Notes to the Financial Statements

For the year ended 31 December 2003

1. GENERAL

The Company was incorporated in the Cayman Islands on 18 September 2001 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The Company is principally engaged in the investment in listed and unlisted companies.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investments in securities.

In the current year, the Group has adopted, for the first time, the following Statement of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003:

SSAP 12 (revised): Income taxes

The adoption of this standard has had no material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment is required.

The principal accounting policies adopted are as follows:

(a) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

(b) SUBSIDIARIES

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. A subsidiary is considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) REVENUE RECOGNITION

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Revenue from sale of investment in securities is recognised on a trade-date basis.

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

(d) INCOME TAX

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(e) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation of property and equipment is calculated to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Over the term of the lease
Furniture, fixtures and office equipment	20%
Computer equipment	20%
Motor vehicles	20%

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) PROPERTY AND EQUIPMENT *(continued)*

Major costs incurred in restoring property and equipment to their normal working condition are charged to the consolidated income statement. Improvements are capitalised and depreciated over their expected useful lives.

The gain or loss on disposal of a property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the consolidated income statement.

(f) IMPAIRMENT

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. 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, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(g) INVESTMENT IN SECURITIES

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

At subsequent reporting dates, investments in securities are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

(h) OPERATING LEASES

Leases when substantially all the rewards and risks of ownership of assets remain with the leasing company are classified as operating lease. Rental payable under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the respective leases.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(i) PROVISION AND CONTINGENCIES

A provision is recognised when there is a present obligation, legal or constructive, as a result of past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

(j) RETIREMENT BENEFITS SCHEME

Costs of retirement benefits scheme are recognised as an expense in the period in which they fall due.

(k) FOREIGN CURRENCY TRANSLATION

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

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

(l) RELATED PARTIES

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

3. SEGMENT REPORTING

The Group is principally engaged in investment in listed and unlisted companies and all the activities of the Group are based in Hong Kong.

4. TURNOVER

	2003	2002
	HK$	*HK$*
Proceeds on disposal of investments in securities	**500,000**	–

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2003	2002
	HK$	*HK$*
Asset management fee	**479,970**	500,000
Auditors' remuneration	**45,000**	55,000
Depreciation	**90,958**	46,442
Interest on bank overdraft	**–**	2,219
Loss on disposal of property and equipment	**104,103**	39,810
Operating lease rentals in respect of office premises	**302,729**	177,652
Staff costs (including directors' remuneration)		
– Salaries and other benefits	**1,404,341**	2,048,683
– Contributions to retirement benefits scheme	**33,438**	60,365
	1,437,779	2,109,048

6. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as the Group has no assessable profits for the year (2002: Nil).

Details of the potential deferred taxation not provided for are set out in note 16 to the financial statements.

7. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the loss for the year of HK$4,561,723 (2002: HK$5,644,294) and the weighted average number of 80,000,000 (2002: 79,835,616) ordinary shares during the year.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares during the years.

8. RETIREMENT BENEFITS SCHEME

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,000 per month and thereafter contributions are voluntary.

The contributions paid for the year ended 31 December 2003 were approximately HK$33,438 (2002: HK$60,365). As at 31 December 2003, there were no material forfeitures available to offset the Group's future contributions (2002: Nil).

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) The aggregate amounts of emoluments payable to directors during the year are as follows:

	2003	2002
	HK$	*HK$*
Fees	**–**	–
Other emoluments		
– Salaries and other benefits	**1,080,467**	1,213,213
– Contributions to retirement benefits scheme	**19,825**	26,319
	1,100,292	1,239,532

The amounts disclosed above include other emoluments of HK$180,967 (2002: HK$183,548) payable to independent non-executive directors.

The aggregate emoluments paid to six directors during the year were within the band of nil to HK$1,000,000.

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(ii) Of the five individuals with the highest emoluments in the Group, three (2002: three) were directors of the Company whose emoluments are included in (i) above. The remunerations of the remaining two (2002: two) individuals were as follows:

	2003	2002
	HK$	*HK$*
Basic salaries and allowances	**268,649**	454,226
Contribution to retirement benefits scheme	**13,432**	20,926
Compensation for loss of office paid:		
– Contractual	**–**	19,000
– Others	**–**	27,636
	282,081	521,788

(ii) During the year, no emolument was paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Company or as compensation of loss of office (2002: Nil).

The emoluments of all the five highest paid individuals (2002: five) for the years ended 31 December 2002 and 2003 were within the band of nil to HK$1,000,000.

