Additions	<u>2,905</u>
At 31 December 2004	<u>32,117</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2004	19,699
Provided for the year	2,668
Impairment loss recognised in the year	<u>9,750</u>
At 31 December 2004	<u>32,117</u>
NET BOOK VALUE	
At 31 December 2004	<u><u>–</u></u>
At 31 December 2003	<u><u>9,513</u></u>

Intangible assets represent the costs incurred for obtaining export license for exporting power cords and adapter products to certain countries are deferred and amortised on a straight line basis over the estimated useful lives of not exceeding eight years.

During the year, the directors conducted a review of the Group's export licence and determined that values of those assets were impaired, due to continuing losses of the business. Accordingly, impairment losses of approximately HK\$9,750,000 (2003: Nil) have been recognised during the year.



## 16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	26,744	26,744
Amounts due from subsidiaries (Note)	999,841	914,820
	<b>1,026,585</b>	941,564
Less: Allowances for amounts due from subsidiaries	(223,562)	(223,562)
	<b>803,023</b>	<b>718,002</b>

Note: In the opinion of the directors, the amounts due from subsidiaries will not be repayable within twelve months from the balance sheet date and the balances are therefore classified as non-current.

Details of the Company's principal subsidiaries at 31 December 2004 are as follows:

Name of subsidiary	Place/ country of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company %	Principal activities
3S Technology Holdings Limited 3S科技控股有限公司	Samoa	1 ordinary share of US\$1	100	Investment holding
Aberdeen Industrial Company Limited 阿勃玓實業有限公司	Samoa	1 ordinary share of US\$1	100*	Manufacture of telephone accessories, power cords and adaptors
Aberdeen Investments Limited 阿勃玓投資有限公司	Samoa	1 ordinary share of US\$1	100*	Property investment
Dongguan Dongjiang Wire and Cable Company Limited 東莞東江電線電纜有限公司*	The PRC	Registered capital HK\$6,000,000	60*	Manufacture of telephone cables and wires

## Notes to the Financial Statements

For the year ended 31 December 2004

## 16. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/ country of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company %	Principal activities
Dongguan Santai Electrical Appliances Company Limited 東莞三泰電器有限公司 <sup>a</sup> (Formerly: Dongguan Qiaozhi Santai Electrical Appliances Company Limited 東莞橋梓三泰電器有限公司)	The PRC	Registered capital HK\$12,000,000	100*	Manufacture and sale of electronic products
Dorup Limited 霖高有限公司	Hong Kong	2,000,000 ordinary shares of HK\$1 each	60*	Marketing of telephone cords and power cords
Far East PCB Limited 遠東線路板有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100*	Manufacture of printed circuit boards
Hitech Electro-Optical Limited 華太光電有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100*	Property investment
Hop Cheong Holdings Limited	Cook Islands	3,500 ordinary shares of US\$1 each	100	Investment holding
Hop Cheong Technology Limited 合昌科技有限公司	Hong Kong	1,000,000 ordinary shares of HK\$1 each	100*	Provision of management services
Hop Cheong Technology (International) Limited 合昌科技(國際)有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100*	Marketing of high precision metal parts



## 16. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/ country of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company %	Principal activities
Jetsbo Investment Limited 捷士寶投資有限公司	Hong Kong	10,000 ordinary shares of HK\$1 each	100*	Property investment
Longbright Technology Limited 宏輝科技有限公司	Hong Kong	10,000 ordinary shares of HK\$1 each	100*	Manufacture of metal stampings
Printronic China Limited 普林中國有限公司	Hong Kong	2 ordinary shares of HK\$10 each	100*	Investment holding
Printronic Electronics Limited 普林電子有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100*	Investment holding
Printronic Group Limited 普林集團有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding
Ready Shine Industrial Limited 巧旋實業有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding
Ready Sound Limited 備韻有限公司	Hong Kong	1,000,000 ordinary shares of HK\$1 each	60*	Manufacture of tinsel wires
Regal Investments Limited	Samoa	1 ordinary share of US\$1	100*	Manufacture of high precision metal parts

