CO-WINNER ENTERPRISE LIMITED
匯盛實業有限公司*

(formerly known as "Grandmass Enterprise Solution Limited")

(incorporated in Bermuda with limited liability)

Annual Report 2004

* *For identification purposes only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "GEM")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

This report, for which the directors of Co-winner Enterprise Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to Co-winner Enterprise Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. TAI Chi-ching
Mr. ZHAO Ming

NON-EXECUTIVE DIRECTOR
Ms. KWONG Wai-Man, Karina

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. CHEN Pei
Ms. MA Lee *FCPA (Practising) CPA (Aust.)*
Mr. PENG Feng

REGISTERED OFFICE
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Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
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Hong Kong

QUALIFIED ACCOUNTANT
Ms. LEE Wai-yee *ACCA CPA*

AUDIT COMMITTEE
Mr. CHEN Pei
Ms. MA Lee *FCPA (Practising) CPA (Aust.)*
Mr. PENG Feng

COMPLIANCE OFFICER
Mr. TAI Chi-ching

AUTHORISED REPRESENTATIVES
Mr. TAI Chi-ching
Ms. LEE Wai-yee *ACCA CPA*

COMPANY SECRETARY
Ms. LEE Wai-yee *ACCA CPA*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
The Bank of Bermuda Limited
6 Front Street
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Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tengis Limited
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GEM STOCK CODE
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AUDITORS
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
6/F Wheelock House
20 Pedder Street
Central
Hong Kong

Cheung & Siu
Certified Public Accountants
Suite 603, Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

MANAGEMENT STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Co-winner Enterprise Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I hereby present the fifth annual report of the Group since the listing of the Company's shares on the GEM on 14 July 2000.

FINANCIAL RESULTS

For the year ended 31 December 2004, the Group recorded consolidated loss attributable to shareholders of approximately HK$14,023,000.

DIVIDENDS

No interim dividend was paid for the year ended 31 December 2004 and the Board does not recommend the payment of any final dividend.

MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS AND FUTURE PROSPECTS

In addition to the provision of manufacturing decision support system and computerization consulting services and licensing to manufacturers and traders in Hong Kong and other regions in the PRC, the Group has diversified itself into the business of providing telephone sets subcontracting services in the PRC during the year under review. Besides, the Group is also involved in the provision of information technology consultancy services, customized software development services, computer system integration, system development support services and investment holding.

Owing to the unfavourable market sentiments prevailing in the information technology market, operations in that specific area were temporarily ceased during the year under review. The management has put forth considerable efforts in regaining the vitality of the Company. The introduction of telephone sets subcontracting services has broadened the revenue base of the Group and diversified the Group's investment. Hence, relatively steady revenue inflow has been generated though time is needed to bring such new operations in harmonious conformity with the Group's existing investments.

Reference were made to the annual report 2003 of the Company, the management is still exploring opportunities to properly re-engineer those non-performing and below expectation operations of the Group. It is decided to continue adopting prudent accounting policies in evaluating such investment projects. For that reason, certain accounting provision have been provided accordingly to further write down the book value of such investments.

PROSPECT

Given the strong economic rebound in Hong Kong during early 2005, the Group would keep on its cautious and prudent approach in evaluating any new investment opportunities.

Having its business operations widened to incorporate new activities, the management would focus on fine-tuning its existing operations and strive for the long term returns for the Company and our shareholders.

MANAGEMENT STATEMENT

LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are basically managed and controlled at the corporate level. There is no significant change in respect of treasury and financing policies from the information disclosed in the Group's latest annual report.

Being part of the HK$11,590,000 consideration, cash amounted to HK$9,500,000 was being applied for acquiring certain telephone sets subcontracting services business during the year. Such acquisition was being financed by internal resources of the Group.

As at 31 December 2004, cash and bank balances of the Group was approximately HK$641,000 (2003: HK$9,618,000), The Group has no bank borrowings throughout the year under review.

Total borrowing of the Group amounted to approximately HK$50,000 (2003: HK$61,000), representing obligation under a finance lease contract with an interest rate of approximately 4.5% per annum and average lease term of approximately five years. Except for the finance lease contract for the Group's office equipment, the Group did not have any mortgage or charge on assets as at 31 December 2004 (2003: Nil).

As at 31 December 2004, the Group's gearing ratio was 0.30% representing a percentage of long term liabilities over total assets (2003: 0.31%).

EXPOSURE IN EXCHANGE RATE FLUCTUATIONS

Since the functional currencies of the Group's operations are HK Dollars and RMB, the Board considers that the exchange rate risk of the Group is minimal.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my deepest gratitude to all management and staff members for their precious commitments and contributions, and to thank shareholders for their continuing confidence in the Group. We will make every endeavor to explore potential opportunities for our business growth, creating a promising future for the Group as well as our valuable shareholders.

On behalf of the Board

TAI Chi-ching
Executive Director

Hong Kong
24 March 2005

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Mr. TAI Chi-ching, aged 45, was appointed as an executive director, compliance officer and authorized representative of the Company in February 2005. He is responsible for formulation of corporate strategy and the Group's management. He obtained a bachelor's degree in International Trade from Tamkang University and has approximately two decades of experience in financial field. Mr. Tai is presently the director of TIS Securities (Hong Kong) Limited. He was appointed as a director of AVANTA Investment Management Limited in May 2001. Mr. Tai is a responsible officer of Dealing in Securities, Dealing in Futures Contracts, Advising on Securities and Advising on Corporate Finance (Types 1, 2, 4 and 6) registered with the SFC under the Securities and Futures Ordinance, Cap. 571. He is also a qualified principal supervisor of the sponsor of GEM Board in Hong Kong Stock Exchange.

Mr. ZHAO Ming, aged 47, was appointed as an executive director of the Company in October 2003. He was formerly an independent non-executive director of the Company in 2002. He is responsible for overall steering of the Group's management. He has worked in various enterprises for over 20 years in Hong Kong and the PRC and has extensive experience in sales co-ordination and general management. His sales and marketing network is far-reaching especially in China. He was served as a general manager of Beijing Marrison World Business Information Systems Company Limited, a telecommunication and network company in the PRC. Mr. Zhao has extensive experience in the management of information telecommunication companies.

NON-EXECUTIVE DIRECTORS

Ms. KWONG Wai-man, Karina, aged 35, was appointed as an executive director of the Company in April 2002 and re-designated as a non-executive director of the Company in February 2005. She holds a degree of Business Administration from the Simon Fraser University, Canada and has over 10 years' experience in accounting, financial, administration and resource management. Prior to joining the Group in June 2001, she worked for sizable organizations in various industries as senior managerial and financial executive in both Canada and Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEN Pei, aged 46, was appointed as an independent non-executive director of the Company in October 2003. He graduated from the department of statistics of Renmin University of China, the PRC. He used to be the Head of the National Scientific Development Committee. He has been an entrepreneur since 1994 and his investment portfolios include international trading, pharmaceutical products and bio-technology businesses. Mr. Chen's businesses spread over China and United States of America. His extensive experience and business network will definitely benefit our Company's further business development. Pursuant to Rule 5.09 of the GEM Listing Rules, an annual confirmation of independence was received from Mr. Chen.

Ms. MA Lee, aged 40, was appointed as independent non-executive director and audit committee member of the Company in September 2004. She is a practicing accountant and has over 15 years of experience in public accounting, financial control and investment in HK and China. Ms. Ma is a fellow member of Hong Kong Institute of Certified Public Accountants and a certified practicing accountant of Australian Society of Certified Practicing Accountants. She graduated from the Australian National University with a bachelor degree in commerce. Pursuant to Rule 5.09 of the GEM Listing Rules, an annual confirmation of independence was received from Ms. Ma.

Mr. PENG Feng, aged 43, was appointed as independent non-executive director and audit committee member of the Company in November 2004. He is the Chairman of Shenzhen Loyll Chemical Engineering Limited. He holds a bachelor degree in chemical engineering from Nanchang University (formerly known as Jiangxi Polytechnic University) and has over 13 years' experience in chemical industry. Mr. Peng is currently working as Director in Shenzhen Loyll Chemical Engineering Limited. Pursuant to Rule 5.09 of the GEM Listing Rules, an annual confirmation of independence was received from Mr. Peng.

COMPANY SECRETARY

Ms. LEE Wai-yee, aged 30, was appointed as company secretary, qualified accountant and authorized representative of the Company in March 2005. She is responsible for overseeing the company secretarial matters as well as financial functions of the Group. Ms. Lee is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants with eight years of working experience.

