1 PRINCIPAL ACCOUNTING POLICES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

As at 31st December 2003, the Group had a capital deficiency of HK$67,223,000 (2002: shareholders' fund of HK$18,533,000) and a net current liability of HK$70,155,000 (2002: HK$47,213,000) (inclusive of amounts due to related companies of HK$53,957,000 (2002: HK$19,983,000)).

As announced by the Company, on 20th December 2003, the Company had entered into a conditional acquisition agreement ("Acquisition Agreement") with China Electronics Corporation ("CEC"), a state-owned enterprise established in the People's Republic of China ("PRC") with the approval of the PRC State Council, and Winsan International Holdings Limited. Under the Acquisition Agreement, the Company conditionally agreed to acquire from CEC its entire 65% equity interest in Shenzhen Sang Fei Consumer Communications Company Limited ("Sang Fei"), a sino-foreign joint venture company incorporated in the PRC principally engaged in the manufacturing and sale of mobile phones (the "Acquisition").

The completion of the Acquisition will be subject to the satisfactory fulfillment of the condition precedents including, among others, the obtaining of the PRC regulatory approvals required to give effect to the transaction under the Acquisition Agreement, the approval by the Listing Committee of The Stock Exchange of Hong Kong Limited ("Stock Exchange") of the new listing application being made by the Company as a result of the Acquisition, and the approval by shareholders of the Company at a special general meeting.

Upon completion of the Acquisition, the business operations currently undertaken by Sang Fei will become the principal business of the Group. The Directors are of the view that this Acquisition and the resulting change in the Group's business will result in significant improvements to the results and financial position of the Group. Mr Chan Chak Shing, the existing major shareholder and Chairman of the Company, has confirmed that he will continue to provide the financial support to the Group as and when necessary up to completion of the Acquisition. Mr Chan also confirmed that in the event that the Acquisition could not be completed, the Group will continue to carry on the DICO and Transonline Operations as well as looking for other business opportunities and Mr Chan will continue to provide the financial support to the Group as and when necessary. Accordingly, the accounts have been prepared on a going concern basis.

1 *PRINCIPAL ACCOUNTING POLICES* (cont'd)

(a) **Basis of preparation** (cont'd)

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2003:

SSAP 12 (revised) : Income tax

The adoption of these revised SSAPs has no significant effect to the accounts of the Group.

(b) **Group accounting**

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Company has the power to govern the financial and operating policies; controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the disposal and the Group's share of its net assets including any unamortised goodwill/negative goodwill and any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries of the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

1 *PRINCIPAL ACCOUNTING POLICES* (cont'd)

(b) Group accounting (cont'd)

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transactions dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as movements in reserves.

(c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is amortised over a maximum period of 20 years.

Where an indication of impairment exists, the carrying amount of intangible assets are assessed and written-down immediately to its recoverable amount.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Fixed assets are depreciated at rates sufficient to write-off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvement	2%
Computer equipment, furniture and fixtures	20%
Motor vehicles	20%

Major costs incurred in restoring other tangible fixed assets to their normal working condition to allow continued use of the overall asset are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

1 *PRINCIPAL ACCOUNTING POLICES* (cont'd)

(d) Fixed assets (cont'd)

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognised in the profit and loss account.

(e) 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. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(g) Contract work in progress

Contract work in progress is stated at cost plus attributable profit less provisions for foreseeable losses and progress payments on account. Cost includes direct materials, direct labour and an appropriate proportion of overhead.

Where contract costs incurred to date plus recognised profits less losses exceed progress payments on account, the net amount is shown as amounts due from customers for contract work.

Where progress payments on account exceed contract costs incurred to date plus recognised profits less losses, the net amount is shown as amounts due to customers for contract work.

(h) Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

1 *PRINCIPAL ACCOUNTING POLICES* (cont'd)

(i) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposit held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdraft.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual 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.

(ii) Pension obligations

The Group operates a mandatory provident fund scheme ("MPF") for the eligible employees in Hong Kong. The Group's contributions to MPF are set at 5% of employees' salaries, including basic salaries and other cash allowances, up to a maximum of HK$1,000 per employee per month, and are expensed as incurred. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

The Group's subsidiaries operating in the PRC participate in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. The contributions to these schemes are calculated based on certain percentage of the salaries of employees and are expensed as incurred.