## Notes to the Financial Statements

For the year ended 31 December 2004

## 16. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/ country of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company %	Principal activities
Remarkable Mask Technology Company Limited 卓越光掩模科技有限公司 (Formerly: Remarkable Limited)	Cayman Islands	33,000,001 ordinary share of US\$1 each	100*	Manufacture of photomask
San Tai Industrial Enterprise Limited	Hong Kong	2 ordinary shares of HK\$1 each	100*	Marketing and distribution of telephone accessories and power cords
Santai Corporate Services Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Provision of management services
Santai Manufacturing Limited 三泰實業有限公司	Hong Kong	10,000 ordinary shares of HK\$1 each	100	Trading of raw materials for the manufacture of telephone accessories and power cords
SCT Electronics Limited SCT 電子有限公司	Hong Kong	2 ordinary shares of HK\$1 each	100	Marketing of adaptors and electronic products
SCT International Limited	Hong Kong	2 ordinary shares of HK\$1 each	100*	Marketing of raw materials for adaptors and electronic products
Sky Land Navigator Technology Limited	Samoa	1 ordinary share of US\$1	100*	Investment holding





## 16. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/ country of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company %	Principal activities
Sky Light Communication Limited	Samoa	1 ordinary share of US\$1	100*	Investment holding

\* Indirectly held through subsidiaries

® Registered under the laws of the PRC as a Sino-foreign co-operative joint venture

^ Registered under the laws of the PRC as a wholly-owned foreign subsidiary

All the subsidiaries operate in Hong Kong except for Aberdeen Industrial Company Limited, Aberdeen Investments Limited, Dongguan Dongjiang Wire and Cable Company Limited, Dongguan Santai Electrical Appliances Co., Ltd., Ready Sound Limited and Regal Investments Limited, which operate in the PRC.

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

None of the subsidiaries had issued any debt securities during the year.

## Notes to the Financial Statements

For the year ended 31 December 2004

## 17. INVESTMENT IN AN ASSOCIATE

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	35,385	24,997

At 31 December 2004, the Group had interests in the following associate:

Name of entity	Form of business structure	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group	Principal activity
Tianjin Printronics Circuit Corporation 天津普林電路有限公司 ("TPC")	Sino-foreign entity joint venture	The PRC	28.17% (2003: 28.74%)	Manufacture of printed circuit boards

The Group's entitlement to share in the profits of the associate is in proportion to its ownership interests. In the opinion of the directors, the Group is able to exercise significant influence over TPC through participation in the board of directors of TPC.

## 18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	181,610	122,280
Amount due from a jointly controlled entity	1,003	6,189
	182,613	128,469

In the opinion of the directors, the amount due from the jointly controlled entity is unsecured, interest-free and will not be repayable within one year from the balance sheet date and, accordingly, such amount has been classified as non-current.



## 18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

At 31 December 2004, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued share capital/registered capital indirectly held by the Company	Registered capital	Principal activities
Hoperise Industrial Limited 興揚實業有限公司	Incorporated	Hong Kong	50%	HK\$20,010,000	Copper wire drawing
Sky Light Communication (Shenzhen) Limited 深圳天際信和科技有限公司 ("Sky Light")	Sino-foreign	The PRC	75%*	RMB20,000,000	Development and integration of space information technical and multimedia software
Sky Land Navigator Technology (Shenzhen) Limited 深圳天地導航科技有限公司 ("Sky Land")	Sino-foreign	The PRC	75%*	RMB20,000,000	Development and integration of software and hardware for intelligent traffic field

\* The Group's entitlement to share in the results of Sky Light and Sky Land is in the proportion to its ownership interests.

According to the joint venture agreement, the Group can only exercise joint control over Sky Light and Sky Land through participation in the board of directors.