DIRECTORS' REPORT

The directors herein present their annual report and the audited financial statements of the Company and of the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 14 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution by principal business segments during the year are set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's financial results for the year ended 31 December 2004 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 17 to 57.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2004.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated/combined results of the Group for the last five financial years and of the assets and liabilities of the Group for the last five financial years, respectively, prepared on the basis set out in the note 2.

Results

	Year ended 31 December				
	2004	2003	2002	2001	2000
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	**2,287**	1,020	3,444	3,300	11,624
LOSS BEFORE TAX	**(14,141)**	(9,961)	(23,456)	(22,496)	(10,779)
Taxation	**–**	–	–	–	30
LOSS AFTER TAX	**(14,141)**	(9,961)	(23,456)	(22,496)	(10,749)
MINORITY INTERESTS	**118**	121	619	177	–
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	**(14,023)**	(9,840)	(22,837)	(22,319)	(10,749)

Assets and Liabilities

	As at				
	2004	2003	2002	2001	2000
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS	**10,370**	4,639	11,933	8,452	6,007
NET CURRENT (LIABILITIES)/ASSETS	**(6,951)**	10,724	8,285	5,549	24,671
NON-CURRENT LIABILITIES	**(39)**	(50)	(13)	(40)	(828)
NET ASSETS	**3,380**	15,313	20,205	13,961	29,850

Notes:

1. The results, assets and liabilities of the Group presented above have been prepared on the basis as if the group structure, at the time when the corporate reorganisation was completed prior to the listing of the shares of the Company on the GEM, had been in existence throughout the years concerned.

2. The results of the Group for the year ended 31 December 2000, 2001 and 2002 and the assets and liabilities of the Group as at 31 December 2000, 2001 and 2002 were extracted from the Company's annual report for the year ended 31 December 2000, 2001 and 2002. The above financial summary as of and for the year ended 31 December 2003 and 2004 have been extracted from the audited financial statements of the Group set out on pages 17 to 57 of the annual report.

FIXED ASSETS

Details of movements of the fixed assets of the Group are set out in note 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

BORROWINGS

Details of the borrowings of the Group are set out in note 20 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and details of the share option scheme are set out in note 22 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2004, the Company has no distributable reserve calculated under the Companies Act 1981 of Bermuda and the Company's bye-laws.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year and up to the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 100% of the total sales for the year and sales to the largest customer included therein amounted to 90%. Purchases from the Group's five largest suppliers accounted for 51% of the total purchases for the year and purchases from the largest supplier included therein amounted to 26%.

To the best of the directors' knowledge, neither the directors, their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

DIRECTORS

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

Executive directors:

Mr. TAI Chi-ching	*(appointed on 16 February 2005)*
Mr. ZHAO Ming	
Ms. KWONG Wai-man, Karina	*(re-designated as non-executive director on 15 February 2005)*

Non-executive director:

Mr. NG Ming-wah	*(resigned on 8 March 2005)*
Ms. KWONG Wai-man, Karina	*(re-designated as non-executive director on 15 February 2005)*

Independent non-executive directors:

Mr. LAU Kwok-kee	*(resigned on 30 September 2004)*
Mr. CHEN Pei	
Ms. MA Lee	*(appointed on 20 September 2004)*
Mr. PENG Feng	*(appointed on 11 November 2004)*

In accordance with the Company's bye-laws, Mr. TAI Chi-ching, Ms. KWONG Wai-man, Karina, Ms. MA Lee and Mr. PENG Feng will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

Biographical details of Directors and Company Secretary of the Group are set out on pages 5 to 6 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. ZHAO Ming, being an executive director of the Company was appointed in October 2003, has entered into a service contract with the Company for an initial term of one year commencing from 8 October 2003. The service contract will continue thereafter until determined by either party giving to the other not less than three months prior written notice.

Mr. TAI Chi-ching, being an executive director of the Company was appointed in February 2005, has entered into a service contract with the Company for an initial term of three years commencing from 16 February 2005. The service contract can be terminated by either party giving to the other not less than three months prior written notice.

Save for the above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

During the year under review, the Group paid legal fee to Lau Lin & Co. (formerly known as K. K. Lau & Co.) for legal services rendered. An independent non-executive director, Mr. Lau Kwok Kee, who was resigned on 30 September 2004, is one of the principal partners of Lau Lin & Co. The transactions were carried out in the normal course of the Group's business and at arm's length basis. The particulars of these transactions are set out in note 28 to the financial statements.

Apart from above, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Company to which the Company, its holding company or any of its subsidiaries was a party during the year.

DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' emoluments and the five highest paid individuals in the Group are set out in note 7 to the financial statements.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 December 2004, none of the directors or chief executive of the Company had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporation which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the Securities (Disclosure of Interests) Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which were required, pursuant to section 29 of the Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules relating to securities transaction by directors, to be notified to the Company and the Stock Exchange.

As at 31 December 2004, none of the directors had any direct or indirect interest in any assets which acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to acquired or disposed of by, or lease to, the Company or any of its subsidiaries.

SHARE OPTION SCHEME

Pursuant to the new share option scheme adopted by the shareholders of the Company on 24 May 2002 (the "New Share Option Scheme"), the Board of the Company may for a consideration of HK$1.00 offer to selected eligible persons (as defined in the circular of the Company dated 6 May 2002) to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the Board in its absolute discretion, in any event, shall not be less than the higher of the nominal value for the time being of each share of the Company, the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the relevant option is granted and the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant option is granted.

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and other schemes of the Company may not, in aggregate, exceed 30% of the issued share capital of the Company from time to time which have been duly allotted and issued.

The New Share Option Scheme became effective for a period of 10 years commencing 24 May 2002 (the date on which the New Share Option Scheme was adopted).

The details and major provisions of the New Share Option Scheme were set out in the circular of the Company dated 6 May 2002.

No options under the New Share Option Scheme had been granted to any persons during the period under review and up to the date of this report.

In compliance with the amended Chapter 23 of the GEM Listing Rules, the New Share Option Scheme supersedes the previous share option scheme adopted by the shareholders of the Company on 29 June 2000 (the "Previous Share Option Scheme"). The Previous Share Option Scheme was terminated on 24 May 2002 accordingly. However, notwithstanding the termination of the Previous Share Option Scheme, the outstanding options previously granted under the Previous Share Option Scheme shall remain valid and exercisable in accordance with the provisions of the Previous Share Option Scheme.

As at 31 December 2004, there are no outstanding options neither being granted previously under the Previous Share Option Scheme nor the New Share Option Scheme.

No options granted pursuant to the Previous Share Option Scheme had been exercised up to 31 December 2004.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the New Share Option Scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangement 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.

As at 31 December 2004, none of the directors or chief executive of the Company held any share options.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, to the best knowledge of the Board and chief executive of the Company, the following persons, not being directors or chief executive of the Company, had interests in five percent (5%) or more in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the Securities and Future Ordinance:

Long position in the shares

Name of shareholder	Capacity	Type of interest	Number of shares held	Approximate percentage of interest
GARRON INTERNATIONAL LIMITED *(note 1)*	Beneficial owner	Corporate	553,430,238	23.36%
FAVOURITE SUCCESS TRADING LIMITED *(note 2)*	Beneficial owner	Corporate	209,000,000	8.82%

Note 1: GARRON INTERNATIONAL LIMITED (formerly known as "FRIEDMANN PACIFIC GREATER CHINA INVESTMENTS LIMITED") is a company incorporated in the Cayman Islands and its shares are listed on the main board of the Stock Exchange.

Note 2: FAVOURITE SUCCESS TRADING LIMITED is a company incorporated in the British Virgins Islands and is wholly and beneficially owned by Mr. Wei Xiping.

Save as disclosed above, the Company had not been notified of any other persons, not being directors or chief executive of the Company, who has relevant interests or short position in the issued share capital of the Company as at 31 December 2004.

EMPLOYEE INFORMATION

During the year, the Company had an average number of employees of 5 (2003: 7). They were remunerated in accordance with their performance and market condition. Other benefit available to eligible employees includes retirement benefits.

ACQUISITION OF SUBSIDIARIES

During the year, the Company through its wholly-owned subsidiary, Grandmass Global Investment Limited, entered into a sale and purchase agreement dated 23 March 2004 to acquire from FAVOURITE SUCCESS TRADING LIMITED, an independent third party, the entire issued share capital of Lucky Force Development Limited ("Lucky Force") at a consideration of HK$11,590,000. Lucky Force is an investment holding company with 66.67% equity interest in Shenzhen Xinhongmao Technology Limited, a sino-foreign joint venture company principally engaged in original equipment manufacturing of telephone sets for wholesalers who distribute products to the United States and Europe under different labels and brand names.

