

SMC 2004



SINCE 1952

蜆壳電器工業（集團）有限公司
SHELL ELECTRIC MFG. (HOLDINGS) CO. LTD.

CONTENTS

CORPORATE INFORMATION	02
CHAIRMAN'S STATEMENT	03
FINANCIAL REVIEW	06
BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT STAFF	08
DIRECTORS' REPORT	10
AUDITORS' REPORT	15
CONSOLIDATED INCOME STATEMENT	16
CONSOLIDATED BALANCE SHEET	17
BALANCE SHEET	18
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	19
CONSOLIDATED CASH FLOW STATEMENT	20
NOTES TO THE FINANCIAL STATEMENTS	22
FINANCIAL SUMMARY	72
PARTICULARS OF MAJOR PROPERTIES	73

DIRECTORS

- Mr. Billy K Yung (*Group Chairman and Managing Director*)
- ** Cav Gr Cr Dr. Leo Tung-Hai Lee, GBS, OBE,
Chev Leg d'Hon, Comm Leopold II, LLD, JP
- ** Mr. Shiu-Kit Ngai, SBS, OBE, JP
Madam Yung Ho Wun Ching
Mr. Leung Chun Wah
Mr. Plato Poon Chak Sang
- * Mr. Simon Yung Kwok Choi
- ** Mr. Peter Wong Chung On
- ** Mr. Peter Lam

(* *Non-Executive Director*)

(** *Independent Non-Executive Directors*)

BANKERS

Bank of America, N.A.
The Hongkong & Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China, Hong Kong Branch
China Construction Bank, Hong Kong Branch

SOLICITORS

Woo, Kwan, Lee & Lo

COMPANY SECRETARY

Mr. Peter Lee Yip Wah

REGISTERED OFFICE

Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

SHARE REGISTRARS

Standard Registrars Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong

PROFIT FOR THE YEAR

The Group's audited consolidated net profit after taxation for the year ended 31st December, 2004 amounted to HK\$137,883,000. Earnings per share were 31.05 cents.

DIVIDEND

The Board recommends the payment of a final dividend of 7 cents per share in respect of the year ended 31st December, 2004, such dividend to be satisfied in cash, with an alternative to shareholders to elect to receive such final dividend (or part thereof) in the form of new shares in lieu of cash, payable to shareholders whose names appear on the Register of Members of the Company on 11th May, 2005. This dividend, together with the interim dividend of 3 cents per share already paid, will make a total distribution of 10 cents per share for the full year.

The scrip dividend proposal is subject to : (1) the approval of the proposed final dividend at the Annual General Meeting to be held on 11th May, 2005; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal.

In relation to the calculation of the number of new shares to be allotted and issued pursuant to the proposal, the issue price of a new share will be the average closing price of one share of the Company on The Stock Exchange of Hong Kong Limited for the five consecutive trading days (on which such price is available) up to and including 23rd May, 2005.

A circular containing details of the scrip dividend proposal will be despatched to shareholders together with the form of election for scrip dividend on or about 17th May, 2005. It is expected that share certificates for the new shares and/or cheques for cash dividend will be despatched to shareholders on or around 8th June, 2005.

BUSINESS REVIEW**Electrical Household Appliances: Ceiling Fans, Table Fans and Vacuum Cleaners**

In 2004 only modest result improvements were recorded for the ceiling fans business. The export business was more difficult compared to prior years. Lowered export tax rebate rates effected early in the year and rising material prices added to higher production costs pressure. The kind of difficult operating environment will continue to overshadow performance in 2005. The Group has started to develop higher value product series to preserve product margins.

The table fans business result was stable. Under fierce competition and high material costs pressures, the operating environment became increasingly difficult. The Group achieved modest price increases in orders from established relationship clients but such enhancements could only maintain an already narrow margin. A much challenging period is anticipated ahead.

Continuing material cost escalations and a competitive market that preempts sale price increases have affected both sales and profit performance for the vacuum cleaners business. The Group has secured two new private label vacuum cleaner OEM contracts for 2005, however, the ongoing material cost increases will continue to narrow profit margins.

Optics and Imaging

The laser scanner EMS business continues to enjoy strong growth. In 2005, the expected design completion of additional advanced models with low cost characteristics will drive double digit production growth. The fuser production was affected by start-up technical problems in 2004. We expect production will be smooth in 2005 and we are working on expansion plans to add three additional production lines.

Electric Wire and Cable

The Group's 98% owned Guangdong Macro Cable company recorded small revenue growth in 2004. The disposal of the land previously occupied by the company's factory was completed in early 2005 and the new cable factory has also commenced operation; the elimination of the associated land amortization expenses will help to enhance future profit performance. Raw material prices are expected to maintain at high levels; on the other hand the operations consolidation with the Group's stainless steel welded tube business shall create synergy benefits and the company's business can continue to develop.

Stainless Steel Welded Tubes Products

The Group's 90.1% owned Hua Feng Stainless Steel Welded Tubes company continued to report losses. Following the consolidation of resources with the Group's wire and cable business, operating expense savings shall result; the company has also planned for equipment additions to relieve the small tube capacity limitation to expand market penetration and improve operation performance.

Steel Processing and Steel Trading

During the year, the Group disposed of its 70% interest in the joint venture steel processing business with Shinsho Corporation of Japan in Guangzhou China. The disposal is in line with the Group's plan to reorganize its non-core activities and consolidate resources to strengthen its market positions in its strategic businesses.

Taxi Operation

The Group's 95% owned Guangzhou SMC Taxi company continues its stable growth and it contributes steady monthly cash flow to the Group. The company owns 775 taxi licenses. The company has strengthened the operation management team to further improve performance.

Real Estate Investment & Development

The 80 storeyed and 395 meters high Citic Plaza, the 7th tallest building in the world, continues to attract quality tenants from multinational and Fortune 500 companies. Lease renewals have also enjoyed stable rate increases. In 2004, the Group's Citic Plaza property portfolio generated rental income growth of approximately 20%.

The long term lease for the hi-tech clean room factory facility in Shenzhen continues to provide stable rental contribution.

Rental from the office complex in Livermore, California is still suffering from over supply conditions in the neighborhood market. Management is trying hard to recruit new tenants by offering more incentives.

The Group has also completed an investment for a 20% interest in a five-star hotel, office and retail integrated property development project located near Citic Plaza in Guangzhou. The project is under construction and is expected to complete by the first quarter of 2007. The final design will have a total of 130,000 m² of gross floor space consisting of approximately 60,000 m² of a five-star hotel, 34,000 m² of an office block, 8,000 m² of retail commercial space and the remaining in a 6-level underground parking lot and other supporting facilities. The project is expected to generate reasonable return for the Group.

Liang Xing Highway

The Group has completed the disposal of the 52% equity interest in the Liang Xing Highway investment to Shunde City Heng Shun Communication Investment Management Corporation in September 2004. Total sums of Rmb353,420,000 were received which included US dollar remittances for the equity interest consideration net of withholding taxes and repayment of related loans and associated interests. Pursuant to the agreements, the remaining loans of Rmb81 million and interests will be repaid in three installments over three years ending 31st December, 2007. The details of the agreements were covered in the circular of 11th March, 2004 and the announcement of 28th June, 2004.

Technology Investment Projects

Internet Automatic Migration Software for Enterprises

Appeon Corporation released the new version of its software in 2004 and received good responses. The company has recruited a seasoned software business executive having extensive experience in the US, Europe, Asia Pacific and China markets to be the new CEO; new breakthroughs in sales development are anticipated. In 2005, the Group has entered into agreements to acquire certain shares of the company from the founders which will increase the Group's interest to approximately 91.97%.

Super Blade Computing System (formerly referred as "Internet Server")

With the world renowned expert authority in the computing community Dr. Steve Chen joining as full time CEO, Galactic Computing Corporation has achieved significant publicity in China. In late 2004, the company successfully hosted a product and technology presentation forum in the Great Hall of the People's Congress. The company's 256 CPU High Performance Computer (HPC) demo machine delivering one tera-flop (1 trillion floating point operations per second) performance has been ranked among the Top Ten High Performance Computers in China. The demo machine has earned tremendous acclaims from various PRC government departments and other HPC users. The company is pushing hard the HPC strategy to open up the PRC market and revenue growth opportunities in 2005.

System Integration and Software Development

The low end hardware trading business that commenced in the second half of 2003 by the Group's invested MDCL-Frontline (China) Limited has started to come on track and has successfully secured major customer accounts in 2004. The company made a modest profit contribution to the Group in 2004. The company has planned to organize its software development outsourcing business in 2005 and double digit growth is being targeted for the year. In early 2005, the Group's interest in the company was increased to approximately 26.66%.

Broadband Communication IC

In June 2004, Broadband Physics was awarded its seventh patent based on its Sub-band Division Multiplexing technology by the US Patent and Trademark Office. During the year, a number of technical engineering problems were encountered which affected progress of the validation tests for the company's Field Programmable Gate Array (FPGA) implementation. These problems are gradually being resolved and the collaboration tests with other industry partners are expected to proceed as planned. Interim secured bridge financing by installments are being extended carefully by the Group.

Electronic Integrated Rectifier Chips

The Taiwan branch office of the Group's invested APD Semiconductor company in the US has commenced operation in 2004; the marketing and engineering teams have also expanded to drive the business development and marketing programs for APD's SBR™ integrated rectifier IC products. Sales are developing gradually. Utilizing the company's patented technology the SBR™ products deliver unique characteristics that minimize heat dissipation and provide superb advantages in power device applications and other electronics products.

Financial Investments

During the year the world's major stock markets have risen just over about 10%; for the year ended 31st December, 2004 the Group's financial investment activities have recorded profits of approximately HK\$75,222,000 and the market value of the Group's financial investment holdings amounted to HK\$205,338,000. The Group will continue to manage these investment activities in a prudent manner in 2005.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Peter Wong Chung On has accepted the appointment of Independent Non-Executive Director of the Company effective 30th March, 2004. Mr. Wong is a practicing solicitor in Hong Kong, an associate member of both the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Management Accountants of the United Kingdom.

In addition, Mr. Peter Lam has also accepted the appointment of Independent Non-Executive Director of the Company with effect from 6th September, 2004. Mr. Lam holds a Bachelor of Science degree in Civil Engineering from Lehigh University, Pennsylvania, U.S.A and a Master of Science degree in Construction Management from Stanford University, California, U.S.A. Mr. Lam is currently the President and the Project Director of Lam Construction Group and the Registered Manager of Building Contractors' Association School.

DEATH OF DIRECTOR

Dr. Yung Yau, Group Honorary Chairman and Executive Director passed away on 2nd May, 2004. Dr. Yung has made tremendous contributions to the Group's development and has successfully led the Group's growth in its evolution since inception. The Board and all management and staff of the Group express greatest sadness and regrets for the leaving of Dr. Yung.

By Order of the Board

BILLY K YUNG

Chairman

Hong Kong, 6th April, 2005

REVENUE AND OPERATING RESULTS

Turnover of the Group recorded for the year ended 31st December, 2004 amounted to approximately HK\$2,051,306,000, representing an increase of HK\$50,881,000 or 2.54% relative to 2003. The increase in the turnover was mainly due to increase in trading of securities which moved up to HK\$794,072,000 compared to HK\$659,899,000 in 2003, partly offset by loss in revenue resulting from the disposal of the Group's 70% and 52% equity interest in Shell & Shinsho Company Limited and Shunde Shunyue Highway Construction Limited respectively.

The Group has during the year made provisions for impairment loss on certain direct investments in high technology business and full amortization of development costs totalling approximately HK\$112,170,000 and HK\$46,360,000 respectively to keep pace with the rapid changes in the high technology market. Operating profit before provisions narrowed to approximately HK\$114,022,000, representing a decrease of HK\$8,342,000 or 6.8% over the corresponding 2003 results. After taking into account the provisions, the Group incurred a loss from operations amounting to HK\$91,591,000, compared to a profit of HK\$89,564,000 in 2003.

FINANCIAL AND LIQUIDITY RESOURCES

The Group continued to adhere to a centralized funding policy and maintain its financial and liquidity resources in a healthy state and consistently maintained a stable liquidity position throughout 2004. In addition, there was no material change in the timing orders were secured which might give rise to volatility of the sales.

On 25th August, 2004, SMC Microtronic Company Limited, a wholly owned subsidiary of the Company entered into a loan agreement with an independent third party to advance a loan of HK\$160,000,000 thereto by way of internal resources. The loan carries an interest rate of 15% per annum and is likely to be repaid on its anniversary.

The Group reached agreements with Shunde City Heng Shun Communication Investment Management Corporation in February 2004 to exit its investment in the Liang Xing Highway by way of disposal of its 52% equity interest in the project and redemption of the shareholder's loan made by the Group. As a result, the Group received approximately Rmb272.6 million (approximately HK\$257 million) representing approximately 77% of the shareholder's loan and interest thereon, and approximately US\$9.8 million (approximately HK\$76.4 million) representing the consideration for the disposal of equity interest. According to the terms of the agreements, repayment of the remaining balance of the loan totalling Rmb81 million (approximately HK\$76.37 million), together with the accrued interest, will be made by three installments over three years ending 31st December, 2007.

During the year under review, the Group obtained a term loan from a bank for approximately HK\$195,237,000 to finance the purchase of securities. The Group repaid part of the loan for HK\$58,000,000 on 18th November, 2004. The original U.S. term loan, which was charged at fixed interest rate and secured by certain assets of the Group located in the United States, was fully repaid on 20th October, 2004 when a new U.S. term loan of US\$15,000,000, which was charged at floating interest rate and secured by the same assets, was obtained.

Other than the U.S. term loan, all banking facilities of the Group were arranged on short-term basis and subject to floating interest rates.

Apart from the above, there were no material changes to the Group's available banking facilities since 31st December, 2003.

FOREIGN EXCHANGE EXPOSURE

The Group's major borrowings were in Hong Kong Dollars and US Dollars. The Group continued to conduct its sales mainly in US Dollars and make payments either in US Dollars or Hong Kong Dollars. So far as the Hong Kong Dollars and the US Dollars remained pegged, the Group considered that it had no significant exposure to foreign exchange risk.

GEARING RATIO

The Group has put in place its policy of maintaining a prudent gearing ratio. As at 31st December, 2004, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings to shareholders' funds, of 12.57% (31st December, 2003: 5.45%). Total bank borrowings and shareholders' fund of the Group amounted to approximately HK\$259,856,000 and HK\$2,067,831,000 respectively (31st December, 2003: HK\$107,200,000 and HK\$1,965,516,000 respectively). During the year ended 31st December, 2004, the Group obtained a term loan from a bank to finance the purchase of securities and approximately HK\$137,237,000 was outstanding as at 31st December, 2004. As a result, both the bank borrowings and the Group's gearing ratio went up significantly.

CAPITAL EXPENDITURE

The Group had a total capital expenditure amounting to HK\$126,776,000 during the year ended 31st December, 2004.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

The Group has entered into an agreement in March 2004 with an independent third party for the sale of all its 70% equity interest in the steel processing and steel trading business. In addition, the Group entered into agreements in February and June 2004 with Shunde City Heng Shun Communication Investment Management Corporation for the disposal of its 52% equity interest in Shunde Shunyue Highway Construction Limited. Moreover, the Group has entered into an agreement in April 2004 with an independent third party for the disposal of certain property in respect of the cable factory in Mainland China held by its wholly owned subsidiary.

In January 2005, the Group has entered into an acquisition agreement with an independent third party to purchase 20% equity interest in Yue Tian Development Limited ("Yue Tian") with cash consideration of HK\$3,814,400. Simultaneously with the execution of the acquisition agreement, the Group and Yue Tian entered into a loan agreement, pursuant to which the Group has agreed to advance a sum of HK\$60,000,000 to Yue Tian. Details of this acquisition are set out in the Circular distributed to the shareholders on 25th January, 2005. In addition, the Group has entered into agreements with two directors of Appeon Corporation ("Appeon") for acquiring their shares representing 14.69% in aggregate in Appeon, details of which are set out in the press announcement dated 31st January, 2005.

Other than the above, there is no significant acquisition and disposal during the year and up to the date of this report.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no significant change in capital commitments and contingent liabilities compared to the position as at 31st December, 2003.

CHARGES ON ASSETS

There was no significant change in charges on assets of the Group compared to the position as at 31st December, 2003.

EMPLOYEES

As at 31st December, 2004, the Group has approximately 1,670 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

The Group's co-operative joint venture companies in Mainland China continued to provide employment to approximately 4,000 people.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT STAFF

EXECUTIVE DIRECTORS

Mr. Billy K Yung, aged 51, eldest son of the late Dr. Yung Yau, is the Group Chairman and Managing Director of the Company. Mr. Yung received a Bachelor's degree in Electrical Engineering from University of Washington and a Master degree in Industrial Engineering from Stanford University. He has worked for the Group for over 28 years.