The following details have been extracted from the management accounts of Hoperise Industrial Limited, the Group's significant jointly controlled entity.

## Notes to the Financial Statements

For the year ended 31 December 2004

**18. INTERESTS IN JOINTLY CONTROLLED ENTITIES** (continued)**Results for the year**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Turnover	<b>773,720</b>	524,486
Profit from ordinary activities before taxation	<b>70,864</b>	27,850
Profit from ordinary activities before taxation attributable to the Group	<b>35,432</b>	13,925

**Financial position**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Non-current assets	<b>102,416</b>	102,148
Current assets	<b>402,610</b>	307,357
Current liabilities	<b>(189,963)</b>	(154,344)
Non-current liabilities	<b>(188)</b>	(251)
Net assets	<b>314,875</b>	254,910
Net assets attributable to the Group	<b>157,437</b>	127,455



## 19. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	51,005	39,838
Work in progress	13,934	10,850
Finished goods	16,739	13,497
	<b>81,678</b>	<b>64,185</b>

Included above are raw materials of approximately HK\$4,624,000 (2003: HK\$4,092,000) and finished goods of Nil (2003: HK\$9,000) of the Group which are carried at net realisable value.

## 20. TRADE AND BILLS RECEIVABLES

Trading terms with customers are principally on credit, except for new customers, cash on delivery is normally required. Invoices are normally payable within 60 to 90 days of issuance, except for certain well established customers, the terms are extended to 120 days. Each customer has a designated credit limit.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on invoice date, and net of allowance, is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 – 90 days	86,305	82,201
91 – 180 days	28,204	21,936
181 – 365 days	1,557	5,246
1 – 2 years	86	2,247
Over 2 years	14	530
	<b>116,166</b>	<b>112,160</b>



## Notes to the Financial Statements

For the year ended 31 December 2004

**21. PLEDGED BANK DEPOSITS****THE GROUP**

The amounts represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK\$17,493,000 (2003: HK\$138,771,000) have been pledged to secure short-term bank loans and are therefore classified as current assets.

**THE COMPANY**

The amounts represent deposits pledged to banks to secure banking facilities granted to the Company. Deposits amounting to approximately HK\$15,854,000 (2003: HK\$117,330,000) have been pledged to secure short-term bank loans and are therefore classified as current assets.

**22. TRADE AND BILLS PAYABLES**

An aged analysis of the trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

	<b>THE GROUP</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
0 – 90 days	<b>72,089</b>	90,678
91 – 180 days	<b>10,320</b>	6,359
181 – 365 days	<b>775</b>	647
1 – 2 years	<b>19</b>	233
Over 2 years	<b>2</b>	123
	<b>83,205</b>	98,040

## 23. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Secured bank loans	94,098	92,875	94,098	92,875
Secured trust receipt loans	24,050	54,251	15,574	46,847
	<b>118,148</b>	147,126	<b>109,672</b>	139,722
The maturity profile of the above bank borrowings is as follows:				
On demand or within one year	60,324	86,426	51,848	79,022
More than one year, but not exceeding two years	19,274	15,175	19,274	15,175
More than two years, but not exceeding five years	38,550	45,525	38,550	45,525
	<b>118,148</b>	147,126	<b>109,672</b>	139,722
Less: Amount due for settlement within one year (shown under current liabilities)	(60,324)	(86,426)	(51,848)	(79,022)
Amount due for settlement after one year	<b>57,824</b>	60,700	<b>57,824</b>	60,700

The bank borrowings and banking facilities for the Group and the Company are secured by:

- (i) certain of the investment properties and leasehold land and buildings, which had an aggregate carrying value at the balance sheet date of approximately HK\$26,438,000 (2003: HK\$21,292,000);
- (ii) certain of the machinery which had an aggregate carrying value at the balance sheet date of approximately HK\$205,446,000 (2003: HK\$255,187,000);