1 *PRINCIPAL ACCOUNTING POLICES* (cont'd)

(l) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existent will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(m) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments 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.

In prior year, deferred taxation was accounted for at the prevailling taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of this new accounting policy has no significant effect to the accounts of the Group.

(n) Revenue recognition

(i) Revenue from system integration contracts is recognised using the stage of completion method, based on the stage of completion of the contract work by reference to terms of the respective contracts in relation to the delivery of goods and the rendering of services. Provision is made for foreseeable losses as soon as they are anticipated.

(ii) Revenue from sale of Transonline membership cards is recognised based on the terms of the membership.

1 *PRINCIPAL ACCOUNTING POLICES* (cont'd)

(n) Revenue recognition (cont'd)

(iii) Revenue from the consultancy fee income is recognised when services are provided.

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

(o) Borrowing costs

Borrowing costs are charged to the profit and loss account in the period in which they are incurred.

(p) Research and development costs

Research and development costs are expensed as incurred, except for development costs where the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that it is probable that it will be profitable. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than three years to reflect the pattern in which the related economic benefits are recognised.

(q) Segment reporting

The Group presents business segments analysis only. No geographical segment analysis is prepared as less than 10% of the consolidated turnover and results of the Group are attributable to markets outside the PRC.

Unallocated costs represent corporate expenses. Segment assets consist primarily of goodwill, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The principal activities of the Group comprise the DICO Operation and Transonline.

Revenues recognised during the year are as follows:

	2003	2002
	HK$'000	HK$'000
Turnover		
System integration services income	**2,359**	466
Sale of Transonline membership cards	**192**	242
Provision of consultancy service	**806**	–
Sales of goods	**12**	–
	3,369	708
Other revenue		
Interest income	**3**	6
Total revenues	**3,372**	714

2 *TURNOVER, REVENUE AND SEGMENT INFORMATION* (cont'd)

Business segment analysis

	System integration 2003 HK$'000	Transonline 2003 HK$'000	Group 2003 HK$'000
Turnover	2,359	1,010	3,369
Segment results	(11,781)	(3,322)	(15,103)
Provision for impairment on goodwill	(55,977)	–	(55,977)
	(66,882)	(3,322)	(71,080)
Unallocated costs			(13,635)
Operating loss			(84,715)
Finance costs			(1,041)
Loss before taxation			(85,756)
Taxation			–
Loss after taxation			(85,756)
Minority interests			–
Loss attributable to shareholders			(85,756)
Segment assets	1,707	2,723	4,430
Unallocated assets			3,104
Total assets			7,534
Segment liabilities	43,691	7,377	51,068
Unallocated liabilities			23,689
Total liabilities			74,757
Capital expenditure	–	143	143
Unallocated capital expenditure			189
			332
Depreciation	2,181	922	3,103
Unallocated depreciation			51
			3,154
Amortisation of goodwill	3,139	–	3,139

2 *TURNOVER, REVENUE AND SEGMENT INFORMATION* (cont'd)

Business segment analysis (cont'd)

	System integration 2002 HK$'000	Transonline 2002 HK$'000	Group 2002 HK$'000
Turnover	466	242	708
Segment results	(23,717)	(4,850)	(28,567)
Unallocated costs			(16,409)
Operating loss			(44,976)
Finance costs			(3,279)
Loss before taxation			(48,255)
Taxation			–
Loss after taxation			(48,255)
Minority interests			1,078
Loss attributable to shareholders			(47,177)
Segment assets	71,126	4,068	75,194
Unallocated assets			1,089
Total assets			76,283
Segment liabilities	44,990	5,401	50,391
Unallocated liabilities			7,359
Minority interests			–
Total liabilities			57,750
Capital expenditure	145	108	253
Unallocated capital expenditure			118
			371
Depreciation	3,730	930	4,660
Unallocated depreciation			43
			4,703
Amortisation of goodwill	3,139	–	3,139

No geographical analysis is provided as less than 10% of the consolidated turnover and results of the Group are attributable to markets outside the PRC.