Madam Yung Ho Wun Ching, aged 73, is the wife of the Group founder, the late Dr. Yung Yau. She has been involved in the development of the Group since inception and was appointed as an executive director in 1984.

Mr. Leung Chun Wah, aged 58, joined the Group in 1977 and was appointed as an executive director in 1990. Mr. Leung is the General Manager of the ceiling fan division. Mr. Leung took a Bachelor's degree of Business Administration from University of East Asia, Macau.

Mr. Plato Poon Chak Sang, aged 59, joined the Group in 1982 and was appointed as an executive director in 1992. He has over thirty years' experience in export and international marketing. Mr. Poon is the General Manager of the oscillating fan division and is also responsible for the management of the Company's heater sales business.

NON-EXECUTIVE DIRECTOR

Mr. Simon Yung Kwok Choi, aged 48, son of the late Dr. Yung Yau, was appointed as a non-executive director in 1991. He holds both a Bachelor's and Master degree of Arts from Stanford University. He is the Chairman of the Venes Group of Companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Leo Tung-Hai Lee, GBS, LLD, JP, aged 83, has been an independent non-executive director of the Company since 1998. Dr. Lee is the chairman of Tung Tai Group of Companies and an independent non-executive director or non-executive director of several publicly listed companies in Hong Kong, including Beijing Enterprises Holdings Limited. He is a member of a number of public services committees and heads many social service organizations, including as an adviser of the Advisory Board of the Tung Wah Group of Hospitals, chairman of the Association of Chairmen of the Tung Wah Group of Hospitals, chairman of Friends of Hong Kong Association and vice president of the China Overseas Friendship Association. Dr. Lee served as a Standing Committee member of the eighth and ninth National Committee of the Chinese People's Political Consultative Conference; an Adviser on Hong Kong Affairs to the Hong Kong & Macau Affairs Office of the State Council and Xinhua News Agency, Hong Kong Branch; a member of the Preparatory Committee for the Hong Kong Special Administrative Region; and a member of the Hong Kong Special Administrative Region Selection Committee. He has been honoured with awards by different governments, which include the Cavaliere di Gran Croce of Italy, the O.B.E. of Great Britain, Chevalier Legion d'Honneur of France, Commandeur de l'Ordre de Leopold II of Belgium and Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Dr. Lee has over 40 years of experience in business management.

Mr. Shiu-Kit Ngai, SBS, OBE, JP, aged 80, was appointed as an independent non-executive director since 1998. Mr. Ngai, a Deputy of the 9th National Peoples' Congress of the PRC.; a member of The Preparatory & Working Committee for the Hong Kong Special Administrative Region; and also a member of The Selection Committee for the First Government of H'Kong Special Administrative Region. He served as an Adviser on Hong Kong Affairs to The People's Republic of China; and a member The Legislative Council of Hong Kong and The Chairman of The Trade & Industry Panel (1985-1997). He has been honoured with awards by O.B.E. of Great Britain and Silver Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Mr. Ngai was the Former President of The Chinese Manufacturers' Association of Hong Kong and is now the permanent Hon. President of The Association.

Mr. Peter Wong Chung On, aged 55, has been appointed as an independent non-executive director in March 2004. Mr. Wong received his Bachelor of Laws Degree and Master of Laws Degree in Chinese and Comparative Law from University of Wolverhampton in United Kingdom and City University of Hong Kong respectively. He is an associate member of both of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants of the United Kingdom. In addition, he is also an associate member of the Hong Kong Institute of Certified Public Accountants. During the period from 1986 to 1990, he was employed by the Group as the Financial Controller and an in-house Financial Consultant. He had approximately 20 years of financial management experience in the manufacturing field before joining the Group. He is now a Solicitor practicing in C.M. Li, Chow, Pang & Chan.

Mr. Peter Lam, aged 53, has been appointed as an independent non-executive director in September 2004. Mr. Lam received a Bachelor degree in Civil Engineering from Lehigh University and a Master degree in Construction Management from Stanford University. He is the Registered Manager of Building Contractors' Association School, Permanent Supervisor of The Hong Kong Construction Association and Board of Directors of Heifer International Hong Kong. He was a Former President of the Hong Kong Construction Association, Former Vice President of Hong Kong Institution of Engineers, Former Committee Member of Institute for Enterprise of The Hong Kong Polytechnic University, Former Director of 'Mother Choice' Association under Community Chest and a member of The Selection Committee for the First Government of Hong Kong Special Administrative Region. He is the President of Lam Construction Group.

SENIOR MANAGEMENT STAFF

Mr. Chow Kai Chiu, David, aged 40, Chartered Financial Analyst, is the Deputy Chief Executive of the Group. Mr. Chow received his Bachelor of Applied Science degree in Computer Engineering and Masters degree in Business Administration from University of Waterloo and York University in Canada respectively. He has previously held positions at First Marathon Securities Limited in Canada, Asian Capital Partners (HK) Limited, and HSBC Private Equity (Asia) Limited in the corporate finance and investment management field.

Dr. Steve Chen, aged 61, is the founder, Deputy Chairman, CEO & President of Galactic Computing (Shenzhen) Limited ("Galactic SZ"). He is a member of the U.S. National Academy of Engineering, a member of American Academy of Arts and Sciences and has been in the cover story of U.S. Times Magazine. He is the inventor of Supercomputing Blade System (SuperBlade™) patented by Galactic SZ, and also the Chief Designer and development leader of the Cray X-MP and Y-MP, the most renowned supercomputers in the world in the 20th Century. Dr. Chen has been Senior Vice President of Cray Research and has served as Board Director, CTO and Executive Vice President of Product Development in a large commercial computer system company, Sequent.

Mr. Yau Kin Hing, Henry, aged 50, is the Deputy Group Managing Director. Mr. Yau holds a Bachelor's degree in Engineering and a Master degree in Computer Science in the Northwestern University. He received his Master degree in Business Administration from the University of Chicago and a Doctor of jurisprudence degree from DePaul University. He is a certified accountant in Illinois and holds attorney qualifications in Illinois. Before joining SMC in 2000, He served as the China CFO for various multi-national companies, especially experienced in China related operations. He was active in the investment, corporate finance and merger and acquisition areas in the United States.

Mr. Chiu Yim Yen, Raymond, aged 53, is the CEO and President of 正陽軟件(深圳)有限公司("正陽"). Mr. Chiu holds a Bachelor's degree with Honors in Electronics Engineering Technology from California State Polytechnic University at San Luis Obispo, California and a Master degree with Honors in Business Administration from Pepperdine University at Malibu, California. Before joining 正陽 in 2005, he served as the Vice President of China Strategic Initiatives Office for Sybase Corporation, a US company, in China. Mr. Chiu is a 30-year IT veteran with comprehensive experience in the United States and Asia Pacific that ranges from venture investment, government liaison, business development, sales and marketing, product development, operations management, and consulting in both the United States and Asia Pacific. Prior to Sybase, he was the Regional Vice President and general manager of the Open Enterprise Computing Line of Business for Siemens Nixdorf AG/Siemens-Pyramid Information Systems Inc. in the Asia Pacific Region.

Mr. Chu Ka Loy, aged 56, joined the Group in 1993 as Financial Controller of the Group. Mr. Chu has previously held senior financial positions in public listed and private companies for over 10 years. He is an associate member of both of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants of the United Kingdom. In addition, he is an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Ho Chi Sing, Spencer, aged 44, is the Senior Investment Manager of the Group. Mr. Ho holds a Bachelor's degree in Laws and Litigation in University of Wolverhampton, United Kingdom, and a Master degree in Systems Management in Lancaster University, United Kingdom. Prior to joining the Group in 1999, he was the fund manager of BOC China Fund. He has over 15 years' working experience in banking and investment management.

Mr. Tang Che Yin, Benny, aged 50, is the General Manager of SMC Multi-Media Products Company Limited. Mr. Tang holds a Bachelor's degree of science in engineering and a Master degree of computer science in the University of Hong Kong and the University of Manchester of the United Kingdom respectively. He is a Chartered Engineer and also a member of the Council of Engineer in the United Kingdom. Before joining the Group in 1991, He has over 10 years' working experience in multi-national companies with focus on technical and factory management.

Mr. Gao Yang, aged 39, CTO of Appeon Corporation. Mr. Gao has 12 years of enterprise software development and management experience in Silicon Valley, and was the pioneering architect and project leader for building the first embedded Web server while working at Digital Microwave. He holds a M.S. from Georgia State University in Computer Sciences.

The directors present their annual report and the audited financial statements for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and trading. The activities of its principal subsidiaries and associates are set out in notes 43 and 44 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 16.

An interim dividend of 3 cents per share amounting to HK\$13,298,000 was paid to the shareholders during the year. Subject to the approval of shareholders at the forthcoming annual general meeting, the board of directors of the Company (the "Board") now recommend the payment of a final dividend of 7 cents per share, to be satisfied by cash, with an alternative to shareholders to elect to receive such final dividend (or part thereof) in the form of new shares in lieu of cash, to the shareholders on the register of members on 11th May, 2005, thus giving rise to a final dividend distribution amounting to HK\$31,352,000 and the retention of the remaining profit for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 72.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

All of the Group's investment properties were revalued at 31st December, 2004. The revaluation resulted in an increase over book values amounting to HK\$2,140,000, which has been credited directly to the investment property revaluation reserve.

Apart from the above movements, the Group also expended approximately HK\$16,400,000 in land and buildings, approximately HK\$3,149,000 in plant and machinery and approximately HK\$9,722,000 in furniture, fixtures and office equipment during the year.

Details of these and other movements during the year in investment properties and property, plant and equipment of the Group and the Company are set out in notes 16 and 17 respectively to the financial statements.

MAJOR PROPERTIES

Details of the major properties and property interests of the Group at 31st December, 2004 are set out on pages 73 and 74 of the annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital of the Company and outstanding share options of the Company and its subsidiaries are set out in note 32 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited, details of which are set out in note 32 to the financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Billy K YUNG (*Group Chairman and Managing Director*)
Dr. YUNG Yau (*Honorary Chairman*) (*deceased on 2nd May, 2004*)
Madam YUNG HO Wun Ching
Mr. LEUNG Chun Wah
Mr. Plato POON Chak Sang

Non-executive director

Mr. Simon YUNG Kwok Choi

Independent non-executive directors

Cav Gr Cr Dr. Leo Tung-Hai LEE, GBS, OBE,
Chev Leg d'Hon, Comm Leopold II, LLD, JP
Mr. Shiu-Kit NGAI, SBS, OBE, JP
Mr. Peter WONG Chung On (*appointed on 30th March, 2004*)
Mr. Peter LAM (*appointed on 6th September, 2004*)

In accordance with Article 103 of the Company's Articles of Association, Mr. Billy K Yung, Dr. Leo Tung-Hai Lee and Mr. Shiu-Kit Ngai shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr. Peter Lam shall retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company still considers such directors to be independent.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Each non-executive director is subject to retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' INTERESTS

(a) Shares

At 31st December, 2004, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Capacity	Nature of interests	Number of ordinary shares beneficially owned	Aggregate long position	Percentage of aggregate long position to the issued share capital of the Company
Mr. Billy K Yung	Beneficial owner	Personal interest	67,138,723	173,181,475	38.67%
	Interest of controlled corporation	Corporate interest	2,246,808 (Note 1)		
	Beneficial of a trust	Other interest	103,795,944 (Note 2)		
Dr. Leo Tung-Hai Lee	Beneficial owner	Personal interest	306,382	306,382	0.07%
Madam Yung Ho Wun Ching	Beneficial owner	Personal interest	53,196,300	63,196,300	14.11%
	Interest of spouse	Family interest	10,000,000 (Note 3)		
Mr. Leung Chun Wah	Beneficial owner	Personal interest	1,799,400	1,799,400	0.40%
Mr. Plato Poon Chak Sang	Beneficial owner	Personal interest	739,200	739,200	0.17%
Mr. Simon Yung Kwok Choi	Beneficial owner	Personal interest	39,147,911	43,677,351	9.75%
	Interest of controlled corporation	Corporate interest	3,529,440 (Note 4)		
	Interest of spouse	Family interest	1,000,000 (Note 5)		
Mr. Peter Lam	Beneficial of a trust	Other interest	1,000,000 (Note 6)	1,000,000	0.22%

Notes:

- These shares are held by Management Systems Limited, which is wholly owned by Mr. Billy K Yung.
- These shares are held by a trust for the benefit of Mr. Billy K Yung and his family.
- This interest represents the holdings of shares held by the late Dr. Yung Yau.
- These shares are held by Konvex Enterprises Limited, which is wholly owned by Mr. Simon Yung Kwok Choi.
- This interest is in fact the same block of shares disclosed under the personal interest of Mr. Simon Yung Kwok Choi's spouse, Madam Chiu Man and is disclosed in the section headed "Substantial Shareholders" below.
- These shares are held by a trust for the benefit of Mr. Peter Lam.

(b) Share options

Particulars of the directors' interests in the share option schemes of the Company and its subsidiaries namely Apeon Corporation and Galactic Computing Corporation are set out in note 32 to the financial statements.

(c) **Disclosure of other interest**

- (i) Certain directors held shares in subsidiaries as trustees for the Company.
- (ii) During the year, the Group's wholly owned subsidiary, Extra-Fund Investment Limited, entered into securities trading transactions with Tung Tai Securities Co., Ltd. of which the Group's independent non-executive director, Dr. Leo Tung-Hai Lee is both a director and a substantial shareholder. The transactions were conducted on an arm's length basis and gave rise to a broker's commission of approximately HK\$30,000 for the year ended 31st December, 2004.

Other than as disclosed above, none of the directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation at 31st December, 2004.

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of substantial shareholder	Capacity	Nature of interests	Number of ordinary shares beneficially owned	Aggregate long position	Percentage of aggregate long position to the issued share capital of the Company
UBS Trustees (BVI) Limited	Trustee of a trust	Other interest	111,904,194 <i>(note 1)</i>	111,904,194	24.98%
Diamond Key Enterprises Inc.	Beneficial owner	Beneficial owner	103,795,944 <i>(note 1)</i>	103,795,944	23.17%
Madam Vivian Hsu	Interest of spouse	Family interest	69,385,531 <i>(note 2)</i>	69,385,531	15.49%
Madam Yung Siu Chee Margaret	Beneficial owner	Personal interest	28,154,604	28,154,604	6.29%
Madam Chiu Man	Beneficial owner Interest of spouse	Personal interest Family interest	1,000,000 42,677,351 <i>(note 3)</i>	43,677,351	9.75%

Notes:

- (1) 103,795,944 shares form part of the 111,904,194 shares held by UBS Trustees (BVI) Limited which are disclosed in the section headed "Directors' Interests" above as being held under a trust with Mr. Billy K Yung and his family as the beneficiaries.
- (2) Madam Vivian Hsu's shares are in fact the same block of shares already disclosed under the personal and corporate interests of her husband, Mr. Billy K Yung and is disclosed in the section headed "Directors' Interests" above.
- (3) Madam Chiu Man's shares disclosed under the family interest are in fact the same block of shares already disclosed under the personal and corporate interests of her husband, Mr. Simon Yung Kwok Choi and is disclosed in the section headed "Directors' Interests" above.

Other than as disclosed above, there was no person, other than the directors of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Except for the share options granted to the directors pursuant to the schemes as set out in note 32 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

In the opinion of the Directors including the independent non-executive directors, purchases during the period from 1st January, 2004 to 23rd March, 2004 totalling HK\$21,612,000 in respect of raw materials made by Shell & Shinsho Company Limited (subsequently the name was changed to VSC Shinsho Company Limited) ("Shell & Shinsho"), formerly a 70% owned subsidiary of the Company, from Shinsho Corporation of Japan which owns the remaining 30 % of Shell & Shinsho, were:

- (i) conducted on normal commercial terms;
- (ii) in the ordinary and usual course of business of the Group;
- (iii) fair and reasonable so far as the shareholders of the Company as a whole were concerned; and
- (iv) within the limit in that the aggregate value of these purchases was less than 3% of the consolidated net tangible assets as shown in the Group's audited accounts as at 31st December, 2003.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31st December, 2004, the five largest suppliers of the Group accounted for approximately 55% of the total purchases of the Group, of which 20% was attributable to the largest supplier and the five largest customers accounted for approximately 55% of the total sales of the Group's turnover, of which 31% was attributable to the largest customer.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the share capital of any of the five largest suppliers.

DONATIONS

During the year, the Group made charitable and other donations totalling HK\$679,000.

POST BALANCE SHEET EVENTS

Details of the Group's post balance sheet events are set out in note 39 to the financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

BILLY K YUNG

Chairman of the Board

Hong Kong, 6th April, 2005

Deloitte.