## Notes to the Financial Statements

For the year ended 31 December 2004

**23. BANK BORROWINGS** (continued)

- (iii) the carrying amount of inventories of the Group pledged as security for banking facilities amounted to approximately HK\$24,050,000 (2003: HK\$23,564,000) and for the Company is of approximately HK\$15,574,000 (2003: HK\$46,847,000); and
- (iv) the pledge of certain of the Group's bank deposits amounting to approximately HK\$17,493,000 (2003: HK\$138,771,000) and for the Company is of approximately HK\$15,854,000 (2003: HK\$117,330,000).

The Group's bank loans are arranged at market rates.

**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
THE GROUP				
Amounts payable under finance leases:				
Within one year	<b>37,400</b>	2,771	<b>32,943</b>	2,492
In the second to fifth year inclusive	<b>64,046</b>	5,542	<b>60,165</b>	5,308
	<b>101,446</b>	8,313	<b>93,108</b>	7,800
Less: Future finance charges	<b>(8,338)</b>	(513)	–	–
Present value of lease obligations	<b>93,108</b>	7,800	<b>93,108</b>	7,800
Less: Amount due for settlement within one year (shown under current liabilities)			<b>(32,943)</b>	(2,492)
Amount due for settlement after one year			<b>60,165</b>	5,308





## 24. OBLIGATIONS UNDER FINANCE LEASES (continued)

It is the Group's policy to lease certain of its machinery under finance leases. The average lease terms is three years. For the year ended 31 December 2004, the average effective borrowing rate was ranged from 4.26% to 6.95% (2003: 4.26%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

## 25. SHARE CAPITAL

	2004		2003	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.25 each				
Authorised:				
At beginning and end of year	<u>2,000,000,000</u>	<u>500,000</u>	<u>2,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At beginning of year	<u>1,193,703,583</u>	<u>298,426</u>	802,673,280	200,668
Exercise of share options (Note i)	<u>5,300,000</u>	<u>1,325</u>	–	–
Exercise of convertible bonds (Note ii)	–	–	303,030,303	75,758
Shares issued for cash (Note iii)	–	–	<u>88,000,000</u>	<u>22,000</u>
At end of year	<u>1,199,003,583</u>	<u>299,751</u>	<u>1,193,703,583</u>	<u>298,426</u>

## Notes to the Financial Statements

For the year ended 31 December 2004

### 25. SHARE CAPITAL (continued)

Notes:

- (i) On 9 January 2004 and 23 April 2004, 4,500,000 and 800,000 shares were issued respectively at a share option exercise price of HK\$0.58 per share.
- (ii) On 21 August 2003, HK\$200,000,000 convertible bonds were exercised at the conversion price of HK\$0.66 per share resulting in the issue of 303,030,303 shares.
- (iii) On 8 September 2003, 88,000,000 shares were issued for cash at a subscription price of HK\$0.66 per share for funding an investment opportunity to invest in a subsidiary to be principally engaged in the design manufacturing of photomasks.

These new shares rank pari passu with the existing shares in all respects.

### 26. SHARE OPTION SCHEME

A share option scheme (the "2002 Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 7 June 2002. Under the 2002 Scheme, the board of directors (the "Board") of the Company may, subject to and in accordance with the provisions of the 2002 Scheme and the Rules Governing the Listing of Securities on the Stock Exchange, grant share options to any eligible participant to subscribe for shares in the capital of the Company.

The maximum number of shares issued and to be issued upon exercise of options granted to each eligible participant under the 2002 Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue, as at the date of grant.

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised later than 10 years after it has been granted.



## 26. SHARE OPTION SCHEME (continued)

On acceptance of an offer, HK\$1 should be payable by the grantee. The exercise price per share in relation to an option shall be a price to be determined by the Board and shall be no less than the highest of (a) the official closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the option is offered to an eligible participant; or (b) the official average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of offer of option to an eligible participant; or (c) the nominal value of shares of the Company on the date of offer of option to an eligible participant.