3 OPERATING LOSS

Operating loss is stated after charging/(crediting) the following:

	2003	2002
	HK$'000	HK$'000
Auditors' remuneration	**250**	500
Depreciation of fixed assets	**3,154**	4,703
Staff costs (note 9)	**11,049**	13,472
Operating leases	**2,523**	2,672
Amortisation of goodwill (note 11)	**3,139**	3,139
Included in other operating expenses, net		
(Writeback of)/provision for slow moving inventories	**(376)**	7,674
Provision for doubtful debt	**2,648**	1,661
Loss on disposal of fixed assets	**1,100**	1,087

4 FINANCE COSTS

	2003	2002
	HK$'000	HK$'000
Interests on loans and overdrafts from banks and financial institutions wholly repayable within five years	**1,041**	2,215
Interests on other loans	**–**	1,064
	1,041	3,279

5 TAXATION

No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profit for the year ended 31st December 2003 (2002: Nil).

Under PRC income tax law, except for certain preferential treatments available to certain of the Company's subsidiaries operating in the PRC, the entities in the PRC are subject to enterprises income tax ("EIT") at a rate of 33% on the taxable income as reported in their statutory accounts which are prepared in accordance with accounting principles and financial regulations applicable to PRC enterprises. No provision for EIT has been made in the accounts as the subsidiaries of the Company operating in the PRC have no assessable profit for the year ended 31st December 2003 (2002: Nil).

5 *TAXATION* (cont'd)

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate in the PRC as follows:

	2003	2002
	HK$'000	HK$'000
Loss before taxation	**(85,756)**	(47,177)
Tax calculated at the applicable tax rate	**(13,682)**	8,229
Expense not deductible for taxation purposes		
Provision for impairment and amortisation of goodwill	**8,867**	471
Tax losses not recognised	**4,815**	7,758
Taxation	**–**	–

6 *LOSS ATTRIBUTABLE TO SHAREHOLDERS*

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$47,590,000 (2002: HK$47,177,000).

7 *DIVIDENDS*

The directors do not recommend the payment of a dividend for the year ended 31st December 2003 (2002: Nil).

8 *LOSS PER SHARE*

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK$85,756,000 (2002: HK$47,177,000) and the weighted average of 1,558,480,000 (2002: 1,319,645,000) ordinary shares in issue during the year.

The exercise of the share options granted by the Company would have an anti-dilutive effect on the loss per share for the years ended 31st December 2002 and 2003 and therefore no diluted loss per share has been presented.

9 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2003 HK$'000	2002 HK$'000
Wages and salaries	**10,658**	12,300
Compensation for termination	**85**	799
Retirement benefit contributions	**306**	373
	11,049	13,472

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The aggregate amounts of emoluments paid to directors of the Company during the year are as follows:

	2003 HK$'000	2002 HK$'000
Directors' fees	**360**	360
Basic salaries, housing allowances, other allowances and benefits in kind	**2,220**	2,781
Contributions to pension schemes	**39**	34
	2,619	3,175

The emoluments of the directors of the Company fell within the following bands:

	Number of directors	
Emolument bands	**2003**	2002
HK$Nil – HK$1,000,000	**5**	7
HK$1,500,001 to HK$2,000,000	**1**	1
	6	8

The directors' fees paid to independent non-executive directors of the Company for the year ended 31st December 2003 amounted to HK$360,000 (2002: HK$360,000).

None of the directors of the Company has waived any emolument in respect of the year ended 31st December 2003 (2002: Nil).

10 *DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS* (cont'd)

(b) The five individuals whose emoluments were the highest in the Group for the year include four (2002: three) directors of the Company whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining individual (2002: two individuals) during the year are as follows:

	2003	2002
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,400**	3,248
Contributions to pension schemes	**12**	24
	2,412	3,272

The emoluments of the highest paid individuals fell within the following bands:

	Number of directors	
Emolument bands	**2003**	2002
HK$Nil - HK$1,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
	1	2

11 *GOODWILL*

	Group	
	2003	2002
	HK$'000	HK$'000
Opening net book amount	**59,116**	62,255
Amortisation charge	**(3,139)**	(3,139)
Impairment charge	**(55,977)**	–
Closing net book amount	**–**	59,116
Cost	**(448,322)**	448,322
Accumulated amortisation and impairment losses	**(448,322)**	(389,206)
Net book amount	**–**	59,116

11 *GOODWILL* (cont'd)

