1. GENERAL

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

The Company was established in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the placing and new issue of the Company's shares are set out in the prospectus dated 18th December, 2001.

The shares of the Company were listed on the Stock Exchange with effect from 2nd January, 2002.

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

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which has resulted in a change in the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the disclosure of the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings -operating, investing and financing, rather than the previous five headings. Interest which was previously presented under a separate heading, are classified as operating cash flows.

Employee benefits

In the current year, the Group has adopted SSAP 34 "Employee benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit scheme, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

Investments in subsidiaries

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

Revenue recognition

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

Property and equipment

Property and equipment are stated at cost less depreciation and accumulated impairment losses.

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

Leasehold improvements	Over the lease terms
Furniture, fixtures and office equipment	20%
Computer equipment	20%

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investment in securities

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

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

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

5. LOSS BEFORE TAXATION

	1.1.2002 to 31.12.2002	18.9.2001 to 31.12.2001
	HK$	*HK$*
Loss before taxation has been arrived at after charging:		
Asset management fee	**500,000**	–
Auditors' remuneration	**55,000**	30,000
Depreciation	**46,442**	–
Interest on bank overdraft	**2,219**	–
Loss on disposal of property and equipment	**39,810**	–
Operating lease rentals in respect of office premises	**177,652**	–
Staff costs (including directors):		
Salaries and other benefits	**2,026,683**	292,000
Contributions to Mandatory Provident Fund Scheme	**60,365**	4,000
	2,087,048	296,000

6. DIRECTORS' EMOLUMENTS

	1.1.2002 to 31.12.2002	18.9.2001 to 31.12.2001
	HK$	*HK$*
Directors' fees:	**–**	–
Other emoluments:		
Salaries and other benefits	**1,213,213**	292,000
Contributions to the Mandatory Provident Fund Scheme	**26,319**	4,000
	1,239,532	296,000
Total	**1,239,532**	296,000

6. DIRECTORS' EMOLUMENTS *(continued)*

The amounts disclosed above include other emoluments of HK$183,548 (2001: nil) payable to Independent Non-executive Directors.

The aggregate emoluments of each of the Directors during the relevant periods were within the remunerations band ranging from nil to HK$1,000,000.

7. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2001: five) were Directors of the Company whose emoluments are included in the disclosures in note 6 above. The emoluments of the remaining two (2001: nil) individuals were as follows:

	1.1.2002 to 31.12.2002	18.9.2001 to 31.12.2001
	HK$	*HK$*
Salaries and other benefits	**454,226**	–
Contribution to the Mandatory Provident Fund Scheme	**20,926**	–
Compensation for loss of office paid:		
— contractual	**19,000**	–
— others	**27,636**	–
	521,788	–

8. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company incurred a tax loss for the year/period.

Details of the potential deferred taxation not provided for are set out in note 19.

9. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the loss for the year of HK$5,644,294 (18.9.2001 to 31.12.2001: HK$309,426) and on the weighted average number of 79,835,616 (18.9.2001 to 31.12.2001: 5,810,527) ordinary shares during the year.

No diluted loss per share is presented since the Company did not issue any dilutive potential ordinary shares during the year/period.

10. PROPERTY AND EQUIPMENT

	Leasehold improvements	**Computer equipment**	**Furniture, fixtures and office equipment**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
THE GROUP AND THE COMPANY				
COST				
Additions	125,092	58,476	92,283	275,851
Disposals	(38,080)	—	(20,458)	(58,538)
At 31st December, 2002	87,012	58,476	71,825	217,313
DEPRECIATION				
Charge for the year	23,147	11,518	11,777	46,442
Eliminated on disposals	(15,896)	—	(2,832)	(18,728)
At 31st December, 2002	7,251	11,518	8,945	27,714
NET BOOK VALUE				
At 31st December, 2002	79,761	46,958	62,880	189,599

11. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK$	HK$
Unlisted investments at cost	**16**	—

11. INVESTMENTS IN SUBSIDIARIES *(continued)*

Details of the subsidiaries as at 31st December, 2002 are as follows:

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

12. AMOUNTS DUE FROM SUBSIDIARIES

THE COMPANY

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

13. INVESTMENTS IN SECURITIES

	THE GROUP AND THE COMPANY					
	Number of shares		Fair value		Cost	
	2002	2001	**2002**	2001	**2002**	2001
			HK$	*HK$*	***HK$***	*HK$*
Equity securities listed in Hong Kong						
Zhong Hua International Holdings Limited ("Zhong Hua")	**10,000,000**	–	**1,280,000**	–	**3,161,876**	–

As at 31st December, 2002, investment in Zhong Hua represents 4.24% of the Group's total assets.

Zhong Hua is principally engaged in property development and investment in the People's Republic of China. As at 31st December, 2002, the Group holds 10,000,000 shares in Zhong Hua, representing an interest of 0.336% of Zhong Hua's issued share capital. The Group did not receive any dividend from Zhong Hua during the year. Based on the unaudited interim report 2002 of Zhong Hua, the net assets of Zhong Hua were approximately HK$821 million as at 30th June, 2002.

14. PLEDGED BANK DEPOSITS

THE GROUP AND THE COMPANY

At the balance sheet date, bank deposits amounting to HK$90,000 (2001: nil) have been pledged to secure outstanding corporate credit card balances of HK$19,326 (2001: nil).

15. AMOUNT DUE TO A DIRECTOR

The amount due to a director was unsecured, interest-free and was repaid during the year.

16. SHARE CAPITAL

	Number of shares		Share capital	
	2002	2001	**2002**	2001
			HK$	*HK$*
Ordinary shares at HK$0.01 each				
Authorised:				
At beginning of year/period	**600,000,000**	10,000,000	**6,000,000**	100,000
Increase on 21st November, 2001	**–**	590,000,000	**–**	5,900,000
At end of year/period	**600,000,000**	600,000,000	**6,000,000**	6,000,000
Issued and fully paid:				
At beginning of year/period	**20,000,000**	–	**200,000**	–
Issued for cash proceeds	**–**	20,000,000	**–**	200,000
Issued on public flotation	**60,000,000**	–	**600,000**	–
At end of year/period	**80,000,000**	20,000,000	**800,000**	200,000

On 2nd January, 2002, the Company allotted and issued 60,000,000 new ordinary shares of HK$0.01 each for cash at an aggregate consideration of HK$30,000,000 to the public.

All the shares which were issued during the year/period rank pari passu with the then existing shares in all respects.

17. SHARES TO BE ISSUED

The amount represented the proceeds received for subscriptions of shares under placing and new issue, net of the related listing expenses of HK$3,093,403 incurred prior to 31st December, 2001. The amount was converted into share capital and share premium on the listing of the shares of the Company on 2nd January, 2002.

18. SHARE OPTIONS SCHEME

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

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

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

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

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

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

19. UNPROVIDED DEFERRED TAXATION

A deferred tax asset has not been recognised in the financial statements as it is not certain that the tax benefits will be realised in the foreseeable futures.

At the balance sheet date, the major components of the net unprovided deferred taxation assets are as follows:

	THE GROUP AND THE COMPANY	
	2002	2001
	HK$	*HK$*
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	**12,000**	—
Unutilised taxation losses	**(736,000)**	(52,000)
	(724,000)	(52,000)

The components of the unprovided deferred tax charge (credit) for the year/period are as follows:

	THE GROUP AND THE COMPANY	
	1.1.2002 to 31.12.2002	18.9.2001 to 31.12.2001
	HK$	*HK$*
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	**12,000**	—
Tax losses arising	**(684,000)**	(52,000)
	(672,000)	(52,000)

20. OPERATING LEASE COMMITMENTS

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

	2002	2001
	HK$	*HK$*
Within one year	**306,600**	–
In the second to fifth year inclusive	**242,725**	–
	549,325	–

Operating lease payments represent rentals payable by the Group and the Company for its office premises. Lease is negotiated for 2 years and monthly rent payment is fixed for 2 years.

21. RETIREMENT BENEFITS PLAN

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.