The following tables disclose details and movements in share options under the 2002 Scheme during the years ended 31 December 2004 and 2003:

Category of grantees	Number of shares under options						At 31.12.2004	Date of grant	Exercise period	Exercise price per share HK\$
	At 1.1.2004	Transferred from other category during the year	Transferred to other category during the year	Granted during the year	Exercised during the year	Lapsed during the year				
Directors of the Company	34,094,000	-	(16,052,000) <sup>2,3</sup>	-	(3,800,000)	-	14,242,000	15.11.2002	15.11.2002 – 14.11.2012	0.58
	9,243,000	-	-	-	-	-	9,243,000	14.3.2003	14.3.2003 – 13.3.2013	0.495
	70,632,000 <sup>5</sup>	9,632,000 <sup>1,5</sup>	(16,052,000) <sup>3,5</sup>	-	-	-	64,212,000 <sup>5</sup>	13.10.2003	13.10.2003 – 12.10.2013	0.70
	-	-	-	11,982,000	-	-	11,982,000	18.3.2004	18.3.2004 – 17.3.2014	1.20
	113,969,000	9,632,000	(32,104,000)	11,982,000	(3,800,000)	-	99,679,000			
Employees of the Group	4,824,000 <sup>4</sup>	-	(402,000) <sup>4</sup>	-	(1,500,000) <sup>4</sup>	-	2,922,000	15.11.2002	15.11.2002 – 14.11.2012	0.58
	2,000	-	-	-	-	-	2,000	14.3.2003	14.3.2003 – 13.3.2013	0.495
	4,826,000	-	(402,000)	-	(1,500,000)	-	2,924,000			

## Notes to the Financial Statements

For the year ended 31 December 2004

## 26. SHARE OPTION SCHEME (continued)

Category of grantees	Number of shares under options						At 31.12.2004	Date of grant	Exercise period	Exercise price per share HK\$
	At 1.1.2004	Transferred from other category during the year	Transferred to other category during the year	Granted during the year	Exercised during the year	Lapsed during the year				
Director of a subsidiary	9,632,000 <sup>5</sup>	-	(9,632,000) <sup>1,5</sup>	-	-	-	-	13.10.2003	13.10.2003 - 12.10.2013	0.70
Consultants / other participants	24,078,000	16,454,000 <sup>2,3,4</sup>	-	-	-	(402,000) <sup>4</sup>	40,130,000	15.11.2002	15.11.2002 - 14.11.2012	0.58
	8,026,000	-	-	-	-	-	8,026,000	14.3.2003	14.3.2003 - 13.3.2013	0.495
	-	16,052,000 <sup>3,5</sup>	-	-	-	-	16,052,000 <sup>3</sup>	13.10.2003	13.10.2003 - 12.10.2013	0.70
	-	-	-	4,000,000	-	-	4,000,000	18.3.2004	18.3.2004 - 17.3.2014	1.20
	<u>32,104,000</u>	<u>32,506,000</u>	<u>-</u>	<u>4,000,000</u>	<u>-</u>	<u>(402,000)</u>	<u>68,208,000</u>			
	<u>160,531,000</u>	<u>42,138,000</u>	<u>(42,138,000)</u>	<u>15,982,000</u>	<u>(5,300,000)</u>	<u>(402,000)</u>	<u>170,811,000</u>			

## Notes:

1. A director of a subsidiary was appointed as a director of the Company on 9 June 2004. The share options granted to such grantee were re-classified from the category of "Director of a subsidiary" to the category of "Directors of the Company" during the year.
2. A director of the Company resigned on 13 April 2004. The share options granted to such grantee remain exercisable up to the original expiry date and were re-classified from the category of "Directors of the Company" to the category of "Consultants / other participants" during the year.
3. A director of the Company resigned on 9 June 2004. The share options granted to such grantee remain exercisable up to the original respective expiry dates and were re-classified from the category of "Directors of the Company" to the category of "Consultants / other participants" during the year.