EXPOSURE IN EXCHANGE RATE FLUCTUATIONS

Since the functional currencies of the Group's operations are HK Dollars and RMB, the Board considers that the exchange rate risk of the Group is minimal.

USE OF PROCEEDS

As stated in the circular dated 27 May 2004, 209,000,000 new shares of the Company had been issued, proceeds of approximately HK$2,090,000 was raised. The proceeds are applied as part of the consideration for acquiring the entire issued share capital of Lucky Force.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules during the year under review.

CONTINGENT LIABILITIES

At the balance sheet date, the Group has the following contingent liabilities:

(a) A wholly-owned subsidiary of the Company, Sun-iOMS Limited (formerly known as Grandmass Technology Limited), was a defendant of a legal action brought by its customer. The Directors, after obtaining legal advice, consider that the subsidiary has a strong case in the aforesaid action. In addition, an ex-director of the Company, Mr. Yue Chung Wing, Patrick, has indemnified the Group in respect of all liabilities that may arise or any legal cost that may incur. Therefore, the Directors consider that the above legal case would not have any significant impact on the financial position of the Group, hence, no provision is considered necessary at the balance sheet date.

(b) On 2 March 2000, an independent third party executed a Deed of Guarantee in favour of a wholly-owned subsidiary, Sun-iOMS Maintenance Limited (formerly known as iOMS Grandmass Limited), guaranteeing that the income accrued to the wholly-owned subsidiary arising from the sales of iOMS Millennium Edition Software for a period of 18 months from the date of the guarantee would not be less than HK$15,000,000. However, the aforesaid independent third party has not fulfilled his commitment under the Deed of Guarantee. Hence, the wholly-owned subsidiary and the Company took legal action against the abovementioned independent third party and two ex-directors who resigned in 2001 in respect of the breach of the Deed of Guarantee and their fiduciary duties accordingly. The Directors are of the opinion that the above legal action would not have any significant impact on the financial position of the Group, hence, no provision for legal costs are considered necessary at the balance sheet date.

(c) The wholly-owned subsidiaries of the Company, Sun-iOMS Limited and Sun-iOMS Maintenance Limited, claimed against two former employees for damages for breach of employment contract, duty of good faith and fidelity, fiduciary duties and duty of confidence. The directors are of the opinion that the above legal action would not have any significant impact on the financial position of the Group, hence, no provision for legal costs are considered necessary by the directors at the balance sheet date.

Save as disclosed above, the Company had no contingent liabilities at the balance sheet date.

COMPETING INTEREST

None of the directors or the management shareholder of the Company (as defined in the GEM Listing Rules) or their respective associates had any interest in a business which competed or might compete with the business of the Group.

EVENTS AFTER THE BALANCE SHEET DATE

Change of Company Name

The name of the Company is changed from "Grandmass Enterprise Solution Limited" to "Co-winner Enterprise Limited" with effect from 10 January 2005. The stock short name of the Company under which the shares are traded on the Stock Exchange is changed to "CO-WINNER" with effect from 28 February 2005. Details of the name change have been set out on a circular of the Company dated 17 December 2004.

Capital Reorganisation

On 10 January 2005, every forty (40) issued shares in the Company are consolidated into one (1) consolidated share by a special resolution approved by members of the Company in a special general meeting. The nominal value of each issued consolidated share was then reduced from HK$0.40 each to HK$0.01 each by way of a reduction of capital pursuant to the Companies Act of Bermuda. Accordingly, the issued share capital of the Company was reduced from an amount of HK$23,690,000 to HK$592,250 represented by 59,225,000 consolidated shares. Details of the capital reorganization have been set out on a circular of the Company dated 17 December 2004.

Open Offer

As stated in the circular of the Company dated 17 December 2004 and the prospectus of the Company dated 26 January 2005, 59,225,000 new shares of the Company had been issued under the Open Offer in 24 February 2005, net proceeds of approximately HK$3.2 million net of expenses was being raised. Details of the open offer have been set out on a prospectus of the Company dated 26 January 2005.

Change in Directorships

Mr. TAI Chi-ching was appointed as an executive director of the Company in February 2005. Ms. KWONG Wai-man, Karina was re-designated as a non-executive director of the Company in February 2005.

Change in Auditors

Messrs. HLB Hodgson Impey Cheng and Messrs. Cheung & Siu were appointed as joint auditors of the Company in a special general meeting held on 21 March 2005, to fill the vacancy created by the resignation of RSM Nelson Wheeler and to hold office until the conclusion of the next annual general meeting of the Company. Details of the change of auditors have been set out on a circular of the Company dated 28 February 2005.

AUDIT COMMITTEE

The Company set up an Audit Committee (the "Committee") on 7 July 2000 with written terms of reference being in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. As at 31 December 2004, the Committee comprises three members, namely Ms. MA Lee, Mr. CHEN Pei and Mr. PENG Feng, all of them being independent non-executive directors of the Company. The primary duties of the Committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board, and had held meeting for several times during the year. The Group's financial statements for the year ended 31 December 2004 have been reviewed by the members of the Committee, who were of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

AUDITORS

Messrs. HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants and Messrs. Cheung & Siu Certified Public Accountants were appointed as auditors of the company on 21 March 2005 in succession to Messrs. RSM Nelson Wheeler which were resigned on 27 January 2005.

Messrs. HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants and Messrs. Cheung & Siu Certified Public Accountants retire, and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants and Messrs. Cheung & Siu Certified Public Accountants as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Mr. TAI Chi-ching
Executive Director

Hong Kong
24 March 2005

JOINT AUDITORS' REPORT

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

Cheung & Siu Certified Public Accountants
張、蕭會計師事務所

TO THE SHAREHOLDERS OF
CO-WINNER ENTERPRISE LIMITED
(FORMERLY KNOWN AS GRANDMASS ENTERPRISE SOLUTION LIMITED)
(Incorporated in Bermuda with limited liability)

We as joint auditors have audited the financial statements on pages 17 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of 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 as joint auditors 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 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibilities 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 an 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.

JOINT AUDITORS' REPORT

OPINION

In our opinion as joint auditors of the Company the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 24 March 2005

Cheung & Siu
Certified Public Accountants

Hong Kong, 24 March 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004

	Note	**2004** **HK$'000**	2003 HK$'000
Turnover	3	**2,287**	1,020
Cost of sales		**(2,149)**	(320)
Gross profit		**138**	700
Other revenue		**157**	58
Distribution costs		**–**	(768)
Administrative expenses		**(5,015)**	(3,826)
Impairment loss recognised in respect of goodwill of a subsidiary		**–**	(1,797)
Impairment loss recognised in respect of goodwill of an associate		**(2,702)**	(1,000)
Provision for obsolete inventories		**(4,907)**	–
Provision for amounts due from associates		**(262)**	–
Provision for loan to an associate		**(279)**	–
Other operating expenses		**(1,403)**	(1,699)
Loss from operations	5	**(14,273)**	(8,332)
Finance costs	6	**(3)**	–
Gain on disposal of subsidiaries		**–**	510
Gain on deemed disposal of partial interest in an associate		**135**	313
Loss on disposal of a long term investment		**–**	(1,972)
Share of results of associates		**–**	(480)
Loss before taxation		**(14,141)**	(9,961)
Taxation	8	**–**	–
Loss after taxation		**(14,141)**	(9,961)
Minority interests		**118**	121
Net loss for the year	9, 23	**(14,023)**	(9,840)
Loss per share – basic	11	**HK$(0.25)**	HK$(0.24)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Note	2004 HK$'000	2003 HK$'000
Non-current assets			
Fixed assets	12	**422**	304
Goodwill	13	**9,948**	–
Interests in associates	15	**–**	4,335
		10,370	4,639
Current assets			
Inventories	16	**71**	–
Trade receivables	17	**436**	45
Loan receivable	18	**446**	1,212
Prepayments and deposits		**338**	139
Prepaid tax		**563**	563
Cash and bank balances		**641**	9,618
		2,495	11,577
Current liabilities			
Trade and other payables	19	**9,252**	840
Amount due to an associate	15	**2**	2
Tax payable		**181**	–
Obligations under finance lease – due within one year	20	**11**	11
		9,446	853
Net current (liabilities)/assets		**(6,951)**	10,724
Total assets less current liabilities		**3,419**	15,363
Non-current liabilities			
Obligations under finance lease – due after one year	20	**39**	50
Minority interests		**–**	–
Net assets		**3,380**	15,313
Capital and reserves			
Issued share capital	22	**23,690**	21,600
Reserves	23	**(20,310)**	(6,287)
Shareholders' funds		**3,380**	15,313

Approved by the Board of Directors on 24 March 2005 and signed on its behalf by:

TAI Chi-ching
Director

ZHAO Ming
Director

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

As at 31 December 2004

	Note	2004 HK$'000	2003 HK$'000
Non-current assets			
Fixed assets	*12*	**32**	81
Interests in subsidiaries	*14*	**2,038**	5,630
Amounts due from associates	*15*	**–**	1
		2,070	5,712
Current assets			
Prepayments		**283**	77
Bank balances		**3**	9,456
		286	9,533
Current liabilities			
Amounts due to subsidiaries	*14*	**2,339**	2,576
Amount due to an associate	*15*	**1,256**	1,256
Other payables	*19*	**713**	493
		4,308	4,325
Net current (liabilities)/assets		**(4,022)**	5,208
Net (liabilities)/assets		**(1,952)**	10,920
Capital and reserves			
Share capital	*22*	**23,690**	21,600
Reserves	*23*	**(25,642)**	(10,680)
Shareholders' (deficits)/funds		**(1,952)**	10,920

Approved by the Board of Directors on 24 March 2005 and signed on its behalf by:

TAI Chi-ching
Director

ZHAO Ming
Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	Note	**2004** **HK$'000**	2003 HK$'000
Total equity			
At 1 January		**15,313**	20,205
Rights issue of shares, net of expenses		**–**	4,948
Issue of shares	*22*	**2,090**	–
Net loss for the year	*23*	**(14,023)**	(9,840)
At 31 December		**3,380**	15,313

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Note	**2004**	2003
		HK$'000	*HK$'000*
Cash flows from operating activities			
Loss before taxation		**(14,141)**	(9,961)
Adjustments for:			
Depreciation		**277**	217
Interest received		**(74)**	(48)
Impairment loss recognised in respect of goodwill of a subsidiary		**–**	1,797
Impairment loss recognised in respect of goodwill of an associate		**2,702**	1,000
Amortisation of goodwill		**1,118**	983
Bad debts written off		**285**	33
Provision for amounts due from associates		**262**	302
Provision for loan to an associate		**279**	–
Provision for obsolete inventories		**4,907**	–
Loss on disposals of fixed assets		**–**	349
Gain on disposal of subsidiaries		**–**	(510)
Gain on deemed disposal of partial interest in an associate		**(135)**	(313)
Loss on disposal of a long term investment		**–**	1,972
Share of results of associates		**–**	480
Interest element on finance lease		**3**	–
Operating loss before working capital changes		**(4,517)**	(3,699)
Decrease in inventories		**177**	–
Decrease in trade receivables		**2,673**	125
(Decrease)/increase in trade and other payables		**(8,688)**	159
Decrease in prepayments and deposits		**5,013**	149
Increase in deferred income		**–**	333
Decrease in deposits received		**–**	(276)
Cash used in operations		**(5,342)**	(3,209)
Interest element on finance lease		**(3)**	–
Overseas tax paid		**(937)**	–
Net cash used in operating activities		**(6,282)**	(3,209)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Note	2004 HK$'000	2003 HK$'000
Cash flows from investing activities			
Acquisition of interest in a subsidiary	25	**(4,025)**	–
Increase in loan receivable		**–**	(1,212)
Repayment of loan receivable		**766**	–
Increase in amount due from associates		**(201)**	–
Repayment from associate		**744**	467
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	24	**–**	(1,485)
Proceeds from disposal of partial interest in an associate		**–**	152
Proceeds from disposal of a long term investment		**–**	1,644
Purchases of fixed assets		**(42)**	(218)
Proceeds from disposals of fixed assets		**–**	15
Interest received		**74**	48
Net cash used in investing activities		**(2,684)**	(589)
Cash flows from financing activities			
Proceeds from Rights Issue		**–**	5,400
Expenses paid in connection with shares issued		**–**	(452)
Capital contributed by minority shareholders		**–**	160
Payment of finance lease liabilities		**(11)**	(10)
Net cash (used in)/generated from financing activities		**(11)**	5,098
Net (decrease)/increase in cash and cash equivalents		**(8,977)**	1,300
Cash and cash equivalents at the beginning of the year		**9,618**	8,318
Cash and cash equivalents at the end of the year		**641**	9,618
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**641**	9,618

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

Co-winner Enterprise Limited (formerly known as Grandmass Enterprise Solution Limited) (the "Company") was incorporated in Bermuda on 19 April 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's principal subsidiaries are set out in note 14 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred to as the "New HKFRS") which are effective for accounting periods commencing on or after 1 January 2005. The Group has not early adopted these New HKFRSs in the financial statement for the year ended 31 December 2004. The New HKFRSs may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

(a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost.

At the balance sheet date, the Group's current liabilities exceeded its current assets by approximately HK$6,951,000.

Notwithstanding the above results, the financial statements have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when they fall due such that the Group can meet its future working capital and financing requirement and the continuing financial support from its shareholder. Subsequent to 31 December 2004, the Company raised approximately HK$3,500,000 from open offer (as detailed in note 31) as additional working capital of the Group. Furthermore, a shareholder of the Company, Favourite Success Trading Limited, has agreed to undertake the trade and other payables amounting to approximately HK$3,880,000. The directors are confident that the Group's future operations will be improved and will be able to generate sufficient cash flows in order to meet its obligations as and when they fall due over the next twelve months. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation

The consolidated financial statements of the Group include the financial statements made up to 31 December each year of the Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal. Minority interests, representing the interests of outside shareholders in the net assets and operating results of subsidiaries, are shown separately in the balance sheet and income statement, respectively.

Intra-group balances and transactions and resulting unrealised profits are eliminated in full. Unrealised losses resulting from intra-group transactions are eliminated unless cost cannot be recovered. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(c) Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's interest in the fair values of the identifiable assets and liabilities acquired as at the date of the exchange transaction. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation period and the amortisation method are reviewed annually at each financial year-end.

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

(d) Subsidiaries

A subsidiary is an enterprise that the Company controls which is normally evidenced when the Company has the power to govern its financial and operating policies so as to benefit from its activities.

In the Company's financial statements, the interests in subsidiaries are stated at cost less accumulated impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(e) Associates

An associate is a company, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results is included in the income statement. The Group's interests in associates are stated in the balance sheet at the Group's share of net assets (plus the premium paid/less any discount on acquisition in so far as it has not already been written off or amortised) under the equity method of accounting less any identified impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Long term investments

Long term investments are investment securities intended to be held for identified long term purposes documented at the time of acquisition or change of purpose and are clearly identifiable for the documented purpose, are stated at cost less any provision for impairment loss. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the income statement. This impairment loss is written back to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(g) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(1) sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provide that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(2) provision of telephone sets subcontracting services when services are performed.

(3) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(h) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Furniture and fixtures	20%
Office and computer equipment	30%
Machineries	18%
Motor vehicle	18%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Fixed assets and depreciation *(Continued)*

The gain or loss arising from disposal or retirement of a fixed asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(i) Leased assets

Leases that transfer substantially all the risks and rewards of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At inception finance leases are capitalised at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Assets held under capitalised finance leases are included in fixed assets and are depreciated over the shorter of the lease terms or the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms. Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases but are depreciated over their estimated useful lives.

(j) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset. 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

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 year. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Provisions and contingent liabilities *(Continued)*

The provision for warranty is recognised based on the management's best estimate of the Group's liability under warranties granted for enquiry and support services on software products based on prior experience.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote.

(l) Taxation

Income tax comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax are recognised for all taxable temporary differences associated with interests in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences 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 deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

(m) Related parties

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 other 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. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(n) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on the straight-line basis over the lease terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits

1) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2) Retirement benefits costs

The Group's contributions to the mandatory provident fund ("MPF") scheme and state-managed retirement benefit scheme are expensed as incurred.

3) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Share option scheme

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 recorded in the income statement or balance sheet for their cost. Upon 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 are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the income statement or balance sheet.

(q) Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash at bank and other financial institutions and cash in hand, net of outstanding bank overdrafts and short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment and those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, borrowings, corporate and financing expenses, and corporate revenue.

(t) Events after the balance sheet date

Post-year-end events that provide additional information about the Group's and the Company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. TURNOVER

The Group's turnover represents the income received from provision of telephone sets subcontracting services and the net invoiced value of goods sold, after allowance for returns and trade discounts where applicable. Turnover of prior year represent sales of software licence and its related services and the provision of maintenance services. The Group discontinued the sales of software license and its related services and the provision of maintenance services during the year. An analysis of the Group's turnover is as follows:

	2004	2003
	HK$'000	HK$'000
Turnover:		
Continuing operations:		
Sales of goods	**182**	–
Provision of telephone sets subcontracting services	**2,105**	–
	2,287	–
Discontinued operations:		
Sales of goods	**–**	864
Provision of maintenance services	**–**	156
	–	1,020
	2,287	1,020

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

(a) Business segments

The Group is principally engaged in the provision of telephone sets subcontracting services, the sales of software licence and its related services and the provision of maintenance services. The software licence and related services business mainly refers to consultation, implementation, installation and hardware advisory services, which provided before or upon delivery of the software products. The maintenance services business mainly refers to after-sale maintenance and support services including support enquiry service and ad-hoc emergency service. The sales of software license and its related services and the provision of maintenance services were discontinued during the year.