德勤

TO THE MEMBERS OF
SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 16 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
6th April, 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	4	2,051,306	2,000,425
Other operating income		60,854	43,379
Changes in inventories of finished goods and work in progress		(8,844)	6,305
Changes in trading securities		178,416	(66,470)
Raw materials, subcontracted goods and consumables used		(563,911)	(597,978)
Purchases of trading goods		(420,446)	(467,453)
Purchases of trading securities		(897,667)	(560,218)
Staff costs		(110,441)	(84,113)
Depreciation and amortisation expenses		(42,434)	(45,344)
Other operating expenses		(132,811)	(106,169)
Impairment loss on goodwill	18	(14,581)	–
Impairment losses on other non-current assets	6	(191,032)	(32,800)
(Loss) profit from operations	7	(91,591)	89,564
Finance costs	10	(22,060)	(25,609)
Gain on disposal of discontinued operations	11(c)	232,659	–
Share of results of associates		31,339	14,552
Loss on deemed and partial disposal of interest in an associate		(7,926)	–
Loss on disposal of an associate		–	(877)
Gain on partial disposal of interest in a subsidiary		–	1,594
Profit from ordinary activities before taxation		142,421	79,224
Taxation	13	(18,777)	(8,759)
Profit before minority interests		123,644	70,465
Minority interests		14,239	17,354
Net profit for the year		137,883	87,819
		2004 Cents	2003 Cents
Dividends	14		
Final dividend proposed per share		7.00	7.00
Interim dividend paid per share		3.00	3.00
Earnings per share	15		
Basic		31.05	19.80
Diluted		N/A	19.80

CONSOLIDATED BALANCE SHEET

As at 31st December, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Investment properties	16	560,341	526,707
Property, plant and equipment	17	207,630	634,971
Goodwill	18	–	10,984
Intangible assets	19	160,287	175,813
Interests in associates	21	478,714	505,429
Investments in securities	22	–	77,885
Club debenture		2,920	2,920
Loan receivables	23	204,185	–
Deferred tax assets	35	2,958	2,929
Deposit paid for acquisition of investment properties		4,725	–
		<u>1,621,760</u>	<u>1,937,638</u>
Current assets			
Inventories	24	91,672	108,919
Trade and other receivables	26	241,718	278,888
Loan receivables	23	37,059	–
Amount due from an associate		2,086	4,035
Amounts due from investees	27	11,012	2,952
Investments in securities	22	211,987	33,571
Bank and other deposits pledged	37	–	9,331
Bank balances and cash		439,342	208,658
		<u>1,034,876</u>	<u>646,354</u>
Current liabilities			
Trade and other payables	28	235,570	232,411
Deposit received for disposal of land		33,213	–
Amounts due to associates		227	227
Amounts due to minority shareholders	29	–	56,164
Amount due to an investee		77	–
Provision	30	12,870	–
Taxation liabilities		22,727	10,912
Bank borrowings	31	147,339	107,200
		<u>452,023</u>	<u>406,914</u>
Net current assets		<u>582,853</u>	<u>239,440</u>
		<u>2,204,613</u>	<u>2,177,078</u>
Capital and reserves			
Share capital	32	223,946	221,703
Share premium and reserves	33	1,843,885	1,743,813
Shareholders' funds		<u>2,067,831</u>	<u>1,965,516</u>
Minority interests		<u>3,781</u>	<u>(99,564)</u>
Non-current liabilities			
Bank borrowings	31	112,517	–
Loans from minority shareholders	34	9,210	302,802
Deferred tax liabilities	35	11,274	8,324
		<u>133,001</u>	<u>311,126</u>
		<u>2,204,613</u>	<u>2,177,078</u>

The financial statements on pages 16 to 71 were approved and authorised for issue by the Board of Directors on 6th April, 2005 and are signed on its behalf by:

BILLY K YUNG
Director

LEUNG CHUN WAH
Director

BALANCE SHEET

As at 31st December, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Investment properties	16	12,700	12,700
Property, plant and equipment	17	9,942	11,006
Intangible asset	19	–	2,228
Interests in subsidiaries	20	365,406	437,812
Interest in an associate	21	101	101
Club debenture		2,920	2,920
		<u>391,069</u>	<u>466,767</u>
Current assets			
Inventories	24	4,556	4,043
Trade and other receivables		51,752	28,646
Amounts due from subsidiaries	25	1,470,285	1,461,339
Amount due from investees	27	8,065	24
Investments in securities	22	1,445	–
Tax prepaid		149	–
Bank balances and cash		54,611	25,359
		<u>1,590,863</u>	<u>1,519,411</u>
Current liabilities			
Trade and other payables		32,575	34,245
Amounts due to subsidiaries		157,143	5,897
Amounts due to an associate		101	101
Bank borrowings	31	–	42,040
		<u>189,819</u>	<u>82,283</u>
Net current assets		<u>1,401,044</u>	<u>1,437,128</u>
Net assets		<u>1,792,113</u>	<u>1,903,895</u>
Capital and reserves			
Share capital	32	223,946	221,703
Share premium and reserves	33	1,567,957	1,681,733
Shareholders' funds		<u>1,791,903</u>	<u>1,903,436</u>
Non-current liability			
Deferred tax liabilities	35	210	459
		<u>1,792,113</u>	<u>1,903,895</u>

BILLY K YUNG
Director

LEUNG CHUN WAH
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2004

	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2003	222,207	529,289	45,001	43,253	-	(126)	(24,017)	4,444	1,100,623	1,920,674
Revaluation decrease	-	-	(18,075)	-	-	-	-	-	-	(18,075)
Share of revaluation decrease of associates	-	-	(897)	-	-	-	-	-	-	(897)
Exchange difference on translation of the Group's overseas operations	-	-	-	-	-	(1,928)	-	-	-	(1,928)
Decrease in fair value of securities not held for trading	-	-	-	-	(32,800)	-	-	-	-	(32,800)
Impairment loss of securities not held for trading	-	-	-	-	32,800	-	-	-	-	32,800
Deferred tax adjustment on properties revaluation	-	-	(915)	-	-	-	-	-	-	(915)
Net losses not recognised in consolidated income statement	-	-	(19,887)	-	-	(1,928)	-	-	-	(21,815)
Net profit for the year	-	-	-	-	-	-	-	-	87,819	87,819
Overprovision of final dividend due to share repurchased	-	-	-	-	-	-	-	(9)	9	-
Interim dividend declared	-	-	-	-	-	-	-	13,302	(13,302)	-
Dividends paid	-	-	-	-	-	-	-	(17,737)	-	(17,737)
Final dividend proposed	-	-	-	-	-	-	-	31,038	(31,038)	-
Shares repurchased	(504)	-	-	504	-	-	-	-	(1,008)	(1,008)
Realised on disposal of properties in an associate	-	-	(2,417)	-	-	-	-	-	-	(2,417)
Other changes in equity	(504)	-	(2,417)	504	-	-	-	26,594	42,480	66,657
At 31st December, 2003	221,703	529,289	22,697	43,757	-	(2,054)	(24,017)	31,038	1,143,103	1,965,516
Revaluation increase	-	-	2,140	-	-	-	-	-	-	2,140
Share of revaluation increase of associates	-	-	1,796	-	-	-	-	-	-	1,796
Exchange difference on translation of the Group's overseas operations	-	-	-	-	-	(1,817)	-	-	-	(1,817)
Decrease in fair value of securities not held for trading	-	-	-	-	(112,170)	-	-	-	-	(112,170)
Impairment loss of securities not held for trading	-	-	-	-	112,170	-	-	-	-	112,170
Deferred tax adjustment on properties revaluation	-	-	22	-	-	227	-	-	-	249
Net gain (losses) not recognised in consolidated income statement	-	-	3,958	-	-	(1,590)	-	-	-	2,368
Net profit for the year	-	-	-	-	-	-	-	-	137,883	137,883
New shares issued as scrip dividend	2,308	4,200	-	-	-	-	-	(6,508)	-	-
Interim dividend declared	-	-	-	-	-	-	-	13,298	(13,298)	-
Dividends paid	-	-	-	-	-	-	-	(37,828)	-	(37,828)
Final dividend proposed	-	-	-	-	-	-	-	31,352	(31,352)	-
Shares repurchased	(65)	-	-	65	-	-	-	-	(246)	(246)
Realised on disposal of properties in an associate	-	-	(4,233)	-	-	-	-	-	-	(4,233)
Realised on deemed disposal of an associate	-	-	-	-	-	-	3,127	-	-	3,127
Realised on disposal of subsidiaries	-	-	-	-	-	1,244	-	-	-	1,244
Other changes in equity	2,243	4,200	(4,233)	65	-	1,244	3,127	314	92,987	99,947
At 31st December, 2004	223,946	533,489	22,422	43,822	-	(2,400)	(20,890)	31,352	1,236,090	2,067,831

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2004

	Note	2004 HK\$'000	2003 HK\$'000
Operating activities			
(Loss) profit from operations		(91,591)	89,564
Adjustments for:			
Impairment losses on other non-current assets		191,032	32,800
Depreciation and amortisation expenses		42,434	45,344
Property, plant and equipment written off		16,089	–
Increase in provision		12,870	–
Allowance for doubtful debts		2,004	1,672
Net unrealised gain on trading securities		(26,650)	(873)
Interest income		(20,654)	(9,236)
Impairment loss on goodwill		14,581	–
(Gain) loss on disposal of property, plant and equipment		(7,442)	9,031
Exchange difference		(889)	(360)
Transfer fee for club debenture written off		–	1,600
Loan waived by a minority shareholder		–	(1,875)
Operating cash flows before movements in working capital		131,784	167,667
Increase in inventories		(17,957)	(3,857)
Decrease (increase) in trade and other receivables		3,113	(129,394)
Decrease (increase) in amount due from an associate		1,946	(3,704)
Increase in amounts due from investees		(8,060)	(1,264)
(Increase) decrease in investments in trading securities		(151,766)	67,343
Increase in trade and other payables		26,473	53,105
Decrease in amounts due to minority shareholders		(23,879)	(3,663)
Increase (decrease) in amount due to an investee		77	(378)
Cash (used in) generated from operations		(38,269)	145,855
Tax paid		(2,728)	(4,131)
Tax refund		3,372	–
Net cash (used in) generated from operating activities		(37,625)	141,724
Investing activities			
Proceeds on disposal of subsidiaries	11(c)	75,793	–
Loan repayment from associates		53,027	39,042
Deposit received for disposal of land		33,213	–
Repayment from a former subsidiary		33,124	–
Proceeds on disposal of property, plant and equipment		12,010	261
Interest received		8,950	2,832
Decrease (increase) in bank and other deposits pledged		4,907	(9,331)
Increase in long term loan receivable		(160,943)	–
Additions to intangible assets		(63,451)	(97,540)
Additions to investments in securities not held for trading		(34,123)	(14,885)
Additions to property, plant and equipment		(30,006)	(12,363)
Additions to investment properties		(29,388)	(5,130)
Deposit paid for acquisition of investment properties		(4,725)	–
Purchase of club debenture		–	(4,520)
Acquisition of investments in an associate		–	(282)
Advances to associates		–	(200)
Net cash used in investing activities		(101,612)	(102,116)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2004

<i>Note</i>	2004 HK\$'000	2003 <i>HK\$'000</i>
Financing activities		
New bank loans	575,793	366,422
Advance from the holding company of a minority shareholders of a former subsidiary	492,875	–
Repayments of bank borrowings	(423,632)	(372,691)
Repayment of loan from a minority shareholder	(224,259)	–
Dividends paid	(37,828)	(17,737)
Interest paid	(11,520)	(8,377)
Payment made to purchase own shares	(246)	(1,008)
Net cash generated from (used in) financing activities	371,183	(33,391)
Net increase in cash and cash equivalents	231,946	6,217
Cash and cash equivalents at 1st January	208,658	202,831
Effect of foreign exchange rate change	(1,262)	(390)
Cash and cash equivalents at 31st December	439,342	208,658
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	439,342	208,658

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

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 principal activities of the Group are manufacturing and marketing of electric fans and other electrical household appliances and EMS business, investment holding, property investment and trading of and investments in securities.

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 and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st 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 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 31st 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.

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 and associate at the date of acquisition.

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

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented as a separate asset.

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

Interests in associates

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

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Sales of securities are recognised when the sales transactions are completed and ownership of the securities is transferred.

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

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

Rental from investment properties is recognised on a straight-line basis over the periods of the respective tenancies.

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 of 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.

Property, plant and equipment and depreciation

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

The gain or loss arising from 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.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives on a straight-line basis at the following rates per annum and after taking into account their estimated residual value, if applicable:

Category of assets	Annual rates
Land and buildings in Hong Kong under long leases	2%
Land and buildings in other regions of the People's Republic of China ("PRC") under long leases and medium term leases	
Land use rights	Remaining terms of the land use rights
Buildings	The shorter of the estimated useful lives or remaining terms of the respective land use rights
Freehold land and buildings in the United States of America ("USA") and Canada	
Freehold land	Nil
Buildings	3.33%
Toll road	Over the remaining operation period
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles	20% to 33.33%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 identified impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

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 not held for trading purposes, 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 previously recognised in equity is included in the net gain or loss on the disposal of the securities for the period.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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. Impairment losses are 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.

Research and development expenditure

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

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

Taxi licences

Costs incurred in the acquisition of permanent taxi operation licences are measured initially at cost, less any identified impairment loss and amortised on a straight-line basis over 50 years.

The Group holds 775 taxi licences for the exclusive right to run the taxi in Guangzhou, PRC and is one of the largest taxi leasing operators in Guangzhou. It is expected that these taxi licences, without expiry date, will be in use for at least fifty years.

Trademark

Trademark is measured initially at cost, less any identified impairment loss and amortised on a straight-line basis over its estimated useful life of 20 years.

Club debenture

Club debenture is stated at cost less impairment, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**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 value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as an obligation. Finance costs, which represent the difference between the total leasing commitments and the principal portion at the inception of respective finance leases, are charged to the income statement over the terms of the respective leases 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 rentals payable are charged to the income statement on a straight-line basis over the respective terms of leases.

Inventories

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

Foreign currencies

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

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

Taxation

Taxation 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 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 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 profit will be available to allow all or part of the asset to be recovered.

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

Retirement benefit scheme

The contributions payable to the Group's defined contribution scheme and the Mandatory Provident Fund Scheme are charged to the income statement as retirement benefit cost as they fall due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share options

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.

4. TURNOVER

Turnover represents the amounts received and receivable for goods sold to outside customers, property rental income, proceeds from trading of securities and other income from principal activities during the year, and is analysed as follows:

	2004 HK\$'000	2003 HK\$'000
Continuing operations:		
Sale of goods	1,119,601	1,137,878
Proceeds from trading of securities	794,072	659,899
Property rental income	60,653	58,663
Taxi licence fee income	13,618	9,298
	<u>1,987,944</u>	<u>1,865,738</u>
Discontinued operations:		
Sale of goods	47,999	110,573
Toll fee income	15,363	24,114
	<u>63,362</u>	<u>134,687</u>
	<u>2,051,306</u>	<u>2,000,425</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into eight operating divisions – electrical household appliances, electric cables and steel pipes, property leasing, property development, securities trading, car rental, computer hardware and software, and direct investments. During the year, the Group disposed of its steel processing segment and toll operation segment. Details of the disposal are set out in note 6. These divisions form the basis on which the Group reports its primary segment information.