## 26. SHARE OPTION SCHEME (continued)

Notes: (continued)

4. Included in the balance at the beginning of the year were 802,000 share options held by a grantee who ceased to be an employee of the Company on 28 January 2004. A total of 400,000 share options were exercised by this grantee on 9 January 2004. The balance of 402,000 share options held by this grantee remained exercisable up to 24 December 2004 and were re-classified from the category of "Employees of the Group" to the category of "Consultants / other participants" following her resignation. Such options were lapsed on 25 December 2004.
5. The share options granted on 13 October 2003 are exercisable subject to a vesting scale which shall commence on the date of grant in tranches of 25% each reaching 100% as from 13 October 2006. All other share options were vested in full at the date of grant.

Total consideration received during the year for taking up the options granted amounted to HK\$2 (2003: HK\$9).

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

## Notes to the Financial Statements

For the year ended 31 December 2004

## 26. SHARE OPTION SCHEME (continued)

Category of grantees	Number of shares under options			Date of grant	Exercise period	Exercise price per share HK\$
	At 1.1.2003	Granted during the year	At 31.12.2003			
Directors of the Company	34,094,000	–	34,094,000	15.11.2002	15.11.2002 – 14.11.2012	0.58
	–	9,243,000	9,243,000	14.3.2003	14.3.2003 – 13.3.2013	0.495
	–	70,632,000	70,632,000*	13.10.2003	13.10.2003 – 12.10.2013	0.70
	<u>34,094,000</u>	<u>79,875,000</u>	<u>113,969,000</u>			
Employees of the Group	4,824,000	–	4,824,000	15.11.2002	15.11.2002 – 14.11.2012	0.58
	–	2,000	2,000	14.3.2003	14.3.2003 – 13.3.2013	0.495
	<u>4,824,000</u>	<u>2,000</u>	<u>4,826,000</u>			
Director of a subsidiary	–	9,632,000	9,632,000*	13.10.2003	13.10.2003 – 12.10.2013	0.70
Consultants	24,078,000	–	24,078,000	15.11.2002	15.11.2002 – 14.11.2012	0.58
	–	8,026,000	8,026,000	14.3.2003	14.3.2003 – 13.3.2013	0.495
	<u>24,078,000</u>	<u>8,026,000</u>	<u>32,104,000</u>			
	<u>62,996,000</u>	<u>97,535,000</u>	<u>160,531,000</u>			

\* The options granted on 13 October 2003 are exercisable subject to a vesting scale which shall commence on the date of grant in tranches of 25% each reaching 100% as from 13 October 2006. All other share options were vested in full at the date of grant.



## 27. RESERVES

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000 (Note)	Deficit HK\$'000	Total HK\$'000
THE COMPANY					
At 1 January 2003	244,989	2,084	53,690	(70,835)	229,928
Exercise of convertible bonds	124,242	–	–	–	124,242
Shares issued for cash	36,080	–	–	–	36,080
Shares issue expenses	(1,432)	–	–	–	(1,432)
Net loss for the year	–	–	–	(2,037)	(2,037)
At 31 December 2003 and 1 January 2004	403,879	2,084	53,690	(72,872)	386,781
Exercise of share options	1,749	–	–	–	1,749
Net loss for the year	–	–	–	(3,144)	(3,144)
At 31 December 2004	<b><u>405,628</u></b>	<b><u>2,084</u></b>	<b><u>53,690</u></b>	<b><u>(76,016)</u></b>	<b><u>385,386</u></b>

Note: By a special resolution passed at an extraordinary general meeting and subsequently approved by the Supreme Court of Hong Kong in 1993, the share premium account of the Company was reduced by an amount of HK\$270,000,000. This amount was used to reduce the then Company's accumulated losses of HK\$216,310,000 and the balance of HK\$53,690,000 was credited to the Company's capital reserve which is non-distributable. At the balance sheet date, the Company did not have any reserve available for distribution (2003: Nil).