	Provision of telephone sets subcontracting services		Sales of goods		(Discontinued operation) Sales of software licence and related services		(Discontinued operation) Provision of maintenance services		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue										
External revenue	**2,105**	–	**182**	–	**–**	909	**–**	111	**2,287**	1,020
Results										
Segment results	**(4,806)**	–	**–**	–	**–**	(3,857)	**–**	(415)	**(4,806)**	(4,272)
Unallocated corporate revenue									**83**	10
Unallocated corporate expenses									**(9,624)**	(4,118)
Operating loss excluding interest income/expense									**(14,347)**	(8,380)
Interest income									**74**	48
Interest expense									**(3)**	–
Gain on disposal of subsidiaries									**–**	510
Gain on disposal of partial interest in an associate									**135**	313
Loss on disposal of a long term investment									**–**	(1,972)
Share of results of associates									**–**	(480)
Loss before taxation									**(14,141)**	(9,961)
Taxation									**–**	–
Loss after taxation									**(14,141)**	(9,961)
Minority interests									**118**	121
Net loss for the year									**(14,023)**	(9,840)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	Provision of telephone sets subcontracting services		Sales of goods		(Discontinued operation) Sales of software licence and related services		(Discontinued operation) Provision of maintenance services		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets										
Segment assets	**1,691**	–	**–**	–	**–**	349	**–**	–	**1,691**	349
Interests in associates									**–**	4,335
Unallocated corporate assets									**11,174**	11,532
Consolidated total assets									**12,865**	16,216
Liabilities										
Segment liabilities	**6,497**	–	**–**	–	**–**	–	**–**	–	**6,497**	–
Unallocated corporate liabilities									**2,988**	903
Consolidated total liabilities									**9,485**	903

	Provision of telephone sets subcontracting services		Sales of goods		(Discontinued operation) Sales of software licence and related services		(Discontinued operation) Provision of maintenance services		Unallocated		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other information												
Capital Expenditure	**26**	–	**–**	–	**–**	289	**–**	–	**16**	–	**42**	289
Depreciation	**27**	–	**–**	–	**–**	217	**–**	–	**250**	–	**277**	217
Amortisation	**3**	–	**–**	–	**–**	–	**–**	–	**1,150**	983	**1,153**	983
Impairment loss in respect of												
– goodwill of a subsidiary	**–**	–	**–**	–	**–**	–	**–**	–	**–**	1,797	**–**	1,797
– goodwill of an associate	**–**	–	**–**	–	**–**	–	**–**	–	**2,702**	1,000	**2,702**	1,000
Other non-cash Expenses	**–**	–	**–**	–	**–**	371	**–**	–	**–**	313	**–**	684

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(b) Geographical segments

Over 90% of the Group's turnover, results, assets and capital expenditures are derived from operations carried out in the People's Republic of China. Accordingly, further geographical segment information is not presented in the financial statements.

5. LOSS FROM OPERATIONS

	2004	2003
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging/(crediting):		
Depreciation:		
Owned fixed assets	**265**	217
Leased fixed assets	**12**	–
Amortisation of goodwill (included in other operating expenses):		
Subsidiary	**434**	299
Associate	**684**	684
Total depreciation and amortisation	**1,395**	1,200
Net loss on disposal of fixed assets	**–**	349
Auditors' remuneration	**230**	153
Operating lease rentals in respect of land and buildings	**1,020**	259
Bad debts written off	**285**	33
Provision for amounts due from associates	**262**	302
Provision for loan to associates	**279**	–
Staff costs, including directors' emoluments *(note 7)*	**5,240**	2,483
Research and development costs (included in staff cost)	**–**	29
Interest income	**(74)**	(48)

Included in staff costs above are contributions to mandatory provident fund of approximately HK$49,000 (2003: HK$88,000).

6. FINANCE COSTS

	2004	2003
	HK$'000	*HK$'000*
Interest on finance lease	**3**	–

7. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	2004	2003
	HK$'000	*HK$'000*
Fees	**–**	–
Other emoluments for executive directors:		
Basic salaries, other allowances and benefits in kind	**594**	603
Discretionary and performances bonuses	**40**	40
Contributions to provident fund	**16**	22
Compensation for loss of office, paid by the Company	**–**	–
	650	665
Other emoluments for non-executive and independent non-executive directors:		
Basic salaries, other allowances and benefits in kind	**213**	234
Contributions to provident fund	**4**	2
	217	236
	867	901

For the year ended 31 December 2004, the two executive directors received individual emoluments of approximately HK$531,000 (2003: HK$457,000) and HK$119,300 (2003: HK$32,000) respectively.

Two executive directors who resigned during the year ended 31 December 2003 received individual emoluments of approximately HK$Nil and HK$176,000 respectively for the year ended 31 December 2003.

For the year ended 31 December 2004, one non-executive director received emoluments of approximately HK$100,000 (2003: HK$25,000). For the year ended 31 December 2004, the independent non-executive director received emoluments of approximately HK$17,000 (2003: HK$Nil). The independent non-executive director who resigned during the year ended 31 December 2004 received emoluments of approximately HK$100,000 (2003: HK$120,000).

The independent non-executive director who resigned during the year ended 31 December 2003 received emoluments of approximately HK$91,000.

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

At 31 December 2004 and 2003, none of the directors or chief executive of the Company had any share options granted under the share option schemes adopted by the Company.

No directors waived any emoluments during the year.

The five highest paid individuals included three directors (2003: three directors) during the year, whose emoluments are set out above. Details of the emoluments of the remaining two (2003: two) highest paid, non-director employees during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Basic salaries, other allowances and benefits in kind	**779**	363
Discretionary and performance bonuses	**–**	40
Contributions to provident fund	**24**	17
	803	420

The emoluments of the remaining two (2003: two) highest paid, non-director employees fell within the band of HK$Nil to HK$1,000,000 for the year.

Save as disclosed above, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. TAXATION

(a) No provision for Hong Kong profits tax has been made as the Group has sufficient tax losses brought forward to set off against current year's assessable profits arising from Hong Kong (2003: HK$Nil).

Provision for overseas profits tax has not been made as the overseas subsidiaries or associates did not generate any assessable profits during the year (2003: HK$Nil).

8. TAXATION *(Continued)*

(b) Reconciliation between tax expenses and the Group's loss before taxation at applicable tax rates:

	2004		2003	
	HK$'000	%	*HK$'000*	%
Loss before tax	**(14,207)**		(9,961)	
Tax at applicable rate of 17.5% (2003: 17.5%)	**(2,486)**	**(17.50)**	(1,743)	(17.50)
Effect of different tax rates in other jurisdictions	**145**	**1.02**	(58)	(0.58)
Tax effect of non-taxable income	**(567)**	**(3.99)**	(330)	(3.31)
Tax effect of non-deductible expenses	**2,908**	**20.47**	2,028	20.36
Tax losses not recognised	**–**	**–**	134	1.35
Utilisation of tax losses previously not recognised	**–**	**–**	(31)	(0.32)
Tax expense	**–**	**–**	–	–

(c) At the balance sheet date, the following temporary differences have not been recognised:

	The Group		**The Company**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Tax losses	**31,683**	31,132	**17**	17
Deductible temporary differences	**784**	784	**–**	–
	32,467	31,916	**17**	17

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits. The Group's tax losses amounting to HK$3,578,000 (2003: HK$3,027,000) expire 5 years from the year the tax losses were incurred. The remaining tax losses do not expire under the respective countries' tax legislation.

9. NET LOSS FOR THE YEAR

For the year ended 31 December 2004, net loss of approximately HK$14,962,000 (2003: HK$5,727,000) has been dealt with in the financial statements of the Company.

10. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2004 (2003: HK$Nil).

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the Group's net loss for the year of approximately HK$14,023,000 (2003: net loss of HK$9,840,000) and the weighted average of approximately 55,613,000 ordinary shares (2003: 41,330,500 ordinary shares) in issue during the year after adjusting for the effects of the share consolidation *(note 31)* on 10 January 2005. The basic loss per share for 2003 had been adjusted accordingly.