The goodwill was derived from the acquisition of a 70% interest in Shenzhen DIC Information Technologies Co., Ltd. ("DICO") by the Group in 2001. Dico has been engaged in the provision of fully-integrated broadband and cable television related platform and equipment for cable television and telecommunication services operators in the PRC. Since the relevant authorities in the PRC has not set the relevant standards for the digital video broadcasting – cable industry in the last two years as the directors of the Company had expected and it appears that the relevant authorities are unlikely to ease the current restrictions limiting the broadcasting of foreign media content in the PRC in the near future which further clouded thew future of the industry, the directors of the Company has fully provided for the remaining unamortised balance of goodwill amounting to HK$55,977,000 as at 31 December 2003.

12 *FIXED ASSETS*

	Group		
	Leasehold improvement, computer equipment, furniture and fixtures HK$'000	**Motor vehicles HK$'000**	**Total HK$'000**
Cost			
At 1st January 2003	10,186	2,723	12,909
Additions	200	132	332
Disposals	(2,299)	(180)	(2,479)
At 31st December 2003	**8,087**	**2,675**	**10,762**
Accumulated depreciation			
At 1st January 2003	3,860	961	4,821
Charge for the year	2,666	488	3,154
Disposals	(1,288)	(91)	(1,379)
At 31st December 2003	**5,238**	**1,358**	**6,596**
Net book value			
At 31st December 2003	**2,849**	**1,317**	**4,166**
At 31st December 2002	6,326	1,762	8,088

The fixed assets of the Company represent furniture and fixtures.

13 INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	**777,006**	–
Amounts due from subsidiaries	**639**	776,208
Amounts due to subsidiaries	**–**	(188)
	777,645	776,020
Less: Provisions	**(777,202)**	(745,129)
	443	30,891

Particulars of the subsidiaries of the Group as at 31st December 2003 are set out in note 28 to the accounts.

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

14 INVENTORIES

	Group	
	2003	2002
	HK$'000	HK$'000
Raw materials	**6,090**	6,842
Finished goods	**8,737**	11,042
	14,827	17,884
Provision for slow moving stock	**(14,712)**	(15,088)
	115	2,796

At 31st December 2003, the carrying amount of inventories that are carried at net realisable value amounted to HK$115,000 (2002: HK$2,573,000).

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**24**	1,787	**–**	–
Other receivables and prepayments	**1,995**	1,903	**1,706**	233
	2,019	3,690	**1,706**	233

The Group's revenues from the provision of system integration services are billed based on terms of the sale and purchase contracts and are normally receivable upon issue of invoices.

At 31st December 2003, the ageing analysis of the trade receivables was as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Current to 90 days	**–**	5
91 to 180 days	**24**	–
Over one year	**–**	1,782
	24	1,787

16 AMOUNTS DUE TO RELATED COMPANIES

These represent the amounts due to companies beneficially owned by the Chairman of the Company, Mr Chan Chak Shing. The amounts are unsecured, interest free (2002: interest bearing at prime rate) and repayable on demand.

17 TRADE AND OTHER PAYABLES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**4,548**	2,058	**2,490**	–
Other payables and accrued charges	**8,078**	9,333	**230**	1,073
	12,626	11,391	**2,720**	1,073

At 31st December 2003, the ageing analysis of the trade payables was as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Below one year	**2,490**	–
Over one year	**2,058**	2,058
	4,548	2,058

18 SHORT-TERM LOANS, UNSECURED

	Group	
	2003	2002
	HK$'000	HK$'000
Bank and financial institution, unsecured	**–**	8,486
Government loans, unsecured (note)	**3,583**	3,583
	3,583	12,069

Note:

The government loans comprise a loan of HK$755,000 (2002: HK$755,000) granted by Shenzhen Futian District Science and Technology Bureau, the PRC, which is interest bearing at 2.5% (2002: 2.5%) per annum, and an interest free loan of HK$2,828,000 (2002: HK$2,828,000) granted by Shenzhen Finance Bureau, the PRC. Each of these loans is guaranteed, respectively, by a third party.

19 BANK OVERDRAFT

The bank overdraft facility is guaranteed by Mr Chan Chak Shing, the Chairman of the Company.

Subsequent to the balance sheet date, on 15th March 2004, the bank overdraft was fully settled.