## Notes to the Financial Statements

For the year ended 31 December 2004

**28. DEFERRED TAXATION**

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting period:

	<b>Accelerated tax depreciation</b>	<b>Tax losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
THE GROUP			
At 1 January 2003	2,990	–	2,990
Credit to income statement for the year	(500)	(3,938)	(4,438)
Effect of change in tax rate	280	–	280
At 31 December 2003 and 1 January 2004	2,770	(3,938)	(1,168)
Charge (credit) to income statement for the year	60,313	(60,735)	(422)
At 31 December 2004	<b><u>63,083</u></b>	<b><u>(64,673)</u></b>	<b><u>(1,590)</u></b>





## 28. DEFERRED TAXATION (continued)

	<b>Accelerated tax depreciation</b> HK\$'000
THE COMPANY	
At 1 January 2003	(2,063)
Charge to income statement for the year	145
Effect of change in tax rate	(179)
	<hr/>
At 31 December 2003 and 1 January 2004	(2,097)
Charge to income statement for the year	439
	<hr/>
At 31 December 2004	<u>(1,658)</u>

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	<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
Deferred tax liabilities	<b>68</b>	929	–	–
Deferred tax assets	<b>(1,658)</b>	(2,097)	<b>(1,658)</b>	(2,097)
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>(1,590)</b>	(1,168)	<b>(1,658)</b>	(2,097)
	<hr/>	<hr/>	<hr/>	<hr/>

At the balance sheet date, the Group had unused tax losses of approximately HK\$584,766,000 (2003: HK\$115,940,000) available for offset against future profit. A deferred tax asset has been recognised in respect of approximately HK\$369,560,000 (2003: HK\$22,500,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK\$215,206,000 (2003: HK\$93,440,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

## Notes to the Financial Statements

For the year ended 31 December 2004

### 28. DEFERRED TAXATION (continued)

At the balance sheet date, the Company had unrecognised tax losses amounted to approximately HK\$10,317,000 (2003: HK\$10,903,000) may be carried forward indefinitely. The deferred tax assets have not been recognised due to the unpredictability of future profit streams.

### 29. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of the acquisition of plant and equipment with a total capital value at the inception of the lease of approximately HK\$123,591,000 (2003: HK\$7,800,000).

### 30. DISPOSAL OF INTEREST IN A SUBSIDIARY

During the year ended 31 December 2003, the Group entered into a sale and purchase agreement for the disposal of its entire equity interest in a wholly-owned subsidiary, San Tai Distribution Company Limited ("STD"), and assignment of its entire interest in a shareholder's loan to STD to an independent third party at a consideration of HK\$2,430,000.

Disposal of interest in a subsidiary:

	HK\$'000
NET LIABILITIES DISPOSED OF:	
Property, plant and equipment	785
Trade and other receivables	3,392
Bank balances and cash	238
Trade and other payables	(1,985)
Shareholder's loan	(9,552)
	<u>          </u>
Total consideration	<u><u>(7,122)</u></u>
Satisfied by:	
Cash	2,430
Assignment of a shareholder's loan	(9,552)
	<u>          </u>
	<u><u>(7,122)</u></u>



## 30. DISPOSAL OF INTEREST IN A SUBSIDIARY (continued)

An analysis of net inflow of cash and cash equivalents in respect of the disposal of interest in a subsidiary is as follows:

	HK\$'000
Cash consideration	2,430
Bank balances and cash disposed of	<u>(238)</u>
Net inflow of cash and cash equivalents in respect of the disposal of interest in a subsidiary	<u><u>2,192</u></u>

The interest in a subsidiary disposed of during the year ended 31 December 2003 did not have any significant contribution to turnover and to the consolidated profit before taxation for the year ended 31 December 2003.