Diluted loss per share for the years ended 31 December 2004 and 2003 have not been shown as the share options outstanding during the years had an anti-dilutive effect on the basic loss per share for the years.

12. FIXED ASSETS

The Group

	Machineries	Leasehold improvements	Motor vehicle	Furniture and fixtures	Office and computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:						
At 1 January 2004	–	99	–	155	596	850
Acquisition of a subsidiary	581	–	112	54	–	747
Additions	26	–	–	–	16	42
Disposals	–	–	–	(92)	(227)	(319)
At 31 December 2004	**607**	**99**	**112**	**117**	**385**	**1,320**
Accumulated depreciation and impairment losses:						
At 1 January 2004	–	31	–	123	392	546
Acquisition of a subsidiary	319	–	49	26	–	394
On disposals written back	–	–	–	(92)	(227)	(319)
Charge for the year	24	68	2	32	151	277
At 31 December 2004	**343**	**99**	**51**	**89**	**316**	**898**
Net book value:						
At 31 December 2004	**264**	**–**	**61**	**28**	**69**	**422**
At 31 December 2003	–	68	–	32	204	304

The net book value of the Group's office and computer equipment held under finance lease as at 31 December 2004 was approximately HK$37,000 (2003: HK$71,000).

12. FIXED ASSETS *(Continued)*

The Company

	Office and computer equipment
	HK$'000
Cost:	
At 1 January 2004	201
Additions	16
At 31 December 2004	**217**
Accumulated depreciation:	
At 1 January 2004	120
Charge for the year	65
At 31 December 2004	**185**
Net book value:	
At 31 December 2004	**32**
At 31 December 2003	81

13. GOODWILL

	The Group
	HK$'000
Cost:	
At 1 January 2004	14,713
Additions for the year	10,382
At 31 December 2004	**25,095**
Accumulated amortisation and impairment losses:	
At 1 January 2004	14,713
Amortisation for the year	434
At 31 December 2004	**15,147**
Net book value:	
At 31 December 2004	**9,948**
At 31 December 2003	–

13. GOODWILL *(Continued)*

(a) Goodwill on acquisition of subsidiaries are amortised a straight-line basis over its useful life of eight years.

(b) With regard to the current market situation in the computer software industry, the directors reviewed the carrying value of goodwill arising from the acquisition of a subsidiary, Grandmass iOMS Limited, which was incorporated in the British Virgin Islands, with its subsidiary principally engaged in the provision of consultancy services and technical development in computer software packages, and based on their assessment which was by reference to the value in use of the operations, a full provision for impairment loss of approximately HK$1,797,000 was recognised in the year ended 31 December 2003.

14. INTERESTS IN SUBSIDIARIES

	The Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**12,168**	12,168
Less: Provision for impairment loss	**(10,130)**	(10,130)
	2,038	2,038
Amounts due from subsidiaries	**60,041**	51,519
Less: Provision for amounts due from subsidiaries	**(60,041)**	(47,927)
	–	3,592
	2,038	5,630
Amounts due to subsidiaries	**2,339**	2,576

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

14. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Name of subsidiary	Place of Incorporation/ registration	Issued and fully paid-up share capital/ registered capital	Percentage of equity attributable to the Group	Percentage of voting power held	Principal activities
Grandmass Cyber Factory (China) Limited	Hong Kong	HK$2	100%	100%	Investment holding
盛創企業管理系統(上海)有限公司	The People's Republic of China	HK$900,000	100%	100%	Dormant
Grandmass ERP Limited	British Virgin Islands	US$33,085	100%	100%	Investment holding
Grandmass Global Investment Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Grandmass iOMS Limited	British Virgin Islands	US$50,000	100%	100%	Investment holding
Grandmass iOMS (SZ) Co. Limited	The People's Republic of China	HK$1,000,000	100%	100%	Dormant
Grandmass Solution Limited	Hong Kong	HK$2	100%	100%	Dormant
Sun-iOMS Limited	Hong Kong	HK$80,000	100%	100%	Dormant
Sun-iOMS Maintenance Limited	Hong Kong	HK$2	100%	100%	Dormant
Lucky Force Development Limited	British Virgin Islands	US$100	100%	100%	Provision of telephone sets subcontracting services
深圳新弘茂科技有限公司	The People's Republic of China	RMB1,500,000	66.7%	66.7%	Provision of telephone sets subcontracting services

(a) Other than Grandmass ERP Limited and Grandmass Global Investment Limited, all subsidiaries are indirectly held by the Company. All subsidiaries are private companies and principally operate in Hong Kong except Grandmass iOMS (SZ) Co. Limited, Lucky Force Development Limited, 盛創企業管理系統(上海)有限公司 and 深圳新弘茂科技有限公司which principally operate in the People's Republic of China.

(b) Pursuant to a sale and purchase agreement dated 23 March 2004, the Company acquired the entire issued share capital of Lucky Force Development Limited at a consideration of HK$11,590,000.

15. INTERESTS IN ASSOCIATES

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share of net liabilities	**(66)**	(202)	**–**	–
Goodwill on acquisition of an associate less amortisation and impairment losses	**66**	3,452	**–**	–
	–	3,250	**–**	–
Amounts due from associates	**564**	364	**1,674**	1,474
Loan to an associate	**279**	1,023	**–**	–
Less: Provision for loan to an associate	**(279)**	–	**–**	–
Less: Provision for amounts due from associates	**(564)**	(302)	**(1,674)**	(1,473)
	–	4,335	**–**	1
Amount due to an associate	**2**	2	**1,256**	1,256

Particulars of the associates are as follows:

Name of associate	Place of Incorporation/ registration	Business structure	Particulars of issued share held	Percentage of equity attributable to the Group	Percentage of voting power held	Principal activities
Grand Teton Limited	British Virgin Islands	Corporate	Ordinary shares of HK$1 each	36%	25%	Marketing, sales implementation and support of industrial and financial system software and solutions
Signking Science Limited	British Virgin Islands	Corporate	Ordinary shares of US$1 each	33%	33.3%	Investment in software development and related services

15. INTERESTS IN ASSOCIATES *(Continued)*

Name of associate	Place of Incorporation/ registration	Business structure	Particulars of issued share held	Percentage of equity attributable to the Group	Percentage of voting power held	Principal activities
Sun-iOMS Technology Holdings Limited	British Virgin Islands	Corporate	Ordinary shares of HK$5,000 each	49%	33.3%	Investment holding
Sun-iOMS Development Limited*	British Virgin Islands	Corporate	Ordinary shares of US$1 each	49%	50%	Investment holding
Sun-iOMS (HK) Limited*	Hong Kong	Corporate	Ordinary shares of HK$1 each	49%	50%	Provision of computer consultancy services, software development and trading of computer software and related services

* *Sun-iOMS Development Limited and Sun-iOMS (HK) Limited are the wholly owned subsidiaries of Sun-iOMS Technology Holdings Limited. The Group has 49% indirect equity interest in each of Sun-iOMS Development Limited and Sun-iOMS (HK) Limited.*

The associates are private companies and principally operate in Hong Kong.

Pursuant to a shareholders and share subscription agreement dated 12 November 2002 which was completed in January 2004, the Group's equity interest in Grand Teton Limited was further diluted from 39.5% to 36% as a result of additional capital contribution made by the other shareholders of Grand Teton Limited.

(a) The amounts due from/to associates are unsecured, interest-free and have no fixed terms of repayment.

(b) Pursuant to a loan restructuring agreement dated 12 November 2002, the Group made a loan of HK$1,000,000 to Grand Teton Limited to develop its subsidiary, IFS HK Limited. The loan is guaranteed by an independent third party and bears interest at prime rate less 1% per annum due on 31 December 2004. Based on the directors' assessment which was by reference to the value in use of the associate's operations, a full provision for the loan and interest receivable of approximately HK$279,000 was recognised in the year ended 31 December 2004.

    At 31 December 2003, the balance outstanding represents the outstanding sum of HK$1,000,000 and interest receivable of approximately HK$23,000.

15. INTERESTS IN ASSOCIATES *(Continued)*

(c) The movement in goodwill arising on acquisition of an associate is as follows:

	The Group
	HK$'000
Cost:	
At 1 January 2004 and at 31 December 2004	5,478
Accumulated amortisation and impairment losses:	
At 1 January 2004	2,026
Amortisation for the year	684
Impairment loss for the year	2,702
At 31 December 2004	**5,412**
Net book value:	
At 31 December 2004	**66**
At 31 December 2003	3,452

Goodwill on acquisition of an associate is amortised on a straight-line basis over its useful life of eight years.