The principal activities are as follows:

Electrical household appliances	–	manufacturing and marketing of electric fans, vacuum cleaners and other electrical household appliances, and EMS business
Electric cables and steel pipes	–	manufacturing and trading of electric cables and steel pipes
Property leasing	–	leasing of properties
Property development	–	property development
Securities trading	–	trading of securities
Car rental	–	taxi rental operation
Computer hardware and software	–	development and trading of computer hardware and software
Direct investments	–	direct investment in hi-tech business

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is presented below:

2004

TURNOVER AND RESULTS

	Continuing operations								Discontinued operations		Consolidated HK\$'000	
	Electrical household appliances HK\$'000	Electric cables and steel pipes HK\$'000	Property leasing HK\$'000	Property development HK\$'000	Securities trading HK\$'000	Car rental HK\$'000	Computer hardware and software HK\$'000	Direct investments HK\$'000	Others HK\$'000	Steel processing HK\$'000		Toll Road operation HK\$'000
TURNOVER (Note)	1,058,762	57,215	60,653	-	794,072	13,618	3,624	-	-	47,999	15,363	2,051,306
RESULT												
Segment result	44,393	(23,065)	53,239	(34)	75,222	(26,677)	(93,383)	(102,597)	-	(125)	(2,106)	(75,133)
Unallocated corporate expenses												(38,737)
Other operating income excluding interest income												1,625
Interest income												20,654
Loss from operations												(91,591)
Finance costs	(451)	-	(5,394)	-	(2,854)	-	-	-	(623)	(206)	(12,532)	(22,060)
Gain on disposal of discontinued operations	-	-	-	-	-	-	-	-	-	4,803	227,856	232,659
Share of results of associates	-	(130)	9,567	17,743	-	-	-	4,159	-	-	-	31,339
Loss on deemed and partial disposal of interest in an associate	-	-	-	-	-	-	-	-	(7,926)	-	-	(7,926)
Profit from ordinary activities before taxation												142,421
Taxation												(18,777)
Profit before minority interests												123,644
Minority interests												14,239
Net profit for the year												137,883

Note: There were no inter-segment sales between different business segments for the year ended 31st December, 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2004 (continued)

FINANCIAL POSITIONS

	Continuing operations								Discontinued operations		Consolidated	
	Electrical household appliances	Electric cables and steel pipes	Property leasing	Property development	Securities trading	Car rental	Computer hardware and software	Direct investments	Unallocated assets/liabilities	Steel processing		Toll Road operation
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS												
Segment assets	486,244	145,083	580,784	740	263,791	251,834	23,248	2,145	-	-	-	1,753,869
Interests in associates	-	-	440,679	1,686	-	-	-	36,248	101	-	-	478,714
Unallocated corporate assets	-	-	-	-	-	-	-	-	424,053	-	-	424,053
Consolidated total assets												<u>2,656,636</u>
LIABILITIES												
Segment liabilities	181,306	50,782	139,480	(566)	137,295	45,190	5,839	1,797	-	-	-	561,123
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	23,901	-	-	23,901
Consolidated total liabilities												<u>585,024</u>

OTHER INFORMATION

	Continuing operations								Discontinued operations		Consolidated	
	Electrical household appliances	Electric cables and steel pipes	Property leasing	Property development	Securities trading	Car rental	Computer hardware and software	Direct investments	Unallocated amounts	Steel processing		Toll Road operation
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	8,404	16,581	29,388	-	-	42,787	28,581	-	1,035	-	-	126,776
Depreciation and amortisation	7,915	8,954	30	97	-	4,317	7,288	49	2,316	940	10,528	42,434
Impairment losses recognised in income statement	11,860	6,558	-	-	-	34,689	49,253	103,253	-	-	-	205,613
Write off of property, plant and equipment	3,478	12,412	-	-	-	-	-	199	-	-	-	16,089
Allowances for doubtful debts	1,479	66	165	-	-	-	-	-	-	294	-	2,004

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2003

TURNOVER AND RESULT

	Continuing operations							Discontinued operations			Consolidated HK\$'000	
	Electrical household appliances HK\$'000	Electric cables and steel pipes HK\$'000	Property leasing HK\$'000	Property development HK\$'000	Securities trading HK\$'000	Car rental HK\$'000	Computer hardware and software HK\$'000	Direct investments HK\$'000	Others HK\$'000	Steel processing HK\$'000		Toll Road operation HK\$'000
TURNOVER (Note)	1,090,622	47,256	58,663	-	659,899	9,298	-	-	-	110,573	24,114	2,000,425
RESULT												
Segment result	63,481	(9,452)	53,076	37	30,544	5,119	-	(33,542)	-	6,489	(4,530)	111,222
Unallocated corporate expenses												(35,191)
Other operating income excluding interest income												4,297
Interest income												9,236
Profit from operations												89,564
Finance costs	(483)	-	(5,557)	-	(940)	-	-	-	(696)	(569)	(17,364)	(25,609)
Share of results of associates	-	(152)	11,893	(98)	-	-	-	2,909	-	-	-	14,552
Loss on disposal of an associate	-	-	-	-	-	-	-	-	(877)	-	-	(877)
Gain on partial disposal of interest in a subsidiary	-	-	-	-	-	-	-	1,594	-	-	-	1,594
Profit from ordinary activities before taxation												79,224
Taxation												(8,759)
Profit before minority interests												70,465
Minority interests												17,354
Net profit for the year												87,819

Note: There was no inter-segment sales between different business segments for the year ended 31st December, 2003.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2003 (continued)

FINANCIAL POSITIONS

	Continuing operations								Discontinued operations		Consolidated	
	Electrical household appliances	Electric cables and steel pipes	Property leasing	Property development	Securities trading	Car rental	Computer hardware and software	Direct investments	Unallocated assets/liabilities	Steel processing		Toll Road operation
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS												
Segment assets	382,598	144,568	552,576	1,410	96,043	192,992	43,626	66,104	-	152,938	378,827	2,011,682
Interests in associates	-	129	478,573	(11,305)	-	-	-	37,931	101	-	-	505,429
Unallocated corporate assets	-	-	-	-	-	-	-	-	66,881	-	-	66,881
Consolidated total assets												2,583,992
LIABILITIES												
Segment liabilities	137,616	16,076	87,818	313	1,720	39,626	4,149	1,998	-	63,751	309,178	662,245
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	55,795	-	-	55,795
Consolidated total liabilities												718,040

OTHER INFORMATION

	Continuing operations								Discontinued operations		Consolidated	
	Electrical household appliances	Electric cables and steel pipes	Property leasing	Property development	Securities trading	Car rental	Computer hardware and software	Direct investments	Unallocated amounts	Steel processing		Toll Road operation
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	5,244	418	5,130	387	-	76,466	28,761	-	4,049	28	54	120,537
Depreciation and amortisation	7,247	11,777	56	-	-	3,567	6	53	2,691	4,124	15,823	45,344
Impairment losses recognised in income statement	-	-	-	-	-	-	-	32,800	-	-	-	32,800
Loss (gain) on disposal of property, plant and equipment	520	(79)	16	-	-	-	9	-	-	40	8,525	9,031
Allowances (reversal of allowances) for doubtful debts	2,437	(284)	-	-	-	-	-	-	-	(481)	-	1,672

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are located in Hong Kong, PRC, North America, Europe and Asia other than Hong Kong and the PRC.

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

	Sales by geographical market	
	2004 HK\$'000	2003 HK\$'000
Hong Kong	707,832	552,396
PRC	413,197	407,595
North America	644,207	776,784
Europe	166,794	99,128
Asia, other than Hong Kong and PRC	49,584	69,568
Others	69,692	94,954
	2,051,306	2,000,425

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

	Carrying amount of segment assets		Additions to investment properties, property, plant and equipment, goodwill and intangible assets	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	593,255	253,158	1,115	5,678
PRC	1,709,028	1,893,291	117,912	114,289
North America	329,639	357,701	7,541	570
Europe	14,226	20,408	–	–
Asia, other than Hong Kong and PRC	6,207	53,897	208	–
Others	1,323	2,608	–	–
	2,653,678	2,581,063	126,776	120,537
Deferred tax assets	2,958	2,929		
	2,656,636	2,583,992		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

6. IMPAIRMENT LOSSES ON OTHER NON-CURRENT ASSETS

	2004 HK\$'000	2003 HK\$'000
Impairment losses on:		
Investments in securities not held for trading (<i>note a</i>)	112,170	32,800
Intangible assets:		
Development costs (<i>note b</i>)	41,037	–
Taxi licences (<i>note c</i>)	25,932	–
Trademark (<i>note d</i>)	2,103	–
Property, plant and equipment (<i>note e</i>)	9,790	–
	<u>191,032</u>	<u>32,800</u>

Notes:

- (a) For the investments with business in developing the advanced semiconductor, internet related hardware and software, the directors of the Company considered the related investment cost of approximately HK\$112,170,000 (2003: HK\$32,800,000) should be fully impaired with regard to the current market situation.
- (b) As the cash inflow of the businesses involved in the computer hardware and software product is below the budgeted projection of the respective business, the directors of the Company considered the related development cost of approximately HK\$41,037,000 (2003: nil) and the attributable goodwill of the related business of HK\$4,984,000 (2003: nil) should be fully impaired.
- (c) As per the notice “穗客管[2004]174號” dated 10th October, 2004 issued by 廣州市客運交通管理處, the transfer of the taxi licences in Guangzhou, the PRC has been suspended subject to the release of the new regulations in the PRC regarding the transfer of the taxi licences. The directors of the Company considered the fair value of the taxi licences by reference to the value in use of the taxi licences arrived at by a discounted cash flow model at a discounted rate of 6% per annum and determined that impairment losses of approximately HK\$25,932,000 (2003: nil) be provided against the taxi licences and the attributable goodwill of the related business of approximately HK\$8,757,000 (2003: nil) be fully impaired in current year.
- (d) As a result of the legal proceedings in the PRC, the trademark of industrial ceiling fans held by the Company was declared to be void under the PRC law. Although the Company has commenced legal proceeding to recover the validity of the trademark from relevant party, the management determined that the carrying amount of the trademark amounting to approximately HK\$2,103,000 should be fully impaired.
- (e) The impairment loss of the property, plant and equipment was recognised based on the recoverable amount of certain computer equipment of a loss making subsidiary company and a piece of land in the PRC by reference to the estimated net selling price set out in a disposal contract entered into during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

7. (LOSS) PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Allowance for doubtful debts	2,004	1,672
Auditors' remuneration	1,871	2,007
Charitable and other donations	679	2,470
Depreciation and amortisation:		
Amortisation of goodwill	1,387	1,389
Amortisation of intangible assets	9,118	3,066
Amortisation of goodwill on acquisition of associates	49	54
Depreciation of property, plant and equipment	33,445	43,616
	43,999	48,125
Less: Amount capitalised as development cost	(1,565)	(2,781)
	42,434	45,344
Exchange losses, net	638	1,551
Loss on disposal of property, plant and equipment	–	9,031
Write-off of property, plant and equipment	16,089	–
and after crediting:		
Interest earned from		
Bank deposits	3,075	1,437
Associates	6,710	6,358
Investees	233	–
Others, including loan receivables	10,636	1,441
	20,654	9,236
Dividends received from trading securities held	1,842	3,941
Gain on disposal of property, plant and equipment	7,442	–
Loan waived by a minority shareholder	–	1,875
Net rental income from investment properties (after deduction of outgoings of HK\$7,414,000 (2003: HK\$5,587,000))	53,239	53,076
Unrealised gain on listed trading securities	26,650	873

8. DIRECTORS' EMOLUMENTS

	2004 HK\$'000	2003 HK\$'000
Directors' fees		
Executives	400	460
Non-executives	100	80
Independent non-executives	308	160
	808	700
Other emoluments		
Executives		
Salaries, allowances and other benefits	9,005	9,365
Retirement fund contributions	391	461
Total emoluments	10,204	10,526

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

8. DIRECTORS' EMOLUMENTS (continued)

Emoluments of the directors were within the following bands:

Emolument bands	2004 Number of Directors	2003 Number of Directors
Up to HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	4	2
HK\$2,500,001 – HK\$3,000,000	–	–
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,000,001 – HK\$4,500,000	1	–

In the year ended 31st December, 2003, 3 directors waived emoluments of HK\$28,300 in total.

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 3 (2003: 3) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining 2 (2003: 2) were as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries, allowances and other benefits	3,146	3,126
Retirement fund contributions	146	143
	<u>3,292</u>	<u>3,269</u>

Their emoluments were within the following bands:

	2004 Number of employees	2003 Number of employees
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	1

10. FINANCE COSTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts wholly repayable within five years	7,906	6,791
Other borrowings from minority shareholders	10,622	17,881
Others	3,532	937
	<u>22,060</u>	<u>25,609</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

11. DISCONTINUED OPERATIONS

(a) Steel processing

On 16th March, 2004, the Company entered into an agreement to dispose of a subsidiary, Shell & Shinsho Company Limited (subsequently the name was changed to VSC Shinsho Company Limited) ("Shell & Shinsho"), which carried out most of the Group steel processing operations. The control of Shell & Shinsho was passed to the acquirer on 23rd March, 2004.

The results of steel processing operations, which includes the results of Shell & Shinsho and the results of the steel processing division of the Group, for the period from 1st January, 2004 to 23rd March, 2004, which have been included in the consolidated financial statements, were as follows:

	01.01.2004 to 23.03.2004 HK\$'000	01.01.2003 to 31.12.2003 HK\$'000
Turnover	47,999	110,573
Other operating income	432	2,845
Operating costs	(48,396)	(106,754)
Finance costs	(206)	(569)
(Loss) profit before taxation	(171)	6,095
Taxation	–	–
(Loss) profit from ordinary activities after taxation	(171)	6,095

(b) Toll road operations

On 20th February, 2004, the Group entered into a conditional agreement in which Dong Wen Investments Limited, the Company's wholly-owned subsidiary, agreed to dispose of its 52% equity interest in Shunde Shunyue Highway Construction Limited ("Shunyue"), a subsidiary of the Company. The principal activities of Shunyue are the investment, construction and operation of a toll road in the municipal area of Shunde, the PRC. The disposal was effected in order to generate cash flow for the expansion of the Group's other business. The disposal was completed on 3rd September, 2004 on which date control of Shunyue passed to the acquirer.

The results of toll road operations for the period from 1st January, 2004 to 3rd September, 2004, which have been included in the consolidated financial statements, were as follows:

	01.01.2004 to 03.09.2004 HK\$'000	01.01.2003 to 31.12.2003 HK\$'000
Turnover	15,363	24,114
Other operating income	93	290
Operating costs	(17,553)	(28,898)
Finance costs	(12,532)	(17,364)
Loss before taxation	(14,629)	(21,858)
Taxation	–	–
Loss from ordinary activities after taxation	(14,629)	(21,858)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

11. DISCONTINUED OPERATIONS (continued)

(c) Net assets disposed of

The net assets (liabilities) of these subsidiaries disposed of in notes 11(a) and (b) at the date of disposal were as follows:

	Steel processing <i>HK\$'000</i>	Toll road operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Property, plant and equipment	30,624	364,778	395,402
Investments in securities	–	424	424
Inventories	35,204	–	35,204
Trade and other receivables	31,706	804	32,510
Bank and other deposits pledged	4,424	–	4,424
Bank balances and cash	22,287	9,273	31,560
Trade and other payables	(14,940)	(5,756)	(20,696)
Amounts due to group companies	(32,764)	(76,695)	(109,459)
Amounts due to minority shareholders	(36,208)	(77,256)	(113,464)
Amount due to holding company of a minority shareholder	–	(492,875)	(492,875)
Minority interests	(13,632)	126,540	112,908
Net assets (liabilities) disposed of	26,701	(150,763)	(124,062)
Exchange reserves realised on disposal	(554)	(690)	(1,244)
Gain on disposal	4,803	227,856	232,659
Total cash consideration	30,950	76,403	107,353
Net assets (liabilities) at 31st December, 2003:			
Total assets	151,281	378,926	530,207
Total liabilities	(111,506)	(633,499)	(745,005)
Minority interest	(13,459)	122,195	108,736
Net assets (liabilities)	26,316	(132,378)	(106,062)
Net cash inflow arising on disposal:			
Cash consideration	30,950	76,403	107,353
Bank balance and cash disposed of	(22,287)	(9,273)	(31,560)
	8,663	67,130	75,793
Contribution to Group's cash flow for the year under:			
Operating activities	33,482	(6,454)	27,028
Investing activities	4,192	93	4,285
Financing activities	(285)	11,882	11,597
	37,389	5,521	42,910

12. RETIREMENT BENEFITS SCHEME

The Group joined the Mandatory Provident Fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No contribution could be forfeited to reduce the contribution payable in the future years.

Prior to joining the MPF Scheme, the Group operated a defined contribution retirement benefit scheme ("Old Scheme") for its qualifying employees in Hong Kong and paid contributions to the scheme at rates specified in the rules of the Old Scheme on the monthly compensation to the qualifying employees. All the assets under the Old Scheme were transferred to the MPF Scheme and are separately identified within the MPF Scheme and members can withdraw their entitled benefits from the Old Scheme in accordance with the scheme rules once they resign from the Group and all the respective forfeited contributions of the Group will be used to reduce the contributions payable in the future years.

According to the relevant laws and regulations in the PRC, the PRC subsidiaries are required to contribute a certain percentage of the salaries and wages of their employees to the retirement benefits schemes to fund the retirement benefits of their employees (the "PRC Scheme"). No forfeited contribution is available to reduce the contribution payable in the future years.

The Group's contribution to the MPF Scheme and the PRC Scheme are charged to the income statement as expenses.

During the year, the Group made retirement benefit scheme contributions of approximately HK\$2,321,000 (2003: HK\$2,394,000), net of the forfeited contributions utilised in Old Scheme amounting to approximately HK\$91,000 (2003: HK\$181,000).

13. TAXATION

	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Profit for the year		
Hong Kong	10,874	4,942
Other regions in the PRC	288	310
	<u>11,162</u>	<u>5,252</u>
Under (over) provision in prior years for profit arose in		
Hong Kong	270	1,468
Other regions in the PRC	(266)	–
	<u>4</u>	<u>1,468</u>
Deferred tax (note 35):		
Current year	3,170	(1,165)
Attributable to a change in the rate of Hong Kong Profits Tax	–	38
	<u>3,170</u>	<u>(1,127)</u>
Taxation attributable to the Company and its subsidiaries	14,336	5,593
Share of taxation attributable to associates	4,441	3,166
	<u>18,777</u>	<u>8,759</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

13. TAXATION (continued)

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year. In June 2003, the Hong Kong Profits Tax was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st December, 2003.