10. PROPERTY AND EQUIPMENT

The Group and the Company

	Leasehold improve-ments	Computer equipment	Furniture, fixtures and office equipment	Motor vehicle	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cost					
At 1/1/2003	87,012	58,476	71,825	–	217,313
Additions	2,700	2,650	3,738	200,956	210,044
Disposal	–	–	(33,610)	(200,956)	(234,566)
At 31/12/2003	89,712	61,126	41,953	–	192,791
Accumulated depreciation					
At 1/1/2003	7,251	11,518	8,945	–	27,714
Charge for the year	44,706	12,079	12,050	22,123	90,958
Eliminated on disposal	–	–	(8,340)	(22,123)	(30,463)
At 31/12/2003	51,957	23,597	12,655	–	88,209
Net book value					
At 31/12/2003	37,755	37,529	29,298	–	104,582
At 31/12/2002	79,761	46,958	62,880	–	189,599

11. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2003	2002
	HK$	*HK$*
Investments at costs:		
Unlisted shares	**16**	16
Due from subsidiaries *(Note a)*	**22,804**	24,964
	22,820	24,980

(a) The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms.

(b) Details of the subsidiaries as at 31 December 2003 are as follows:

Name of subsidiary	**Country of incorporation/ operation**	**Class of shares held**	**Paid up issued ordinary share capital**	**Proportion of nominal value of issued capital directly held by the Company**	**Principal activity**
Topkey International Limited	British Virgin Islands	Ordinary	US$1	100%	Inactive
Asiawin International Limited	British Virgin Islands	Ordinary	US$1	100%	Inactive

12. INVESTMENTS IN SECURITIES

The Group and the Company

	Other investments	
	2003	2002
	HK$	*HK$*
Equity securities:		
Listed in Hong Kong	**2,496,920**	1,280,000
Unlisted shares	**8**	–
	2,496,928	1,280,000
Market value of securities listed in Hong Kong	**2,496,920**	1,280,000

Included in other investments is an amount of HK$8 in respect of the Group's investment in Greater Achieve Limited. Although Greater Achieve Limited is a subsidiary of the Group, it has not been consolidated because the investment was acquired in December 2003 exclusively with a view to its disposal in the near future. The investment is therefore accounted for as an other investment under SSAP 24, and is carried at fair value, with valuation movements dealt with in the income statement.

13. PLEDGED BANK DEPOSITS

The Group and the Company

At 31 December 2003, bank deposits amounting to HK$Nil (2002: HK$90,000) have been pledged to secure outstanding corporate credit card balances of HK$Nil (2002: HK$19,326).

14. SHARE CAPITAL

The Company

	Number of shares		**Share capital**	
	2003	2002	**2003**	2002
			HK$	*HK$*
Authorised:				
Ordinary shares of HK$0.01 each	**600,000,000**	600,000,000	**6,000,000**	6,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**80,000,000**	80,000,000	**800,000**	800,000

15. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 3 December 2001. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to subscribe for shares in the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant, without prior approval from the Company's shareholders.

HK$1 per option is payable on the acceptance of an option offer. Options may be exercised in accordance with the terms of the Share Option Scheme at any time during the five-year period commencing on the date upon which the option is accepted by the grantee and expiring on the last day of the five-year period or the expiry of the tenth anniversary of the Share Option Scheme, whichever is the earlier.

The exercise price is determined by the Board of Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Share Option Scheme will remain in force for a period of 10 years commencing on 3 December 2001.

No option had been granted or agreed to be granted under the Share Option Scheme from the date of adoption of the scheme.

16. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the Group has unused tax losses of approximately HK$8,470,000 (2002: HK$4,600,000). No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Temporary differences arising in connection with property and equipment and investment in securities are insignificant.

17. OPERATING LEASE COMMITMENTS

As at 31 December 2003, the Group and the Company had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2003	2002
	HK$	*HK$*
Within one year	**242,725**	306,600
After one year but within five years	**–**	242,725
	242,725	549,325

18. RELATED PARTY TRANSACTION

During the year, the Group disposed of motor vehicle with net book value of HK$178,833 to a director who resigned during the year for a consideration of HK$100,000. The consideration was determined by the directors on the basis of estimated market value.

19. POST BALANCE SHEET EVENTS

(a) The investment in Great Achieve Limited was subsequently sold to Equity Reward Limited for a consideration of approximately HK$4,695,600 resulting in profit on disposal of approximately HK$67,736.

(b) The Company has entered into a Sale and Purchase Agreement with Mr. Lam Kwing Wai, Alvin ("Vendor") to purchase 1 share legally and beneficially owned by the Vendor in Crystal Shine Limited (representing 50% of the entire issued share capital of the company) for a consideration of HK$5,000,000 on 20 February 2004.

(c) The Company has entered into a Sale and Purchase Agreement with Top Result International Limited ("Vendor") to purchase 2,500,000 shares beneficially owned by the Vendor in Hennabun Management Inc. (representing 0.796% of the entire issued share capital of the company) for a consideration of HK$5,000,000 on 20 February 2004.

(d) Subsequent to the balance date, the Company proposed to raise approximately HK$50,000,000 before expenses by way of an open offer of 400,000,000 offer shares at the subscription price of HK$0.125 per offer share on the basis of 5 offer shares for every 1 share held by the qualifying shareholders as at 13 April 2004.