In view of the current economic condition and keen competition in the computer software industry, the directors reviewed the carrying value of goodwill on acquisition of an associate, Signking Science Limited, which was incorporated in the British Virgin Islands, with its associate principally engaged in software development and related services, and based on their assessment which was by reference to the value in use of the operations, an impairment loss of approximately HK$2,702,000 (2003: HK$1,000,000) has been identified and recognised in the year ended 31 December 2004.

15. INTERESTS IN ASSOCIATES *(Continued)*

(d) Summarised financial information of the Group's significant associates are as follows:

(i) Grand Teton Limited

Unaudited consolidated balance sheet information at 31 December 2004

	HK$'000
Non-current assets	26
Current assets	9
Current liabilities	(1,245)
Minority interests	232
Net liabilities	(978)

Unaudited consolidated income statement information for the year ended 31 December 2004

	HK$'000
Turnover	253
Loss before taxation	(1,202)
Taxation	–
Loss after taxation	(1,202)
Minority interests	79
Net loss for the year	(1,123)

15. INTERESTS IN ASSOCIATES *(Continued)*

(ii) Signking Science Limited

Unaudited balance sheet information

	2004	2003
	HK$'000	*HK$'000*
Non-current assets	**1,885**	1,885
Current liabilities	**(1,835)**	(1,830)
Net assets	**50**	55

Unaudited income statement information

Turnover	**–**	–
Net loss for the year	**(5)**	(5)

16. INVENTORIES

	2004	2003
	HK$'000	HK$'000
Finished goods	**71**	–

17. TRADE RECEIVABLES

The following is an aged analysis of trade receivables at the balance sheet date:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
0 – 60 days	**436**	–
61 – 90 days	**–**	–
91 – 180 days	**–**	–
>180 days	**–**	45
	436	45

All sales and services rendered by the Group are due and payable upon presentation of invoices.

18. LOAN RECEIVABLE

On 26 October 2003, the Group entered into a loan agreement with a borrower, China Autocard Holdings Limited. The loan of HK$1,700,000 is guaranteed by a director of the borrower and bears interest at prime rate less 1% per annum. The amount was due for payment on 26 April 2004. Part of the loan amounted to HK$800,000 was repaid during the year. At 31 December 2004, the balance outstanding represents the unsettled principal sum of HK$412,000 (2003: HK$1,200,000) and interest receivable of approximately HK$34,000 (2003: HK$12,000).

19. TRADE AND OTHER PAYABLES

	The Group		**The Company**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**2,469**	–	**–**	–
Other payables	**3,783**	840	**713**	493
Purchase consideration payable	**3,000**	–	**–**	–
	9,252	840	**713**	493

The following is an aged analysis of trade payables at the balance sheet date:

	The Group		**The Company**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0 – 60 days	**–**	–	**–**	–
61 – 90 days	**–**	–	**–**	–
91 – 180 days	**–**	–	**–**	–
>180 days	**2,469**	–	**–**	–
	2,469	–	**–**	–

Included in other payables of the Group and the Company is an amount of HK$40,000 (2003: HK$40,000) representing accrued bonus due to the Company's director, Ms. Kwong Wai Man, Karina.

20. OBLIGATIONS UNDER FINANCE LEASE

The Group

	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance lease:				
– Within one year	**15**	15	**11**	11
– In the second to fifth years, inclusive	**46**	60	**39**	50
	61	75	**50**	61
Less: Future finance charges	**(11)**	(14)		
Present value of lease obligations	**50**	61		
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(11)**	(11)		
Amounts due for settlement after 12 months	39	50		

It is the Group's policy to lease certain of its fixed assets under finance leases. For the year ended 31 December 2004, the interest rate on finance lease was approximately 4.5% per annum and the term entered into was five years. Interest rate is fixed at the contract rate. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligation under finance lease is secured by the lessor's charge over the leased asset.

21. WARRANTY PROVISION

	The Group	
	2004	2003
	HK$'000	*HK$'000*
At 1 January	**–**	65
Additional provision	**–**	–
Amounts utilised	**–**	–
Eliminated on disposal of subsidiaries	**–**	(65)
At 31 December	**–**	–

22. SHARE CAPITAL

Shares

	Number of shares *'000*	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 December 2003 and at 31 December 2004	10,000,000	100,000
Issued and fully paid:		
At 1 January 2003	1,440,000	14,400
Rights issue of shares *(Note 1)*	360,000	3,600
Bonus issue of shares *(Note 1)*	360,000	3,600
At 31 December 2003 and at 1 January 2004	2,160,000	21,600
Issue of shares *(Note 2)*	209,000	2,090
At 31 December 2004	2,369,000	23,690

Notes:

(1) Pursuant to resolution passed on the special general meeting held on 20 October 2003, the Company issued 360,000,000 ordinary shares of HK$0.01 each by way of rights issue ("Rights Issue") at an issue price of HK$0.015 per rights share in the proportion of one rights share for every four shares then held with bonus shares issued with rights shares on the basis of one bonus share for every one rights share. 360,000,000 bonus shares were issued and were credited as fully paid by debiting the share premium account of the Company.

(2) Pursuant to resolution passed on the special general meeting, the Company issued 209,000,000 ordinary shares of HK$0.01 each as consideration shares for acquisition of the entire issued share capital of Lucky Force Development Limited.

Share options

Pursuant to the new share option scheme adopted by the shareholders of the Company on 24 May 2002 (the "New Share Option Scheme"), the Board of the Company may for a consideration of HK$1 offer to selected eligible persons to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the Board of the Company in its absolute discretion, in any event, shall not be less than the higher of the nominal value for the time being of each share of the Company, the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which the relevant option is granted and the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant option is granted.

22. SHARE CAPITAL *(Continued)*

Share options *(Continued)*

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and other schemes of the Company may not, in aggregate, exceed 30% of the issued share capital of the Company from time to time which have been duly allotted and issued.

The New Share Option Scheme became effective for a period of ten years commencing 24 May 2002 (the date on which the New Share Option Scheme was adopted).

No options under the New Share Option Scheme had been granted to any person during the year.

In compliance with the amended Chapter 23 of the GEM Listing Rules, the New Share Option Scheme supersedes the previous share option scheme adopted by the shareholders of the Company on 29 June 2000 (the "Previous Share Option Scheme"). The Previous Share Option Scheme was terminated on 24 May 2002 accordingly. However, notwithstanding the termination of the Previous Share Option Scheme, the outstanding options previously granted under the Previous Share Option Scheme shall remain valid and exercisable in accordance with the provisions of the Previous Share Option Scheme.

The outstanding options previously granted under the Previous Share Option Scheme were all lapsed in the year ended 31 December 2003.

23. RESERVES

	The Group			
	Share Premium	**Contributed surplus**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2003	25,111	36,527	(55,833)	5,805
Premium arising from Rights Issue, net of expenses	1,348	–	–	1,348
Bonus issue of shares	(3,600)	–	–	(3,600)
Net loss for the year	–	–	(9,840)	(9,840)
At 31 December 2003 and at 1 January 2004	22,859	36,527	(65,673)	(6,287)
Net loss for the year	–	–	(14,023)	(14,023)
At 31 December 2004	**22,859**	**36,527**	**(79,696)**	**(20,310)**
Company and subsidiaries	22,859	36,527	(74,268)	(14,882)
Associates	–	–	(5,428)	(5,428)
At 31 December 2004	**22,859**	**36,527**	**(79,696)**	**(20,310)**
Company and subsidiaries	22,859	36,527	(64,037)	(4,651)
Associates	–	–	(1,636)	(1,636)
At 31 December 2003	22,859	36,527	(65,673)	(6,287)

The premium arose from the Rights Issue at an issue price of HK$0.015 per rights share on 12 November 2003, net of Rights Issue expenses of approximately HK$452,000.

23. RESERVES *(Continued)*

	The Company			
	Share Premium	**Contributed surplus**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2003	25,111	38,118	(65,930)	(2,701)
Premium arising from Rights Issue, net of expenses	1,348	–	–	1,348
Bonus issue of shares	(3,600)	–	–	(3,600)
Net loss for the year	–	–	(5,727)	(5,727)
At 31 December 2003 and at 1 January 2004	22,859	38,118	(71,657)	(10,680)
Net loss for the year	–	–	(14,962)	(14,962)
At 31 December 2004	22,859	38,118	(86,619)	(25,642)

Under the Companies Act 1981 of Bermuda, the Company may make distributions to its shareholders out of its contributed surplus in certain circumstances which the Company is currently unable to meet.

The premium arose from the Rights Issue at an issue price of HK$0.015 per rights share on 12 November 2003, net of Rights Issue expenses of approximately HK$452,000.