Taxation arising in other regions in the PRC is calculated at 33% (2003: 33%) of the estimated assessable profit.

The charge for the year can be reconciled to the profit from ordinary activities before taxation per the income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit from ordinary activities before taxation	<u>142,421</u>	<u>79,224</u>
Tax at Hong Kong Profits Tax rate of 17.5% (2003: 17.5%)	24,924	13,864
Tax effect of share of results of associates	(1,043)	619
Tax effect of expenses not deductible for tax purpose	51,517	16,160
Tax effect of income not taxable for tax purpose	(52,941)	(6,500)
Tax effect of tax losses not recognised	21,035	12,538
Utilisation of tax losses previously not recognised	(22,040)	(18,439)
Increase in opening deferred tax liability resulting from an increase in tax rates	–	38
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,763)	199
Underprovision in prior years	4	1,468
Others	(916)	(11,188)
Tax expense for the year	<u>18,777</u>	<u>8,759</u>

14. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Ordinary shares:		
Interim, paid – 3.00 cents (2003: 3.00 cents) per share	13,298	13,302
Final, proposed – 7.00 cents (2003: 7.00 cents) per share	<u>31,352</u>	<u>31,038</u>
	<u>44,650</u>	<u>44,340</u>

During the year, share scrip alternatives were offered in respect of the 2004 interim dividends. These share scrip alternatives were accepted by the shareholders, as follows:

	HK\$'000
Dividends:	
Cash	6,790
Share scrip alternative	<u>6,508</u>
	<u>13,298</u>

The final dividend of 7.00 cents (2003: 7.00 cents) per share, to be satisfied by cash, with an alternative to shareholders to elect to receive such final dividend (or part thereof) in the form of new shares in lieu of cash, has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

15. EARNINGS PER SHARE

The calculation of the 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	<u>137,883</u>	<u>87,819</u>
	2004 '000	2003 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>444,132</u>	443,574
Effect on dilutive potential ordinary shares: Options		<u>67</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share		<u>443,641</u>

Note:

The options of the Company outstanding at 31st December, 2002 were lapsed during the year ended 31st December, 2003.

As the options of the Company's subsidiaries outstanding during the two year ended 31st December, 2004 were anti-dilutive to the Group's earnings per share, diluted earnings per share were not adjusted in this respect for both years.

16. INVESTMENT PROPERTIES

	THE GROUP HK\$'000	THE COMPANY HK\$'000
At 1st January, 2004	526,707	12,700
Translation adjustment	2,106	–
Additions	29,388	–
Revaluation increase	2,140	–
At 31st December, 2004	<u>560,341</u>	<u>12,700</u>

The Group's investment properties in Hong Kong and the PRC were revalued as at 31st December, 2004 by Messrs. Knight Frank, an independent firm of professional valuers, on an open market existing use basis. The investment properties in the USA were revalued as at 31st December, 2004 on an income capitalisation approach with reference to comparable market conditions by Cushman & Wakefield of California, Inc., an independent firm of professional valuers. The investment properties in Canada were revalued as at 31st December, 2004 on an income approach to value by JMS Canada Ltd., an independent firm of professional valuers. These valuations gave rise to a revaluation increase totalling HK\$2,140,000 (2003: decrease of HK\$18,075,000) which has been credited to the investment property revaluation reserve.

All of the Group's investment properties are rented out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

16. INVESTMENT PROPERTIES (continued)

The carrying amount of investment properties comprises land and buildings in Hong Kong, the USA, the PRC and Canada as follows:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
In Hong Kong, held under long leases	74,000	78,700	12,700	12,700
In the USA, freehold	230,880	218,400	–	–
In other regions of the PRC, held under medium term leases	237,300	214,000	–	–
In Canada, freehold	18,161	15,607	–	–
	560,341	526,707	12,700	12,700

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Toll road in other regions of the PRC HK\$'000	Plant and machinery HK\$'000	Tools, moulds and equipment HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1st January, 2004	239,373	428,487	179,585	57,819	49,981	14,269	969,514
Translation adjustment	405	1,885	407	75	48	20	2,840
Additions	16,400	–	3,149	65	9,722	670	30,006
Disposals	(12,252)	–	(632)	–	(692)	(2,622)	(16,198)
Write-off	(5,096)	–	(91,498)	–	(3,209)	(63)	(99,866)
Disposals of subsidiaries	(29,694)	(430,372)	(32,363)	–	(863)	(2,607)	(495,899)
Reclassification	–	–	(444)	444	–	–	–
At 31st December, 2004	209,136	–	58,204	58,403	54,987	9,667	390,397
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2004	52,458	55,393	136,108	49,538	29,042	12,004	334,543
Translation adjustment	45	236	297	75	24	16	693
Provided for the year	4,777	10,481	9,009	2,155	6,151	872	33,445
Eliminated on disposals	(8,040)	–	(466)	–	(407)	(2,517)	(11,430)
Write-off	(793)	–	(80,894)	–	(2,027)	(63)	(83,777)
Impairment losses recognised	6,558	–	–	3,232	–	–	9,790
Disposals of subsidiaries	(8,099)	(66,110)	(23,274)	–	(715)	(2,299)	(100,497)
Reclassification	–	–	(566)	566	–	–	–
At 31st December, 2004	46,906	–	40,214	55,566	32,068	8,013	182,767
NET BOOK VALUES							
At 31st December, 2004	162,230	–	17,990	2,837	22,919	1,654	207,630
At 31st December, 2003	186,915	373,094	43,477	8,281	20,939	2,265	634,971

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings

	Land and buildings in Hong Kong under long leases <i>HK\$'000</i>	Land and buildings in other regions of the PRC under medium term leases <i>HK\$'000</i>	Land and buildings in other regions of the PRC under long leases <i>HK\$'000</i>	Freehold land and buildings in the USA <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP COST					
At 1st January, 2004	9,994	208,726	12,463	8,190	239,373
Translation adjustment	–	427	(22)	–	405
Additions	–	16,400	–	–	16,400
Disposals	–	(1,418)	(10,834)	–	(12,252)
Write-off	–	(5,096)	–	–	(5,096)
Disposals of subsidiaries	–	(29,694)	–	–	(29,694)
At 31st December, 2004	9,994	189,345	1,607	8,190	209,136
DEPRECIATION AND IMPAIRMENT					
At 1st January, 2004	5,121	37,291	8,235	1,811	52,458
Translation adjustment	–	78	(33)	–	45
Provided for the year	200	4,453	33	91	4,777
Eliminated on disposals	–	(49)	(7,991)	–	(8,040)
Write-off	–	(793)	–	–	(793)
Impairment losses recognised	–	6,558	–	–	6,558
Disposals of subsidiaries	–	(8,099)	–	–	(8,099)
At 31st December, 2004	5,321	39,439	244	1,902	46,906
NET BOOK VALUES					
At 31st December, 2004	4,673	149,906	1,363	6,288	162,230
At 31st December, 2003	4,873	171,435	4,228	6,379	186,915

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings in Hong Kong under long leases HK\$'000	Land and buildings in other regions of the PRC under long leases HK\$'000	Plant and machinery HK\$'000	Tools and moulds HK\$'000	Furniture, fittings and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE COMPANY							
COST							
At 1st January, 2004	1,478	1,607	366	479	16,289	5,474	25,693
Additions	–	–	–	–	1,035	–	1,035
Disposals	–	–	–	–	(15)	(988)	(1,003)
At 31st December, 2004	1,478	1,607	366	479	17,309	4,486	25,725
DEPRECIATION							
At 1st January, 2004	236	212	311	479	8,332	5,117	14,687
Provided for the year	29	32	11	–	1,660	357	2,089
Eliminated on disposals	–	–	–	–	(5)	(988)	(993)
At 31st December, 2004	265	244	322	479	9,987	4,486	15,783
NET BOOK VALUES							
At 31st December, 2004	1,213	1,363	44	–	7,322	–	9,942
At 31st December, 2003	1,242	1,395	55	–	7,957	357	11,006

18. GOODWILL

	THE GROUP HK\$'000
COST	
At 1st January, 2004	15,147
Arising from the acquisition of additional interest in a subsidiary	4,984
At 31st December, 2004	20,131
AMORTISATION AND IMPAIRMENT	
At 1st January, 2004	4,163
Provided for the year	1,387
Impairment losses recognised	14,581
At 31st December, 2004	20,131
NET BOOK VALUE	
At 31st December, 2004	–
At 31st December, 2003	10,984

The amortisation period adopted for goodwill ranges from 5 to 20 years.

Details of the major impairment losses recognised during the year are set out in note 6.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

19. INTANGIBLE ASSETS

	THE GROUP				THE COMPANY
	Development costs <i>HK\$'000</i>	Taxi licences <i>HK\$'000</i>	Trademark <i>HK\$'000</i>	Total <i>HK\$'000</i>	Trademark <i>HK\$'000</i>
COST					
At 1st January, 2004	26,616	154,913	2,499	184,028	2,499
Translation adjustment	–	281	–	281	–
Additions	19,744	42,654	–	62,398	–
At 31st December, 2004	46,360	197,848	2,499	246,707	2,499
AMORTISATION AND IMPAIRMENT					
At 1st January, 2004	–	7,944	271	8,215	271
Translation adjustment	–	15	–	15	–
Provided for the year	5,323	3,670	125	9,118	125
Impairment losses recognised	41,037	25,932	2,103	69,072	2,103
At 31st December, 2004	46,360	37,561	2,499	86,420	2,499
NET BOOK VALUES					
At 31st December, 2004	–	160,287	–	160,287	–
At 31st December, 2003	26,616	146,969	2,228	175,813	2,228

Taxi licences, trademark and development costs are amortised on a straight-line basis over 50 years, 20 years and 5 years respectively.

Details of the impairment losses recognised during the year are set out in note 6.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

20. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	105,126	157,699
Impairment losses recognised (<i>note a</i>)	(105,011)	(119,226)
	<hr/>	<hr/>
Loans to subsidiaries less allowance (<i>Note b</i>)	115	38,473
Amounts due from subsidiaries (<i>note c</i>)	13,000	13,000
	<hr/>	<hr/>
	352,291	386,339
	<hr/>	<hr/>
	365,406	437,812
	<hr/>	<hr/>

Notes:

- (a) Impairment losses amounting to approximately HK\$9,180,000 was recognised during the year by reference to the estimated recoverable amount of a subsidiary with continuing losses incurred. During the year, impairment losses of HK\$23,395,000 were eliminated on disposal of subsidiaries during the year.
- (b) The amount are unsecured and interest-free. In the opinion of the directors, the outstanding balances will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.
- (c) The amounts are unsecured and bear interest at prevailing market rates. In the opinion of the directors, the outstanding balances will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.

Details of the Company's principal subsidiaries as at 31st December, 2004 are set out in note 43.

21. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	–	–	195	195
Share of net assets	181,405	161,754	–	–
Goodwill on acquisition of associates (<i>Note a</i>)	850	899	–	–
Loans to associates (<i>Note b</i>)	296,459	342,776	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	478,714	505,429	195	195
Impairment losses recognised	–	–	(94)	(94)
	<hr/>	<hr/>	<hr/>	<hr/>
	478,714	505,429	101	101
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

21. INTERESTS IN ASSOCIATES (continued)

Notes:

- (a) Movements of goodwill on acquisition of associates are as follows:

	THE GROUP <i>HK\$'000</i>
COST	
At 1st January, 2004 and at 31st December, 2004	1,000
AMORTISATION	
At 1st January, 2004	101
Provided for the year	49
At 31st December, 2004	150
NET BOOK VALUE	
At 31st December, 2004	850
At 31st December, 2003	899

Goodwill is amortised on a straight-line basis over 20 years.

- (b) Other than an amount of HK\$223,800,000 (2003: HK\$276,826,000) which is interest-free, the loans to associates are unsecured and subject to interest at 10% (2003: 10%) per annum. In the opinion of the directors, the loans to associates will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.

The following details have been extracted from the financial statements of the Group's significant associates:

	Hong Kong Construction SMC Development Limited		China Dynasty Development Ltd.	
	2004 <i>HK\$'000</i> <i>(Unaudited)</i>	2003 <i>HK\$'000</i> <i>(Unaudited)</i>	2004 <i>HK\$'000</i> <i>(Unaudited)</i>	2003 <i>HK\$'000</i> <i>(Audited)</i>
Results for the year				
Turnover	52,313	41,588	164,594	78,738
Depreciation	314	252	–	–
(Loss) profit before taxation	(4,398)	(26,412)	70,601	49,737
(Loss) profit before taxation attributable to the Group	(879)	(5,282)	28,240	19,894
Financial position				
Total non-current assets	1,039,106	1,048,723	750,000	824,000
Total current assets	88,574	75,850	32,772	23,620
Total current liabilities	(418,007)	(517,009)	(15,910)	(15,854)
Total non-current liabilities	(305,086)	(201,595)	(603,979)	(733,904)
Net assets	404,587	405,969	162,883	97,862
Net assets attributable to the Group	80,917	81,194	65,153	39,145

Details of the Group's principal associates at 31st December, 2004 are set out in note 44.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

22. INVESTMENTS IN SECURITIES

	THE GROUP						THE COMPANY	
	Held for trading		Not held for trading		Total		Held for trading	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Equity securities								
Unlisted	4	3	289,840	255,555	289,844	255,558	-	-
Listed in Hong Kong	193,109	4,950	-	-	193,109	4,950	1,445	-
Listed outside Hong Kong	12,229	12,627	-	-	12,229	12,627	-	-
	205,342	17,580	289,840	255,555	495,182	273,135	1,445	-
Commodity index certificate	6,645	-	-	-	6,645	-	-	-
Equity linked notes	-	15,991	-	-	-	15,991	-	-
Accumulated fair value adjustments	-	-	(289,840)	(177,670)	(289,840)	(177,670)	-	-
	211,987	33,571	-	77,885	211,987	111,456	1,445	-
Market value of listed securities	205,338	17,577	-	-	205,338	17,577	1,445	-
Carrying amounts analysed:								
Current	211,987	33,571	-	-	211,987	33,571	1,445	-
Non-current	-	-	-	77,885	-	77,885	-	-
	211,987	33,571	-	77,885	211,987	111,456	1,445	-

23. LOAN RECEIVABLES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Loans receivable from:		
Former subsidiary (note a)	77,869	-
A shareholder of an associate (note b)	162,432	-
Others (note c)	943	-
	241,244	-
Less: Amount due within one year included as current assets	(37,059)	-
Amount due after one year	204,185	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

23. LOAN RECEIVABLES (continued)

Notes:

- (a) The amount represents loan receivable from Shunyue which was disposed of by the Group during the year. Details of the disposal are set out in note 11(b). The amount due from Shunyue is guaranteed by existing parent company of Shunyue and carries interest at a fixed rate of 5.49% per annum and is repayable by three instalments with the last instalment to be repayable on or before 31st December, 2007.
- (b) The amount represents loan receivable from the major shareholder of the Group's major associate, China Dynasty Development Ltd. ("China Dynasty") and is subject to interest at 15% per annum and repayable on or before 24th August, 2006. The loan is secured by a 60% equity interests in China Dynasty. In addition, the borrower assigned to the Group a sum of HK\$210 million indebted by China Dynasty to the borrower, being part of the debt owed by China Dynasty to the borrower, to take effect upon the occurrence of an Event of Default. Details of this transaction are set out in the circular to the shareholders of the Company dated 4th October, 2004.
- (c) The amount represents the loan receivable from the Group's sales agent in the PRC which is secured by a personal guarantee of the owners of the sales agent and is subject to interests at 6% per annum repayable on demand.

24. INVENTORIES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Raw materials	60,807	70,439	–	–
Work-in-progress	3,822	2,902	–	–
Finished goods	27,043	35,578	4,556	4,043
	<u>91,672</u>	<u>108,919</u>	<u>4,556</u>	<u>4,043</u>
<i>Note:</i>				
Inventories stated				
At cost	44,699	68,361	4,369	4,043
At net realisable value	46,973	40,558	187	–
	<u>91,672</u>	<u>108,919</u>	<u>4,556</u>	<u>4,043</u>

25. AMOUNTS DUE FROM SUBSIDIARIES

THE COMPANY

The amounts are unsecured, bear interest at prevailing market rates and are repayable on demand.

26. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$113,114,000 (2003: HK\$140,543,000). The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The aged analysis of trade receivables at the balance sheet date is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Current	75,622	86,416
31 – 60 days	22,973	26,802
61 – 90 days	11,068	21,063
91 – 180 days	2,268	4,596
181 – 360 days	713	636
Over 360 days	470	1,030
	<u>113,114</u>	<u>140,543</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

27. AMOUNTS DUE FROM INVESTEES

THE GROUP AND THE COMPANY

The amounts are unsecured, bear interest at prevailing market rates and are repayable on demand.

28. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$94,683,000 (2003: HK\$84,978,000). The aged analysis of trade payables at the balance sheet date is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Current	72,174	52,330
31 – 60 days	13,283	19,711
61 – 90 days	4,745	5,542
91 – 180 days	1,415	3,265
181 – 360 days	977	2,953
Over 360 days	2,089	1,177
	94,683	84,978

29. AMOUNTS DUE TO MINORITY SHAREHOLDERS

THE GROUP

As at 31st December, 2003, the amount included loans of approximately HK\$19,890,000 which were unsecured and subject to interest at the prevailing market rates. The remaining balance of approximately HK\$36,274,000, other than the amount of approximately HK\$8,566,000 which was subject to interest at 5.76% per annum, was unsecured, interest-free and was repayable on demand.

30. PROVISION

THE GROUP

Pursuant to the letter dated 10th November, 2004 from the U.S. Consumer Product Safety Commission (the "CPSC"), the Group has not informed the CPSC when certain models of the table fans products could create a substantial product hazards or create an unreasonable risk of serious injury or death and this constitutes a breach of the respective law and a maximum civil penalty will be US\$1,650,000 (equivalent to approximately HK\$12,870,000). The Group had taken legal advice on the prospective penalty from CPSC. Based on the legal advice and on the information currently available to the Group, the directors of the Company determined that a provision of HK\$12,870,000 was made in the current year as the directors' best estimate of the Group's exposure under this incident.

The Group has, through its customer in the United States, conducted a voluntary recall program in the United States for the defective table fans and the program has been completed on 8th October, 2004. The recall expenses amounting to HK\$1,373,000 were fully recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

31. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank loans	<u>259,856</u>	<u>107,200</u>	<u>–</u>	<u>42,040</u>
Secured	122,619	65,160	–	–
Unsecured	<u>137,237</u>	<u>42,040</u>	<u>–</u>	<u>42,040</u>
	<u>259,856</u>	<u>107,200</u>	<u>–</u>	<u>42,040</u>
The maturity of the above borrowings is as follows:				
Within one year	147,339	107,200	–	42,040
More than one year, but not exceeding two years	4,025	–	–	–
More than two years, but not exceeding five years	13,157	–	–	–
More than five years	<u>95,335</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>259,856</u>	<u>107,200</u>	<u>–</u>	<u>42,040</u>
Less: Amounts due within one year shown under current liabilities	<u>(147,339)</u>	<u>(107,200)</u>	<u>–</u>	<u>(42,040)</u>
Amounts due after one year	<u>112,517</u>	<u>–</u>	<u>–</u>	<u>–</u>

32. SHARE CAPITAL

	2004		2003	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
(a) Authorised:				
Ordinary shares of HK\$0.50 each				
Balance at beginning and end of year	<u>900,000</u>	<u>450,000</u>	<u>900,000</u>	<u>450,000</u>
(b) Issued and fully paid:				
Ordinary shares of HK\$0.50 each				
Balance at beginning of year	443,407	221,703	444,414	222,207
Shares repurchased and cancelled	(130)	(65)	(1,007)	(504)
Shares issued as scrip dividend	<u>4,616</u>	<u>2,308</u>	<u>–</u>	<u>–</u>
Balance at end of year	<u>447,893</u>	<u>223,946</u>	<u>443,407</u>	<u>221,703</u>

The shares issued during the year ranked pari passu with existing shares in all respect.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued)

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK\$0.50 each '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
May 2004	130	1.94	1.70	246

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

(c) Share option scheme

The Company

Under the terms of the share option scheme (the "Scheme") which was adopted on 18th April, 1994 and expired on 18th April, 2004, the Board may offer to any directors or full time employees of the Company or any of its subsidiaries options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options. The exercisable period will be determined by the Board and in any event not exceeding a period of 3 years commencing on the expiry of 6 months after the date of acceptance by the grantee and expiring on the last date of such period or 17th April, 2004 whichever is earlier. The grantee is required to pay non-refundable consideration of HK\$1.00 upon acceptance of the offer.

The number of shares issuable under the Scheme is not to exceed 10% of the issued share capital of the Company from time to time excluding any shares issued pursuant to the Scheme.

The aggregate of the number of shares issued under the options granted to an employee and the number of shares to be issued under the options subsisted and unexercised for the time being held by the same employee should not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

No share options were granted during the period from 1st January, 2003 to 17th April, 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Movements in the options to subscribe for shares for the year ended 31st December, 2003 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share HK\$	Number of share options		
				As at 1.1.2003 '000	Lapsed during the year '000	As at 31.12.2003 '000
Directors						
Mr. Billy K Yung	28.01.2000	28.07.2000 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.01.2001 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,340	(1,340)	–
Dr. Yung Yau (deceased on 2nd May, 2004)	28.01.2000	28.01.2001 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	1,072	(1,072)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,340	(1,340)	–
Dr. Leo Tung-Hai Lee	28.01.2000	28.07.2000 – 27.07.2003	1.38	96	(96)	–
	28.01.2000	28.01.2001 – 27.07.2003	1.38	96	(96)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	96	(96)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	96	(96)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	96	(96)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	120	(120)	–
Mr. Shiu-Kit Ngai	28.01.2000	28.07.2000 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.01.2001 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	100	(100)	–
Madam Yung Ho Wun Ching	28.01.2000	28.01.2001 – 27.07.2003	1.38	800	(800)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	800	(800)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	800	(800)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	800	(800)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,000	(1,000)	–
Mr. Leung Chun Wah	28.01.2000	28.07.2000 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.01.2001 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	150	(150)	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share HK\$	Number of share options		
				As at 1.1.2003 '000	Lapsed during the year '000	As at 31.12.2003 '000
Directors (continued)						
Mr. Plato Poon Chak Sang	28.01.2000	28.07.2000 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.01.2001 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	120	(120)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	150	(150)	–
Mr. Nicholas Yang Wei Hsiung (resigned on 30th September, 2003)	28.01.2000	28.07.2000 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.01.2001 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	80	(80)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	100	(100)	–
				<u>19,628</u>	<u>(19,628)</u>	<u>–</u>
Employees	28.01.2000	28.07.2000 – 27.07.2003	1.38	684	(684)	–
	26.05.2000	26.11.2000 – 25.11.2003	1.38	48	(48)	–
	28.01.2000	28.01.2001 – 27.07.2003	1.38	952	(952)	–
	26.05.2000	26.05.2001 – 25.11.2003	1.38	48	(48)	–
	28.01.2000	28.07.2001 – 27.07.2003	1.38	952	(952)	–
	26.05.2000	26.11.2001 – 25.11.2003	1.38	48	(48)	–
	28.01.2000	28.01.2002 – 27.07.2003	1.38	952	(952)	–
	26.05.2000	26.05.2002 – 25.11.2003	1.38	48	(48)	–
	28.01.2000	28.07.2002 – 27.07.2003	1.38	952	(952)	–
	26.05.2000	26.11.2002 – 25.11.2003	1.38	48	(48)	–
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,190	(1,190)	–
	26.05.2000	26.05.2003 – 25.11.2003	1.38	60	(60)	–
				<u>5,982</u>	<u>(5,982)</u>	<u>–</u>
				<u>25,610</u>	<u>(25,610)</u>	<u>–</u>

There were no new option schemes adopted during the two years ended 31st December, 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Subsidiaries

Pursuant to the Company's shareholders approval in the extraordinary general meeting held on 11th November, 2002, the share option schemes of Appeon Corporation ("Appeon") and Galactic Computing Corporation ("Galactic"), subsidiaries of the Company, became effective. Certain directors, employees and consultants of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK\$1.00 on acceptance of the option offer. Details of the share option schemes of the subsidiaries are set out in the Company's circular to the shareholders dated 25th October, 2002.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Appeon ("Appeon Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Appeon and/or its subsidiary, must not exceed 30% of the number of the issued shares from time to time (subject to the approval of the shareholders of the Company). At the date of issue of these financial statements, the total maximum number of options available for further issue under the Appeon Scheme amounted to 770,485 (subject to approval of the shareholders of the Company) which represented 21.06% of the issued share capital of Appeon (excluding any shares issued pursuant to the Appeon Scheme) on the same date.

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2004 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	As at 1.1.2004	Number of share options		As at 31.12.2004
					Cancelled during the year	Other Movements (Notes)	
Directors of the Company							
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	–	–	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	–	–	3,375
Dr. Yung Yau (deceased on 2nd May, 2004)	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	–	(6,750)*	–
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	–	(3,375)*	–
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	–	(3,375)*	–
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	(3,375)	–	–
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	(3,375)	–	–
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	(3,375)	–	–
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	(3,375)	–	–
				<u>54,000</u>	<u>(13,500)</u>	<u>(13,500)</u>	<u>27,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued) (c) Share option scheme (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	As at 1.1.2004	Number of share options		As at 31.12.2004	
					Cancelled during the year	Other Movements (Notes)		
Directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	22,500	–	562*	23,062	
	25.11.2002	01.04.2003 – 10.11.2012	2.50	22,500	–	563*	23,063	
	25.11.2002	01.10.2003 – 10.11.2012	2.50	22,500	–	562*	23,062	
	25.11.2002	01.04.2004 – 10.11.2012	2.50	22,500	–	563*	23,063	
	25.11.2002	01.10.2004 – 10.11.2012	2.50	22,500	–	562*	23,062	
	25.11.2002	01.04.2005 – 10.11.2012	2.50	22,500	–	563*	23,063	
	25.11.2002	01.10.2005 – 10.11.2012	2.50	22,500	–	562*	23,062	
	25.11.2002	01.04.2006 – 10.11.2012	2.50	22,500	–	563*	23,063	
	02.06.2003	02.06.2003 – 10.11.2012	2.50	2,250	–	–	2,250	
	02.06.2003	01.10.2003 – 10.11.2012	2.50	1,125	–	–	1,125	
	02.06.2003	01.04.2004 – 10.11.2012	2.50	1,125	–	–	1,125	
	02.06.2003	01.10.2004 – 10.11.2012	2.50	1,125	–	–	1,125	
	02.06.2003	01.04.2005 – 10.11.2012	2.50	1,125	–	–	1,125	
	02.06.2003	01.10.2005 – 10.11.2012	2.50	1,125	–	–	1,125	
	02.06.2003	01.04.2006 – 10.11.2012	2.50	1,125	–	–	1,125	
					<u>189,000</u>	<u>–</u>	<u>4,500</u>	<u>193,500</u>
	Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	13,249	–	(562)*	12,687
		25.11.2002	01.04.2003 – 10.11.2012	2.50	7,626	–	(563)*	7,063
		25.11.2002	01.10.2003 – 10.11.2012	2.50	7,624	–	(562)*	7,062
		25.11.2002	01.04.2004 – 10.11.2012	2.50	7,626	–	(563)*	7,063
25.11.2002		01.10.2004 – 10.11.2012	2.50	7,624	–	(562)*	7,062	
25.11.2002		01.04.2005 – 10.11.2012	2.50	6,376	–	(563)*	5,813	
25.11.2002		01.10.2005 – 10.11.2012	2.50	6,374	–	(562)*	5,812	
25.11.2002		01.04.2006 – 10.11.2012	2.50	4,501	–	(563)*	3,938	
02.06.2003		02.06.2003 – 10.11.2012	2.50	750	–	–	750	
02.06.2003		01.10.2003 – 10.11.2012	2.50	375	–	–	375	
02.06.2003		01.04.2004 – 10.11.2012	2.50	375	–	–	375	
02.06.2003		01.10.2004 – 10.11.2012	2.50	375	–	–	375	
02.06.2003		01.04.2005 – 10.11.2012	2.50	375	–	–	375	
02.06.2003		01.10.2005 – 10.11.2012	2.50	375	–	–	375	
02.06.2003		01.04.2006 – 10.11.2012	2.50	375	–	–	375	
					<u>64,000</u>	<u>–</u>	<u>(4,500)</u>	<u>59,500</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	As at 1.1.2004	Number of share options		As at 31.12.2004
					Cancelled during the year	Other Movements (Notes)	
Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,625	–	–	1,625
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,625	–	–	1,625
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,625	–	–	1,625
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,625	–	–	1,625
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,625	–	–	1,625
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,625	–	–	1,625
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,625	–	–	1,625
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,625	–	–	1,625
	09.06.2003	09.06.2003 – 10.11.2012	0.10	5,106	–	–	5,106
	09.06.2003	01.10.2003 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2005 – 10.11.2012	0.10	2,553	–	–	2,553
09.06.2003	01.04.2006 – 10.11.2012	0.10	2,554	–	–	2,554	
				<u>33,425</u>	<u>–</u>	<u>–</u>	<u>33,425</u>
Others	09.06.2003	03.05.2004 – 02.05.2005	2.50	–	–	6,750*	6,750
	09.06.2003	03.05.2004 – 02.05.2005	2.50	–	–	3,375*	3,375
	09.06.2003	03.05.2004 – 02.05.2005	2.50	–	–	3,375*	3,375
					<u>–</u>	<u>–</u>	<u>13,500</u>
				<u>340,425</u>	<u>(13,500)</u>	<u>–</u>	<u>326,925</u>

Notes:

* These options shall be managed by the executrixes of the late Dr. Yung Yau.

The movements represented the reclassification of options from the category of Employees to the category of Directors of Appeon.

No option was exercised by the grantees during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2003 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options		
				As at 1.1.2003	Granted during the year	As at 31.12.2003
Directors of the Company						
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	–	6,750	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	–	3,375	3,375
Dr. Yung Yau (deceased on 2nd May, 2004)	09.06.2003	09.06.2003 – 10.11.2012	2.50	–	6,750	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	–	3,375	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	–	3,375	3,375
				–	54,000	54,000
Directors of Appeon						
Directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.04.2003 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.10.2003 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.04.2004 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.10.2004 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.04.2005 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.10.2005 – 10.11.2012	2.50	22,500	–	22,500
	25.11.2002	01.04.2006 – 10.11.2012	2.50	22,500	–	22,500
	02.06.2003	02.06.2003 – 10.11.2012	2.50	–	2,250	2,250
	02.06.2003	01.10.2003 – 10.11.2012	2.50	–	1,125	1,125
	02.06.2003	01.04.2004 – 10.11.2012	2.50	–	1,125	1,125
	02.06.2003	01.10.2004 – 10.11.2012	2.50	–	1,125	1,125
	02.06.2003	01.04.2005 – 10.11.2012	2.50	–	1,125	1,125
	02.06.2003	01.10.2005 – 10.11.2012	2.50	–	1,125	1,125
	02.06.2003	01.04.2006 – 10.11.2012	2.00	–	1,125	1,125
				180,000	9,000	189,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2003	Granted during the year	As at 31.12.2003	
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	13,249	–	13,249	
	25.11.2002	01.04.2003 – 10.11.2012	2.50	7,626	–	7,626	
	25.11.2002	01.10.2003 – 10.11.2012	2.50	7,624	–	7,624	
	25.11.2002	01.04.2004 – 10.11.2012	2.50	7,626	–	7,626	
	25.11.2002	01.10.2004 – 10.11.2012	2.50	7,624	–	7,624	
	25.11.2002	01.04.2005 – 10.11.2012	2.50	6,376	–	6,376	
	25.11.2002	01.10.2005 – 10.11.2012	2.50	6,374	–	6,374	
	25.11.2002	01.04.2006 – 10.11.2012	2.50	4,501	–	4,501	
	02.06.2003	02.06.2003 – 10.11.2012	2.50	–	750	750	
	02.06.2003	01.10.2003 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.04.2004 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.10.2004 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.04.2005 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.10.2005 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.04.2006 – 10.11.2012	2.50	–	375	375	
					<u>61,000</u>	<u>3,000</u>	<u>64,000</u>
	Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,625	–	1,625
25.11.2002		01.04.2003 – 10.11.2012	2.50	1,625	–	1,625	
25.11.2002		01.10.2003 – 10.11.2012	2.50	1,625	–	1,625	
25.11.2002		01.04.2004 – 10.11.2012	2.50	1,625	–	1,625	
25.11.2002		01.10.2004 – 10.11.2012	2.50	1,625	–	1,625	
25.11.2002		01.04.2005 – 10.11.2012	2.50	1,625	–	1,625	
25.11.2002		01.10.2005 – 10.11.2012	2.50	1,625	–	1,625	
25.11.2002		01.04.2006 – 10.11.2012	2.50	1,625	–	1,625	
09.06.2003		09.06.2003 – 10.11.2012	0.10	–	5,106	5,106	
09.06.2003		01.10.2003 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.04.2004 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.10.2004 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.04.2005 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.10.2005 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.04.2006 – 10.11.2012	0.10	–	2,554	2,554	
					<u>13,000</u>	<u>20,425</u>	<u>33,425</u>
					<u>254,000</u>	<u>86,425</u>	<u>340,425</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Galactic ("Galactic Scheme"), together with all outstanding options granted and yet to be exercised under other share option scheme(s) of Galactic and/or its subsidiary, must not exceed 30% of the number of issued shares from time to time (subject to the approval of the shareholders of the Company). At the date of issue of these financial statements, the total number of options available for issue under the Galactic Scheme amounted to 1,609,911 (subject to the approval of the shareholders of the Company) which represented 15.48% of the issued share capital of Galactic (excluding any shares issued pursuant to the Galactic Scheme) on the same date.