20 SHARE CAPITAL

	Company			
	2003		2002	
	Number of shares	**Share capital HK$'000**	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 (2001: HK$0.10) each				
Authorised:				
At 1st January	**30,000,000,000**	**300,000**	1,500,000,000	150,000
Increase during the year	**–**	**–**	1,500,000,000	150,000
Subdivision of share capital from HK$0.10 each to HK$0.01 each	**–**	**–**	27,000,000,000	–
At 31st December	**30,000,000,000**	**300,000**	30,000,000,000	300,000
Issued and fully paid:				
At 1st January	**1,558,480,000**	**15,585**	1,113,200,000	111,320
Issue of capital from open offer	**–**	**–**	445,280,000	44,528
Capital reduction	**–**	**–**	–	(140,263)
At 31st December	**1,558,480,000**	**15,585**	1,558,480,000	15,585

At 31st December 2003, the share options outstanding under the Share Option Scheme of the Company were as follows:

Year granted	**Number of Options**	**Exercise price HK$**	**Expiry date**
1997	18,600,000	1.53	August 2007
1998	55,500,000	0.36	March 2008
2000	6,380,000	0.173 to 0.24	February 2010 to October 2010
	80,480,000		

21 RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January 2003	**–**	**140,263**	**17**	**(137,332)**	**2,948**
Loss for the year	**–**	**–**	**–**	**(85,756)**	**(85,756)**
At 31st December 2003	**–**	**140,263**	**17**	**(223,088)**	**(82,808)**
At 1st January 2002	616,669	–	17	(713,503)	(96,817)
Issue of shares, net of expenses	6,679	–	–	–	6,679
Loss for the year	–	–	–	(47,177)	(47,177)
Set off against accumulated losses	(623,348)	–	–	623,348	–
Contributed surplus arising from reduction of share capital	–	140,263	–	–	140,263
At 31st December 2002	–	140,263	17	(137,332)	2,948

21 *RESERVES* (cont'd)

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January 2003	**–**	**140,263**	**(137,315)**	**2,948**
Loss for the year	**–**	**–**	**(47,590)**	**(47,590)**
At 31st December 2003	**–**	**140,263**	**(184,905)**	**(44,642)**
At 1st January 2002	934,212	–	(1,031,029)	(96,817)
Issue of shares	6,679	–	–	6,679
Loss for the year	–	–	(47,177)	(47,177)
Set off against accumulated losses	(940,891)	–	940,891	–
Contributed surplus arising from reduction of share capital	–	140,263	–	140,263
At 31st December 2002	–	140,263	(137,315)	2,948

Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is distributable to shareholders in certain circumstances as specified in Section 54 thereof.

As at 31 December 2003, the Company does not have any reserve available for distribution to the shareholders (2002: Nil).

22 LONG-TERM BANK LOAN

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Long-term bank loan, unsecured	**4,127**	8,686	**1,458**	3,658
Amounts repayable within one year	**(2,893)**	(7,228)	**(1,458)**	(2,200)
	1,234	1,458	**–**	1,458

At 31st December 2003, the long-term bank loan was repayable as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,893**	7,228	**1,458**	2,200
In the second year	**1,234**	1,458	**–**	1,458
	4,127	8,686	**1,458**	3,658

The bank loan is interest bearing and guaranteed by Mr Chan Chak Shing, the Chairman of the Company. Subsequent to the balance sheet date, on 15th March 2004 the above bank loan was fully settled.

23 DEFERRED TAXATION

The Group has no material deferred tax liability not provided for.

Deferred tax assets are recognised for tax loss carried forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. No deferred tax asset has been recognised by the Group.

The Group has tax losses, the related deferred tax assets of which have not been recognised, of HK$157,534,000 (2002: HK$130,019,000) to carry forward against future taxable income. Out of such tax losses, approximately HK$11,558,000, HK$11,885,000, HK$16,921,000, HK$19,851,000 and HK$13,200,000 will be such expired in the years ending 31st December 2004, 2005, 2006, 2007 and 2008, respectively, and the remaining balance of HK$84,119,000 has no expiry date.