24. DISPOSAL OF SUBSIDIARIES

On 1 March 2003, the Group entered into a share subscription agreement with an independent investor to allot and issue 51 new shares at par value of HK$5,000 each totalled HK$255,000 representing 51% of the enlarged issued capital of Sun-iOMS Technology Holdings Limited, the then wholly-owned subsidiary. Consequently, the Group had effectively disposed of its 51% equity interest in Sun-iOMS Technology Holdings Limited under the abovementioned share subscription arrangement.

24. DISPOSAL OF SUBSIDIARIES *(Continued)*

On the other hand, pursuant to a share sales agreement and a shareholders and share subscription agreement both dated 12 November 2002, the Group's equity interest in Grand Teton Limited was gradually reduced from 56% to 39.5%. The directors are in the opinion that the disposal of subsidiaries did not constitute discontinuing operations. Summary of the effects of the disposal of subsidiaries are as follows:

	2004	2003
	HK$'000	*HK$'000*
Net liabilities disposed of:		
Fixed assets	–	469
Trade and other receivables	–	661
Prepayments and deposits	–	214
Cash and bank balances	–	1,561
Trade and other payables	–	(257)
Deferred income	–	(617)
Deposit received	–	(399)
Warranty provision	–	(65)
Amounts due to group companies	–	(1,852)
Minority interests	–	(52)
	–	(337)
Gain on disposal of subsidiaries	–	510
Interests in associates	–	(97)
	–	76
Satisfied by:		
Cash consideration	–	76
Net cash outflow arising on disposal:		
Cash consideration	–	76
Cash and bank balances disposed of	–	(1,561)
	–	(1,485)

For the period from 1 January 2003 to the respective dates of disposal, the above subsidiaries were engaged in sale of software licence and related services and provision of computer consultancy services, contributed approximately HK$1,020,000 to the Group's turnover and approximately HK$857,000 to the Group's loss before taxation.

25. ACQUISITION OF SUBSIDIARIES

On 31 August 2004, the Group acquired the entire issued share capital of Lucky Force Development Limited at a consideration of HK$11,590,000, which is to be satisfied as to HK$9,500,000 in cash and as to HK$2,090,000 by the issue of 209,000,000 ordinary shares of HK$0.01 each.

	2004	2003
	HK$'000	*HK$'000*
Net assets acquired:		
Fixed assets	**353**	–
Intangible assets	**643**	–
Inventories	**5,155**	–
Trade receivables	**3,349**	–
Prepayments, deposits and other receivables	**5,212**	–
Cash and bank balance	**2,475**	–
Trade payable	**(5,666)**	–
Accrued liabilities and other payables	**(8,434)**	–
Tax payable	**(1,118)**	–
Minority interest	**(118)**	–
Net identifiable assets and liabilities	**1,851**	–
Goodwill arising on consolidation	**9,739**	–
Total purchase price	**11,590**	–
Less: purchase price included in trade and other payable	**(3,000)**	–
Less: purchase price satisfied in shares	**(2,090)**	–
Total purchase price paid, satisfied in cash	**6,500**	–
Less: cash of the subsidiary acquired	**(2,475)**	–
Net cash outflow in respect of acquisition of a subsidiary	**4,025**	–

26. OPERATING LEASE COMMITMENTS

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Total future minimum lease payments under non-cancellable operating leases for office premises which fall due as follows:		
Within one year	**819**	119
In the second to fifth years, inclusive	**1,419**	45
	2,238	164

The Company had no operating lease commitments at the balance sheet date (2003: HK$Nil).

27. NON-CASH TRANSACTIONS

During the year ended 31 December 2004, the Group settled the purchase consideration for acquisition of Lucky Force Development Limited of approximately HK$2,090,000 by shares.

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in these financial statements, the following is a summary of significant related party transactions which, in the opinion of the directors, were carried out in the normal course of the Group's business:

(a)

Name of related parties	**Nature of transaction**	*Note*	**2004** ***HK$'000***	2003 *HK$'000*
Lau Lin & Co. (formerly known as K. K. Lau & Co.)	Legal fee	(i)	150	402

Note:

(i) The legal fee paid to Lau Lin & Co. was charged at rates negotiated by reference to market rates. Mr. Lau Kwok Kee, who resigned as an independent non-executive director of the Company on 30 September 2004, is a partner of Lau Lin & Co.

(b) At 31 December 2004, the Group had credit card facility amounted to approximately HK$60,000 (2003: HK$60,000). The aforesaid facility was secured by personal guarantees of two directors of the Company, Mr Ng Ming Wah and Ms Kwong Wai Man, Karina, to the extent of HK$180,000 (2003: HK$180,000).

29. RETIREMENT BENEFITS SCHEMES

The Group operates MPF scheme for all qualifying employees of its Hong Kong subsidiaries, in funds under the controls of trustee. Under the rules of the MPF scheme, the employer and its employee are each required to make contributions to the scheme at the rates 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.

The employees of the Group's subsidiary in the People's Republic of China are members of stated-managed retirement benefit scheme. The subsidiary is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

No forfeited contribution is available to reduce the contribution payable in future years.

The total cost charged to the income statement of approximately HK$49,000 (2003: HK$88,000) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

30. CONTINGENT LIABILITIES

At the balance sheet date, the Group has the following contingent liabilities:

(a) A wholly-owned subsidiary of the Company, Sun-iOMS Limited, was a defendant of a legal action brought by its customer. The directors consider that, after obtaining legal advice, the aforesaid subsidiary has a strong case in the aforesaid action. In addition, an ex-director of the Company, Mr. Yue Chung Wing, Patrick, has indemnified the Group in respect of all liabilities that may arise out of or in connection with any of the claims and legal costs that may be payable to the plaintiff and any legal cost to be incurred in respect of the abovementioned claim. In view of the above, the directors are of the opinion that the above legal action would not have any significant impact on the financial position of the Group, hence, no provision is considered necessary by the directors at the balance sheet date.

(b) On 2 March 2000, an independent third party executed a Deed of Guarantee in favour of a wholly-owned subsidiary, Sun-iOMS Maintenance Limited, guaranteeing that the income accrued to the wholly-owned subsidiary arising from the sales of iOMS Millennium Edition Software for a period of 18 months from the date of the guarantee would not be less than HK$15,000,000. However, the aforesaid independent third party has not fulfilled his commitment under the Deed of Guarantee. Hence, the wholly-owned subsidiary and the Company took legal action against the abovementioned independent third party and two executive directors resigned in 2001 in respect of the breach of the Deed of Guarantee and their fiduciary duties accordingly. The directors are of the opinion that the above legal action would not have any significant impact on the financial position of the Group, hence, no provision for legal costs are considered necessary by the directors at the balance sheet date.

(c) The wholly-owned subsidiaries of the Company, Sun-iOMS Limited and Sun-iOMS Maintenance Limited, claimed against two former employees for damages for breach of employment contract, duty of good faith and fidelity, fiduciary duties and duty of confidence. The directors are of the opinion that the above legal action would not have any significant impact on the financial position of the Group, hence, no provision for legal costs are considered necessary by the directors at the balance sheet date.

Save as disclosed in above, the Company had no contingent liabilities at the balance sheet date.

31. EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the Special General Meeting held on 10 January 2005, the following resolutions have been were approved by the shareholders:

(a) The name of the Company is changed to "Co-winner Enterprise Limited" and the Chinese name of "滙盛實業有限公司" for identification purpose.

(b) The authorised share capital of the Company is increased from HK$100,000,000 to HK$500,000,000 by the creation of an additional 40,000,000,000 un-issued shares.

31. EVENTS AFTER THE BALANCE SHEET DATE *(Continued)*

(c) Capital Reorganisation

(i) the share consolidation pursuant to which every forty shares in the issued and un-issued ordinary share capital of the Company are consolidated into one consolidated share;

(ii) the capital reduction under which the nominal value of all the issued and un-issued consolidated shares be reduced from HK$0.40 each to HK$0.01 each by way of a reduction of capital pursuant to the Companies Act of Bermuda, therefore, the issued share capital of the Company is reduced from an amount of HK$23,690,000 to HK$592,250 upon completion of the share consolidation and the capital reduction.

(d) The board lot size for trading in the shares of the Company is changed from 20,000 new shares to 10,000 new shares upon the completion of the capital reorganisation. The new shares are traded in board lot size of 10,000 shares and rank pari passu in all respect with each other. The change in board lot size and the capital reorganisation has not result in any change in the relative rights of the shareholders.

(e) The Company issued 59,225,000 offer shares at a price of HK$0.06 per offer share by way of the open offer, on the basis of one offer share for every share held on the record date and raised approximately HK$3.55 million before expenses.

32. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2005.