Movements in the share options to subscribe for shares in Galactic for the year ended 31st December, 2004 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	As at 1.1.2004	Number of share options			As at 31.12.2004
					Granted during the year	Cancelled during the year	Other movements (Notes)	
Directors of the Company								
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	–	–	–	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	–	–	–	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	–	–	–	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	–	–	–	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	–	–	–	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	–	–	–	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	–	–	–	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	–	–	–	25,000
Dr. Yung Yau (deceased on 2nd May, 2004)	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	–	–	(25,000)*	–
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	–	–	(25,000)*	–
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	–	(25,000)	–	–
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	–	(25,000)	–	–
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	–	(25,000)	–	–
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	–	(25,000)	–	–
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	–	(25,000)	–	–
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	–	(25,000)	–	–
				400,000	–	(150,000)	(50,000)	200,000
Directors of Galactic								
Directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	16,250	–	–	12,500*	28,750
	25.11.2002	01.12.2003 – 10.11.2012	0.45	16,250	–	–	12,500*	28,750
	25.11.2002	01.06.2004 – 10.11.2012	0.45	16,250	–	–	12,500*	28,750
	25.11.2002	01.12.2004 – 10.11.2012	0.45	16,250	–	–	12,500*	28,750
	25.11.2002	01.06.2005 – 10.11.2012	0.45	16,250	–	–	12,500*	28,750
	25.11.2002	01.12.2005 – 10.11.2012	0.45	16,250	–	–	12,500*	28,750
	25.11.2002	01.06.2006 – 10.11.2012	0.45	16,250	–	–	12,500*	28,750
	25.11.2002	01.12.2006 – 10.11.2012	0.45	16,250	–	–	12,500*	28,750
	09.06.2003	09.06.2003 – 10.11.2012	0.45	41,250	–	–	6,250*	47,500
	09.06.2003	01.12.2003 – 10.11.2012	0.45	41,250	–	–	6,250*	47,500
	09.06.2003	01.06.2004 – 10.11.2012	0.45	41,250	–	–	6,250*	47,500
	09.06.2003	01.12.2004 – 10.11.2012	0.45	41,250	–	–	6,250*	47,500
	09.06.2003	01.06.2005 – 10.11.2012	0.45	41,250	–	–	6,250*	47,500
	09.06.2003	01.12.2005 – 10.11.2012	0.45	41,250	–	–	6,250*	47,500
09.06.2003	01.06.2006 – 10.11.2012	0.45	41,250	–	–	6,250*	47,500	
09.06.2003	01.12.2006 – 10.11.2012	0.45	41,250	–	–	6,250*	47,500	
				460,000	–	–	150,000	610,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	As at 1.1.2004	Number of share options			As at 31.12.2004	
					Granted during the year	Cancelled during the year	Other movements (Notes)		
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	12,500	–	–	(6,250)*	6,250	
	25.11.2002	01.12.2003 – 10.11.2012	0.45	12,500	–	–	(6,250)*	6,250	
	25.11.2002	01.06.2004 – 10.11.2012	0.45	12,500	–	–	(6,250)*	6,250	
	25.11.2002	01.12.2004 – 10.11.2012	0.45	12,500	–	–	(6,250)*	6,250	
	25.11.2002	01.06.2005 – 10.11.2012	0.45	12,500	–	–	(6,250)*	6,250	
	25.11.2002	01.12.2005 – 10.11.2012	0.45	12,500	–	–	(6,250)*	6,250	
	25.11.2002	01.06.2006 – 10.11.2012	0.45	12,500	–	–	(6,250)*	6,250	
	25.11.2002	01.12.2006 – 10.11.2012	0.45	12,500	–	–	(6,250)*	6,250	
	01.06.2004	01.06.2004 – 10.11.2012	0.45	–	18,750	–	–	–	18,750
	01.06.2004	01.01.2005 – 10.11.2012	0.45	–	18,750	–	–	–	18,750
	01.06.2004	01.03.2005 – 10.11.2012	0.45	–	25,000	–	–	–	25,000
	01.06.2004	01.07.2005 – 10.11.2012	0.45	–	18,750	–	–	–	18,750
	01.06.2004	01.01.2006 – 10.11.2012	0.45	–	18,750	–	–	–	18,750
	01.06.2004	01.03.2006 – 10.11.2012	0.45	–	25,000	–	–	–	25,000
	01.06.2004	01.07.2006 – 10.11.2012	0.45	–	18,750	–	–	–	18,750
	01.06.2004	01.01.2007 – 10.11.2012	0.45	–	18,750	–	–	–	18,750
	01.06.2004	01.03.2007 – 10.11.2012	0.45	–	25,000	–	–	–	25,000
	01.06.2004	01.07.2007 – 10.11.2012	0.45	–	18,750	–	–	–	18,750
	01.06.2004	01.01.2008 – 10.11.2012	0.45	–	18,750	–	–	–	18,750
	01.06.2004	01.03.2008 – 10.11.2012	0.45	–	25,000	–	–	–	25,000
					100,000	250,000	–	(50,000)	300,000
	Consultants of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	37,500	–	–	(6,250)*	31,250
25.11.2002		01.12.2003 – 10.11.2012	0.45	37,500	–	–	(6,250)*	31,250	
25.11.2002		01.06.2004 – 10.11.2012	0.45	37,500	–	–	(6,250)*	31,250	
25.11.2002		01.12.2004 – 10.11.2012	0.45	37,500	–	–	(6,250)*	31,250	
25.11.2002		01.06.2005 – 10.11.2012	0.45	37,500	–	–	(6,250)*	31,250	
25.11.2002		01.12.2005 – 10.11.2012	0.45	37,500	–	–	(6,250)*	31,250	
25.11.2002		01.06.2006 – 10.11.2012	0.45	37,500	–	–	(6,250)*	31,250	
25.11.2002		01.12.2006 – 10.11.2012	0.45	37,500	–	–	(6,250)*	31,250	
28.01.2003		01.08.2003 – 10.11.2012	0.45	6,250	–	(6,250)	–	–	
28.01.2003		01.02.2004 – 10.11.2012	0.45	6,250	–	(6,250)	–	–	
28.01.2003		01.08.2004 – 10.11.2012	0.45	6,250	–	(6,250)	–	–	
28.01.2003		01.02.2005 – 10.11.2012	0.45	6,250	–	(6,250)	–	–	
28.01.2003		01.08.2005 – 10.11.2012	0.45	6,250	–	(6,250)	–	–	
28.01.2003		01.02.2006 – 10.11.2012	0.45	6,250	–	(6,250)	–	–	
28.01.2003		01.08.2006 – 10.11.2012	0.45	6,250	–	(6,250)	–	–	
28.01.2003		01.02.2007 – 10.11.2012	0.45	6,250	–	(6,250)	–	–	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued) (c) Share option scheme (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	As at 1.1.2004	Number of share options			As at 31.12.2004
					Granted during the year	Cancelled during the year	Other movements (Notes)	
Consultants of Galactic (continued)								
	09.06.2003	09.06.2003 – 10.11.2012	0.45	6,250	–	–	(6,250)*	–
	09.06.2003	01.08.2003 – 10.11.2012	0.45	6,250	–	(6,250)	–	–
	09.06.2003	01.12.2003 – 10.11.2012	0.45	6,250	–	–	(6,250)*	–
	09.06.2003	01.02.2004 – 10.11.2012	0.45	6,250	–	(6,250)	–	–
	09.06.2003	01.06.2004 – 10.11.2012	0.45	6,250	–	–	(6,250)*	–
	09.06.2003	01.08.2004 – 10.11.2012	0.45	6,250	–	(6,250)	–	–
	09.06.2003	01.12.2004 – 10.11.2012	0.45	6,250	–	–	(6,250)*	–
	09.06.2003	01.02.2005 – 10.11.2012	0.45	6,250	–	(6,250)	–	–
	09.06.2003	01.06.2005 – 10.11.2012	0.45	6,250	–	–	(6,250)*	–
	09.06.2003	01.08.2005 – 10.11.2012	0.45	6,250	–	(6,250)	–	–
	09.06.2003	01.12.2005 – 10.11.2012	0.45	6,250	–	–	(6,250)*	–
	09.06.2003	01.02.2006 – 10.11.2012	0.45	6,250	–	(6,250)	–	–
	09.06.2003	01.06.2006 – 10.11.2012	0.45	6,250	–	–	(6,250)*	–
	09.06.2003	01.08.2006 – 10.11.2012	0.45	6,250	–	(6,250)	–	–
	09.06.2003	01.12.2006 – 10.11.2012	0.45	6,250	–	–	(6,250)*	–
	09.06.2003	01.02.2007 – 10.11.2012	0.45	6,250	–	(6,250)	–	–
	01.06.2004	01.06.2004 – 10.11.2012	0.45	–	50,000	(50,000)	–	–
	01.06.2004	01.01.2005 – 10.11.2012	0.45	–	25,000	(25,000)	–	–
	01.06.2004	01.07.2005 – 10.11.2012	0.45	–	25,000	(25,000)	–	–
	01.06.2004	01.01.2006 – 10.11.2012	0.45	–	25,000	(25,000)	–	–
	01.06.2004	01.07.2006 – 10.11.2012	0.45	–	25,000	(25,000)	–	–
	01.06.2004	01.01.2007 – 10.11.2012	0.45	–	25,000	(25,000)	–	–
	01.06.2004	01.07.2007 – 10.11.2012	0.45	–	25,000	(25,000)	–	–
	23.09.2004	23.09.2004 – 10.11.2012	0.45	–	100,000	–	–	100,000
				<u>450,000</u>	<u>300,000</u>	<u>(300,000)</u>	<u>(100,000)</u>	<u>350,000</u>
Others	09.06.2003	03.05.2004 – 02.05.2005	0.45	–	–	–	25,000*	25,000
	09.06.2003	03.05.2004 – 02.05.2005	0.45	–	–	–	25,000*	25,000
				<u>–</u>	<u>–</u>	<u>–</u>	<u>50,000</u>	<u>50,000</u>
				<u>1,410,000</u>	<u>550,000</u>	<u>(450,000)</u>	<u>–</u>	<u>1,510,000</u>

Notes:

* These options shall be managed by the executrixes of the late Dr. Yung Yau.

The movements represented the reclassification of options from the category of Employees and Consultants to the category of Directors of Galactic.

No option was exercised by the grantees during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Movements in the share options to subscribe for shares in Galactic for the year ended 31st December, 2003 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2003	Granted during the year	As at 31.12.2003	
Directors of the Company							
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2003 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.06.2004 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2004 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.06.2005 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2005 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.06.2006 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2006 – 10.11.2012	0.45	–	25,000	25,000	
Dr. Yung Yau (deceased on 2nd May, 2004)	09.06.2003	09.06.2003 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2003 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.06.2004 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2004 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.06.2005 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2005 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.06.2006 – 10.11.2012	0.45	–	25,000	25,000	
	09.06.2003	01.12.2006 – 10.11.2012	0.45	–	25,000	25,000	
				–	400,000	400,000	
Directors of Galactics	25.11.2002	01.06.2003 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.12.2003 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.06.2004 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.12.2004 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.06.2005 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.12.2005 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.06.2006 – 10.11.2012	0.45	16,250	–	16,250	
	25.11.2002	01.12.2006 – 10.11.2012	0.45	16,250	–	16,250	
	09.06.2003	09.06.2003 – 10.11.2012	0.45	–	41,250	41,250	
	09.06.2003	01.12.2003 – 10.11.2012	0.45	–	41,250	41,250	
	09.06.2003	01.06.2004 – 10.11.2012	0.45	–	41,250	41,250	
	09.06.2003	01.12.2004 – 10.11.2012	0.45	–	41,250	41,250	
	09.06.2003	01.06.2005 – 10.11.2012	0.45	–	41,250	41,250	
	09.06.2003	01.12.2005 – 10.11.2012	0.45	–	41,250	41,250	
	09.06.2003	01.06.2006 – 10.11.2012	0.45	–	41,250	41,250	
	09.06.2003	01.12.2006 – 10.11.2012	0.45	–	41,250	41,250	
					130,000	330,000	460,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2003	Granted during the year	As at 31.12.2003	
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.12.2003 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.06.2004 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.12.2004 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.06.2005 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.12.2005 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.06.2006 – 10.11.2012	0.45	12,500	–	12,500	
	25.11.2002	01.12.2006 – 10.11.2012	0.45	12,500	–	12,500	
				<u>100,000</u>	<u>–</u>	<u>100,000</u>	
Consultants of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.12.2003 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.06.2004 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.12.2004 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.06.2005 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.12.2005 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.06.2006 – 10.11.2012	0.45	37,500	–	37,500	
	25.11.2002	01.12.2006 – 10.11.2012	0.45	37,500	–	37,500	
		28.01.2003	01.08.2003 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.02.2004 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.08.2004 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.02.2005 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.08.2005 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.02.2006 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.08.2006 – 10.11.2012	0.45	–	6,250	6,250
		28.01.2003	01.02.2007 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.08.2003 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.02.2004 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.08.2004 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.02.2005 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.08.2005 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.02.2006 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.08.2006 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.02.2007 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	09.06.2003 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.12.2003 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.06.2004 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.12.2004 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.06.2005 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.12.2005 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.06.2006 – 10.11.2012	0.45	–	6,250	6,250
		09.06.2003	01.12.2006 – 10.11.2012	0.45	–	6,250	6,250
				<u>300,000</u>	<u>150,000</u>	<u>450,000</u>	
				<u>530,000</u>	<u>880,000</u>	<u>1,410,000</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

32. SHARE CAPITAL (continued)

(c) Share option scheme (continued)

The Company considers that it is not appropriate to state the value of the share options granted during the period because generally accepted pricing models of options normally value options which were transferable (share options granted by the subsidiaries were strictly non-transferable). Besides, some parameters under the generally accepted pricing model could only be derived from historical statistical data. Owing to the reasons set out above, the Company considers that any calculation of the value of the subsidiaries' share options would not be meaningful and would be misleading to the shareholders.

The total consideration received during the year from grantees for taking up the options granted is amounted to Nil (2003: HK\$4) for options granted under Apeon Scheme and HK\$3 (2003: HK\$7) granted under Galactic Scheme.

33. SHARE PREMIUM AND RESERVES

Details of the movements on the Group's share premium and reserves are set out in the consolidated statement of changes in equity on page 19.

The retained profits of the Group include HK\$126,157,000 (2003: HK\$100,215,000) retained by associates of the Group.

Details of the movements in the Company's reserves are as follows:

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY						
At 1st January, 2003	529,289	9,234	43,253	4,444	1,114,043	1,700,263
Revaluation decrease	–	(1,500)	–	–	–	(1,500)
Net profit for the year	–	–	–	–	1,211	1,211
Overprovision of dividend due to shares repurchased	–	–	–	(9)	9	–
Interim dividend declared	–	–	–	13,302	(13,302)	–
Dividends paid	–	–	–	(17,737)	–	(17,737)
Final dividend proposed	–	–	–	31,038	(31,038)	–
Shares repurchased	–	–	504	–	(1,008)	(504)
At 31st December, 2003	529,289	7,734	43,757	31,038	1,069,915	1,681,733
Net loss for the year	–	–	–	–	(73,459)	(73,459)
New shares issued as scrip dividend	4,200	–	–	(6,508)	–	(2,308)
Interim dividend declared	–	–	–	13,298	(13,298)	–
Dividends paid	–	–	–	(37,828)	–	(37,828)
Final dividend proposed	–	–	–	31,352	(31,352)	–
Shares repurchased	–	–	65	–	(246)	(181)
At 31st December, 2004	533,489	7,734	43,822	31,352	951,560	1,567,957

The Company's reserves available for distribution to shareholders are as follows:

	2004 HK\$'000	2003 HK\$'000
Dividend reserve	31,352	31,038
Retained profits	951,560	1,069,915
	982,912	1,100,953

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

34. LOANS FROM MINORITY SHAREHOLDERS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Interest-bearing (<i>Note a</i>)	–	293,609
Non-interest-bearing (<i>Note b</i>)	9,210	9,193
	9,210	302,802

Notes:

- (a) The amounts as at 31st December, 2003 were unsecured, subject to interest at 5.76% per annum and were repayable after the settlement of all operating expenses, interest on loans and tax liabilities of the subsidiary. The subsidiary carried the loan was disposed of during the year.
- (b) The amount is unsecured and repayable on 8th March, 2028.