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating loss to net cash outflow from operating activities

	2003	2002
	HK$'000	HK$'000
Operating loss	**(84,715)**	(44,976)
Provision for impairment of goodwill	**55,977**	–
(Writeback)/provision for slow moving inventories	**(376)**	7,674
Provision for amounts due from customers for contract works	**–**	1,579
Provision for doubtful debts	**2,648**	1,661
Amortisation of goodwill	**3,139**	3,139
Depreciation of fixed assets	**3,154**	4,703
Loss on disposal of fixed assets	**1,100**	1,087
Interest income	(3)	(6)
Decrease in inventories	**3,057**	1,447
Decrease in net amounts due from customers for contract work	**1,580**	613
(Increase)/decrease in trade and other receivables	**(977)**	1,894
(Decrease)/increase in net amounts due to customers for contract work	**(730)**	29
Increase/(decrease) in trade and other payables	**1,235**	(5,576)
Net cash (outflow) from operations	**(14,911)**	(26,732)

24 *NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT* (cont'd)

(b) Analysis of changes in financing during the year

	Share capital, share premium and contributed surplus		Short-term and long-term bank loans		Minority interests		Amounts due to related companies	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1st January	**155,848**	727,989	**20,755**	21,363	**–**	1,078	**19,983**	47,526
Cash items:								
Open offer	**–**	51,207	**–**	–	**–**	–	**–**	–
New loans raised	**–**	–	**–**	13,794	**–**	–	**–**	–
Repayment of loans	**–**	–	**(13,045)**	(14,402)	**–**	–	**–**	–
Advance to/ (Repayment) of amounts due to related companies	**–**	–	**–**	–	**–**	–	**33,974**	(27,543)
Non-cash items:								
Off set against accumulated losses	**–**	(623,348)	**–**	–	**–**	–	**–**	–
Share of losses of subsidiaries	**–**	–	**–**	–	**–**	(1,078)	**–**	–
At 31st December	**155,848**	155,848	**7,710**	20,755	**–**	–	**53,957**	19,983

25 *COMMITMENTS UNDER OPERATING LEASES*

At 31st December 2003, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of land and buildings as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Not later than one year	**992**	833
In the second to fifth years	**270**	–
	1,262	833

26 CONTINGENT LIABILITIES

At 31st December 2003, Dico, a subsidiary of the Company, provided a corporate guarantee in respect of banking facilities granted by a bank (the "Lender") to a third party (the "Borrower") to the extent of HK$6,675,000 (31st December 2002: HK$6,675,000).

Arbitration proceedings have been commenced in April 2003 by the Lender against the Borrower and Dico. It was held on 26th September, 2003 by the Shenzhen Arbitration Tribunal that the borrower is liable to repay the outstanding amount to the Lender and that Dico is also liable for the remaining payment of such amount. Dico has not received any further notice from the Lender on this matter. In the opinion of the directors of the Company, it is not possible to quantify the remaining amount of payment for which Dico is liable and therefore no provision has been made in the accounts.

27 RELATED PARTY TRANSACTIONS

Apart from those disclosed in notes 16, 19 and 22 above, other significant related party transactions carried out during the year in the normal course of the Group's business were as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Interest payable to related companies (note 16)	**–**	1,064
Consultancy fee income from related companies (note)	**806**	–

Notes:

This represented the consultancy fee income received from related companies beneficially owned by Mr Chan Chak Shing, the Chairman of the Company. The fee was set based arms-length on the negotiation between the Group and the related companies.

28 SUBSIDIARIES

At 31st December 2003, the Company held interest in the following principal subsidiaries which, in the opinion of the directors, were significant to the results of the year and/or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

Company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered capital	Effective interest held
Indirectly held:				
Evergrow High Technology Investment Group Ltd	Hong Kong, limited liability company	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%
Cheeryork Investment Ltd	Hong Kong, limited liability company	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%
Shenzhen DIC Information Technologies Co, Ltd	PRC, limited liability company	Provision for broadband and cable television related platform and equipment for television and telecommunication services in PRC	RMB40,000,000	70%
Evergrow Trans China Beijing Information Technology Co, Ltd	PRC, limited liability company	Provision of network based transport logistics services in PRC	HK$7,000,000	70%
Evergrow Trans China Network Beijing Information Technology Co, Ltd	PRC, limited liability company	Provision of network based transport logistics services in PRC	RMB10,000,000	70%

29 ULTIMATE HOLDING COMPANY

The directors regard Winsan International Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

30 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 22 April 2004.