## 31. OPERATING LEASES

### The Group as lessee

Minimum lease payments paid for land and buildings under operating leases during the year amounted to approximately HK\$1,777,000 (2003: HK\$2,022,000).

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

	2004 HK\$'000	2003 HK\$'000
Within one year	262	674
In the second to fifth years inclusive	<u>52</u>	<u>350</u>
	<u><u>314</u></u>	<u><u>1,024</u></u>

The Group leases certain of its warehouse and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

## Notes to the Financial Statements

For the year ended 31 December 2004

**31. OPERATING LEASES** (continued)**The Group as lessor**

Property rental income earned during the year was approximately HK\$1,444,000 (2003: HK\$1,404,000), less outgoing of HK\$66,000 (2003: HK\$58,000).

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The investment properties are expected to generate rental yields of 5% (2003: 6%) on an ongoing basis. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>506</b>	982
In the second to fifth years inclusive	–	450
	<b>506</b>	1,432

The Company had no operating lease commitment or arrangement as at 31 December 2004 and 2003.

**32. CAPITAL COMMITMENTS**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Commitments in respect of the acquisition of property, plant and equipment contracted for but not provided	<b>278</b>	4,902

The Company had no capital commitment at 31 December 2004 and 2003.



### 33. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Discounted bills with recourse	10,018	1,690	–	–
Guarantee for banking facilities granted to a jointly controlled entity	115,592	99,349	115,592	99,349
Guarantee for banking facilities granted to subsidiaries	–	–	8,477	7,403
	<u>125,610</u>	<u>101,039</u>	<u>124,069</u>	<u>106,752</u>

### 34. RETIREMENT BENEFIT SCHEMES

The Group operates a Hong Kong Mandatory Provident Fund Scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 8% to 20% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

## Notes to the Financial Statements

For the year ended 31 December 2004

**35. RELATED PARTY TRANSACTIONS**

During the year, the Group had significant related party transactions as follows:

	Notes	2004 HK\$'000	2003 HK\$'000
Management fees paid to a controlling shareholder	(i)	960	1,200
Management fees paid to a related company	(ii)	480	480
Rental paid to a related company	(iii)	744	792
Sales to a jointly controlled entity	(iv)	13,685	14,788
Utility expenses charged to a jointly controlled entity	(v)	12,212	12,534
Purchases from a jointly controlled entity	(vi)	43,121	29,385
Purchases from related companies	(vii)	4,576	3,153
Management fees received from a jointly controlled entity	(viii)	1,560	822

Notes:

- (i) Management fees of HK\$960,000 were paid to Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a controlling shareholder of the Company, for the provision of management services to the Group at rates agreed by the relevant parties.
- (ii) Management fees of HK\$480,000 were paid to Shougang Concord International Enterprises Company Limited ("Shougang International"), a subsidiary of Shougang Holding, for the provision of management services to the Group at rates agreed by both parties.
- (iii) Rentals paid to Good News Investment Limited, a wholly-owned subsidiary of Shougang International, relating to the premises occupied and used by the Group as its office, were agreed by both parties.
- (iv) Sales to a jointly controlled entity were made according to the comparable market prices and conditions offered to the major customers of the Group.
- (v) Utility expenses charged to a jointly controlled entity were related to the recharge of certain utility costs incurred by it. The recharge was based on the actual costs incurred.
- (vi) Purchases from a jointly controlled entity were made according to the comparable market prices and conditions offered by similar suppliers to the Group.
- (vii) Purchases from Hing Cheong Metals (China & Hong Kong) Limited and Meta International Limited, both wholly-owned subsidiaries of Shougang Concord Century Holdings Limited of which Shougang Holdings is also a substantial shareholder, were made according to comparable market prices.
- (viii) Management fees were received from a jointly controlled entity for the provision of management services was charged at rates agreed by both parties.