35. DEFERRED TAXATION

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

THE GROUP

	Accelerated tax depreciation HK\$'000	Amortisation on intangible assets HK\$'000	Allowance on trade receivables HK\$'000	Allowance on inventories HK\$'000	Revaluation of properties HK\$'000	Others HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st January, 2003	3,018	2,982	(507)	–	173	7	(66)	5,607
Effect on change in tax rate charge (credit) to income statement	85	–	(47)	–	–	–	–	38
(Credit) charge to income statement for the year	(919)	1,629	43	(29)	–	(4)	(1,885)	(1,165)
Charge to equity	–	–	–	–	915	–	–	915
At 31st December, 2003	2,184	4,611	(511)	(29)	1,088	3	(1,951)	5,395
Charge to income statement for the year	657	2,060	15	8	–	99	331	3,170
Credit to equity	–	–	–	–	(249)	–	–	(249)
At 31st December, 2004	2,841	6,671	(496)	(21)	839	102	(1,620)	8,316

Represented by:

	2004 HK\$'000	2003 HK\$'000
Deferred tax liabilities	11,274	8,324
Deferred tax assets	(2,958)	(2,929)
	8,316	5,395

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

35. DEFERRED TAXATION (continued)

At the balance sheet date, the Group's unused tax losses available for offset against future profits, not recognised as deferred tax assets, are analysed as follows:

	2004 HK\$'000	2003 HK\$'000
2004	N/A	25,565
2005	17,086	73,874
2006	67,902	120,750
2007	22,184	12,701
2008	25,359	46,129
2009	52,422	2,802
2010	8,093	8,093
2011	15,256	15,256
2012	37,870	37,870
2013	5,519	5,519
2014	9,690	–
2018	22,376	22,376
2019	63,782	63,782
2020	20,101	20,101
2021	7,481	7,481
2022	4,230	4,230
2024	9,970	–
Carried forward indefinitely	104,011	126,635
	493,332	593,164

No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses of the subsidiaries in Hong Kong may carry forward indefinitely. The tax losses of the subsidiaries in the PRC and the U.S.A. may be carried forward five years and twenty years respectively from the financial year when the corresponding loss was incurred.

THE COMPANY

	Accelerated tax depreciation HK\$'000	Amortisation of intangible assets HK\$'000	Allowance on trade receivables HK\$'000	Allowance on inventories HK\$'000	Total HK\$'000
At 1st January, 2003	910	–	(508)	–	402
Effect of change in tax rate charge (credit) to income statement	85	–	(47)	–	38
Charge (credit) to income for the year	52	(47)	43	(29)	19
At 31st December, 2003	1,047	(47)	(512)	(29)	459
Credit (charge) to income for the year	(251)	(22)	16	8	(249)
At 31st December, 2004	796	(69)	(496)	(21)	210

For the purposes of balance sheet presentation, the deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

36. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, trade receivable from a customer amounting to approximately HK\$585,000 (2003: HK\$4,046,000) was used to settle the purchase consideration of unlisted debt securities issued by the customer.
- (b) Included in the other operating income is interest income from associates, loans receivable and other debtors amounting to approximately HK\$6,710,000 (2003: HK\$6,358,000), HK\$4,152,000 (2003: nil) and HK\$842,000 (2003: nil) had not yet been settled.
- (c) Proceeds on disposal of property, plant and equipment of approximately HK\$200,000 had not yet been settled at 31st December, 2004.
- (d) At 31st December, 2003, the purchase of taxi licence of approximately HK\$2,723,000 included in tangible assets had not yet been settled. The amount was settled during the year ended 31st December, 2004 at HK\$2,618,000 after adjusting for the exchange difference.
- (e) In addition to above, at 31st December, 2003, the following balances had not yet been settled:
- (i) the consideration for partial disposal of interest in a subsidiary of approximately HK\$214,000; and
 - (ii) the interest expenses payable to minority shareholders of approximately HK\$17,364,000.

37. PLEDGE OF ASSETS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
The pledged bank and other deposits comprise:		
Bank deposits to secure banking facilities granted to a subsidiary of the Company	–	8,428
Other deposits to secure general investment facilities granted to a subsidiary of the Company	–	903
	<u>–</u>	<u>9,331</u>

In addition to above, certain of the Group's investment properties with an aggregate book value of approximately HK\$249,042,000 (2003: HK\$234,007,000) were pledged as securities for credit facilities obtained from bankers. As at the balance sheet date, the amount of bank loans and other loan facilities utilised was approximately HK\$122,619,000 (2003: HK\$65,160,000).

38. CONTINGENT LIABILITIES

As at the balance sheet date, the Group had the following contingent liabilities not provided for in the financial statements:

	2004 HK\$'000	2003 HK\$'000
Shipping and other guarantees granted to an associate	<u>29,092</u>	<u>22,400</u>

The Company, together with certain of its subsidiaries, issued cross guarantees to bankers as part of the security for credit facilities granted to the Company and its subsidiaries.

In addition to above, the Company has issued guarantee of HK\$6,692,000 (2003: Nil) to a supplier of an associate to secure the repayment of trade debts due by the associate to the supplier.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

39. POST BALANCE SHEET EVENTS

- (a) Pursuant to an acquisition agreement dated 7th January, 2005, Allright Investments Limited, an indirect wholly-owned subsidiary of the Company, agreed to acquire 20% of equity interest in Yue Tian Development Limited ("Yue Tian") from the Poly Tianyu (Guangzhou) Limited, with a cash consideration of HK\$3,814,400. The Group has also committed to inject shareholder's loan of HK\$60,000,000 to Yue Tian. Details of this transaction are set out in the circular to the shareholders of the Company dated 25th January, 2005.
- (b) On 27th January, 2005, Sybond Venture Limited ("Sybond"), a wholly-owned subsidiary of the Company, entered into two agreements for acquisition of shares of Appeon, a non wholly-owned subsidiary of Sybond, from Mr Gao Yang and Mr. Zheng John Shi (who resigned on 27th January, 2005 as the director of Appeon), both were the directors and the shareholders of Appeon. Upon completion of the agreements, the percentage shareholding of Sybond in Appeon will increase from 77.28% to 91.97%. Details of these transactions are set out in the announcement of the Company dated 31st January, 2005.

40. CAPITAL COMMITMENTS

As at the balance sheet date, the Group and the Company had commitments as follows:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Contracted for but not provided in the financial statements:				
Establishment of a joint venture to develop manufacturing facilities in the PRC	3,899	3,943	–	–
Additions to property, plant and equipment	2,772	555	336	–
	<u>6,671</u>	<u>4,498</u>	<u>336</u>	<u>–</u>

41. OPERATING LEASE COMMITMENTS

The Group/Company as lessee

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	<u>3,556</u>	<u>703</u>	<u>1,316</u>	<u>1,264</u>

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	4,214	3,188	1,200	1,200
In the second to fifth year inclusive	4,152	5,915	3,300	4,500
	<u>8,366</u>	<u>9,103</u>	<u>4,500</u>	<u>5,700</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for period ranging from one to five years and rentals are fixed over the contracted period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

41. OPERATING LEASE COMMITMENTS (continued)

The Group/Company as lessor

Property rental income earned during the year was approximately HK\$60,653,000 (2003: HK\$58,663,000). The investment properties of the Group are expected to generate average gross rental yields of 10% on an ongoing basis. All of the investment properties held have committed tenants ranging from one to nine years.

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

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	57,940	54,641	4,768	2,973
In the second to fifth year inclusive	180,213	167,898	2,272	975
Over five years	63,089	97,420	–	–
	301,242	319,959	7,040	3,948

42. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties.

	Notes	Minority shareholders		Associates		Related company	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Purchases from	(a)	21,612	54,466	–	–	–	–
Interest paid to	(b)	10,622	17,881	–	–	–	–
Commission received from	(c)	415	923	–	–	–	–
Interest received from	(b)	–	–	6,710	6,358	–	–
Commission paid to	(d)	–	–	338	142	30	64

Notes:

- The transactions were carried out at cost plus a percentage profit mark-up.
- The transactions were based on interest rates agreed by the parties concerned.
- The transactions were based on an agreed rate charged on trading of goods.
- The transactions were based on a fixed rate charged on the value of trading of securities on an agreed amount for the commission paid to a related company and on the provision of property leasing management services for commission paid to associates. The commission for trading of securities was paid to a company in which one of the independent non-executive Directors of the Group had a beneficial interest.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Apeon Corporation	British Virgin Islands	Ordinary	3,658,032 shares of US\$0.01 each	–	77.28%	Investment holding
Dong Wen Investments Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Securities trading
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US\$1	–	100%	Property investment
Full Revenue Inc.	Samoa	Ordinary	1 share of US\$1	100%	–	Investment holding
Galactic Computing Corporation	British Virgin Islands	Ordinary	10,399,702 shares of US\$0.01 each	–	100%	Investment holding
Guangdong Macro Cables Co., Ltd.	PRC (Note a)	Paid up capital	US\$20,960,000	–	98%	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Company Limited	PRC (Note a)	Paid up capital	HK\$15,000,000	–	95%	Taxi operations
Kinder Limited	Samoa	Ordinary	1 share of US\$1	–	100%	Investment holding
Kirton Corporation	Samoa	Ordinary	1 share of US\$1	–	100%	Property investment
Quanta Global Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Trading of electric fans
Quickjay Management Limited	British Virgin Islands	Ordinary	50,000 shares of US\$1 each	100%	–	Investment holding
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US\$10 each	100%	–	Trading of electric fans
Shell Electric Mfg. (China) Sdn. Bhd.	Malaysia	Ordinary	2 shares of RM1 each	100%	–	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	Samoa	Ordinary	1 share of US\$1	100%	–	Trading of electric fans
Shunde Hua Feng Stainless Steel Welded Tubes Limited	PRC (Note a)	Paid up capital	US\$6,792,000	–	90.1%	Manufacturing and trading of welded tubes
佛山市順德區蜆華多媒體制品有限公司	PRC (Note b)	Paid up capital	US\$10,003,300	–	100%	Manufacturing and trading of electrical appliances
SMC Cable Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
SMC Development Corp.	USA	Ordinary	1,000 Shares of US\$10 each	–	100%	Property development

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place/country of incorporation/ operation	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
SMC Home Products Corp.	Canada	Ordinary	2,100,100 shares of CAN\$1 each	100%	–	Property investment
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Property investment
SMC Marketing Corp.	USA	Ordinary	10,000 shares of US\$1,021 each	100%	–	Marketing of the Group's products
SMC Microtronic Company Limited	Hong Kong	Ordinary	10,000 shares of HK\$1 each	100%	–	Provision of management services
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Trading of electrical appliances
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	–	100%	Design, management and trading of electrical appliances
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Investment holding
SMC Steel Pipes Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Speed Power Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Trading of electric fans
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Vineyard Management Company	USA	Ordinary	1,000 shares of US\$10 each	–	100%	Property investment
業盈置業(深圳)有限公司	PRC (Note b)	Paid up capital	HK\$10,000,000	–	100%	Property investment
正陽軟件(深圳)有限公司	PRC (Note b)	Paid up capital	HK\$9,000,000	–	77.28%	Computer software development
Galactic Computing (Shenzhen) Limited	PRC (Note b)	Paid up capital	HK\$3,000,000	–	100%	Computer software and hardware development

Notes:

- (a) The Companies are incorporated in the PRC as cooperative or equity joint ventures.
- (b) The Companies are incorporated in the PRC as wholly foreign owned enterprises.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A complete list of all the subsidiaries of the Group will be annexed to the next annual return of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

44. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associated company	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
MDCL-Frontline (China) Limited	British Virgin Islands	Ordinary	65,269,561 shares of HK\$1 each	–	24.65%	Trading of computer equipment and provision of computer software support services
China Dynasty Development Ltd.	British Virgin Islands	Ordinary	1,000 shares of US\$1 each	–	40%	Property investment
Hong Kong Construction SMC Development Limited	Hong Kong	Ordinary	10,000,000 shares of HK\$1 each	–	20%	Investment holding
Kumagai SMC Development (Guangzhou) Ltd.	PRC	Paid up capital	US\$59,000,000	–	20%	Property development

FINANCIAL SUMMARY

RESULTS

	For the year ended 31st December,				2004 HK\$'000
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	
Turnover	2,670,481	2,212,043	1,398,211	2,000,425	2,051,306
Profit (loss) from ordinary activities before taxation	86,681	5,782	(46,375)	79,224	142,421
Taxation	(4,122)	(4,631)	(18,236)	(8,759)	(18,777)
Profit (loss) before minority interests	82,559	1,151	(64,611)	70,465	123,644
Minority interests	13,199	27,127	(3,454)	17,354	14,239
Net profit (loss) for the year	95,758	28,278	(68,065)	87,819	137,883
	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings (loss) per share					
Basic	18 cents	6 cents	(14 cents)	20 cents	31 cents
Diluted	18 cents	N/A	N/A	20 cents	N/A

ASSETS AND LIABILITIES

	At 31st December,				2004 HK\$'000
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	
Total assets	2,629,775	2,706,235	2,491,744	2,583,992	2,656,636
Deduct:					
Total liabilities	(665,948)	(761,932)	(652,148)	(718,040)	(585,024)
Minority interests	88,539	106,924	81,078	99,564	(3,781)
Shareholders' funds	2,052,366	2,051,227	1,920,674	1,965,516	2,067,831

PARTICULARS OF MAJOR PROPERTIES

At 31st December, 2004

(A) PROPERTIES HELD AS PROPERTY, PLANT AND EQUIPMENT

Name/location	Type	Gross floor area	Effective % held	Stage of completion	Lease terms
Shell Industrial Building 12 Lee Chung Street Chaiwan, Hong Kong (Note)	Industrial premises	132,194 sq.ft. (including roof area 3,074 sq.ft.)	100%	100%	Long-term
No. 18 San Yue East Rd., Beijiao Industrial Park, Beijiao Town Shunde, Guangdong Province, People's Republic of China	Industrial premises	62,805 sq.m.	100%	100%	Medium-term
4th Floor, Kantone Centre, 1 Ning Foo Street, Chaiwan, Hong Kong	Industrial premises	4,860 sq.ft.	100%	100%	Long-term
1931 N. Great South- West Parkway, Grand Prairie, Texas, U.S.A.	Commercial premises and warehouse	97,134 sq.ft.	100%	100%	Freehold
Unit A, 22/F., Bai He Garden, Block 2, Po Bei Road 999 Nong Tsui Wai Region, Shanghai City, Shanghai, PRC	Staff quarters	161.19 sq.m.	100%	100%	Long-term
中國廣東省順德市 大良區紅崗村委會 飛鵝崗162號 及168號	Industrial premises	55,281 sq.m. (site area of land)	100%	100%	Medium-term
中國廣東省順德市 大良區紅崗居委 紅崗村尾杏良公路 羅賓路段	Industrial premises	35,860 sq.m.	100%	100%	Medium-term

Note: Partly classified as property, plant and equipment and partly as investment properties.

PARTICULARS OF MAJOR PROPERTIES

At 31st December, 2004

(B) PROPERTIES HELD FOR INVESTMENT

Location	Type	Gross floor area	Effective % held	Stage of completion	Lease terms
Tak King Industrial Building, Lower ground floor, 27 Lee Chung Street, Chaiwan, Hong Kong	Industrial premises	9,384 sq.ft.	100%	100%	Long-term
City of Livermore, County of Alameda, California, U.S.A. (Phases I & II)	Commercial complex	237,913 sq.ft. (Site area – 19.59 acres)	100%	100%	Freehold
The whole of level 63 & 14 office units of CITIC Plaza Office Tower 233 Tianhe North Road, Tianhe Ju, Guangzhou Guangdong, PRC	Commercial	4,478 sq.m.	100%	100%	Medium-term
280 Shields Court, Markham, Ontario, Canada	Commercial premises and warehouse	87,130 sq.ft. (site area of land)	100%	100%	Freehold
中國廣東省深圳市福田 保稅區紅棉道 B105-19-3地段	Hi-tech Industrial factory premises	31,348 sq.m. (site area of land)	100%	100%	Medium-term

(C) PROPERTIES HELD BY ASSOCIATES

Location	Type	Gross floor area	Effective % held	Stage of completion
CITIC Plaza, Junction of Tianhe North Road, Lim Ho Mid Road and Lim Ho West Road Guangzhou Guangdong, PRC (excluding partly of office units)	Commercial	35,305 sq.m.	20%	100%
CITIC Plaza, Junction of Tianhe North Road, Lim Ho Mid Road and Lim Ho West Road Guangzhou Guangdong, PRC (partly of office units)	Commercial Complex	45,731 sq.m.	40%	100%