

For the Year ended 31st December, 2004

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is China United Telecom Limited ("China United"), a company incorporated in the British Virgin Islands with limited liability.

The nature of operations of the Group and its principal activities have not changed during the year and consisted of securities broking, fund management, underwriting, share margin financing and investment holding.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors of the Company (the "Directors") have given consideration to the future liquidity of the Group in light of its net current liabilities of HK\$ 25,918,537 and net liabilities of HK\$20,567,430 as at 31st December, 2004. The directors are taking active steps to improve the liquidity position of the Group. Included in the consolidated balance sheet at 31st December, 2004 is a loan payable of HK\$58,083,993 and an accrued interest of HK\$2,755,022 owed to a third party, classified as current liabilities (herein collectively referred to as "Total Amount Payable"). The Company is in process of negotiation with the third party for the settlement of Total Amount Payable. In addition, the Company is in process of exploring with potential investors the injection into the Group of income generating investments in the People's Republic of China. Provided that the repayment arrangement for the Total Amount Payable can be agreed upon and provided that income generating investments are injected into the Group, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not yet early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

For the Year ended 31st December, 2004

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of intangible assets, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Interest in subsidiaries

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

Interest in associates

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

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

Revenue recognition

Brokerage and commission income are recognised on a trade date basis when the services are rendered.

Net realised profit on disposal of other investments is recognised upon execution of a sale/purchase trading order.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

Management fees are recognised at the time when the services are rendered.

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the 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 period in which the operation is disposed of.

Retirement benefits costs

Payments to the Group's retirement benefits schemes are charged as an expense as they fall due.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

For the Year ended 31st December, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses, if any.

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

Motor vehicles	20%
Computers	20% – 50%
Office equipment and furniture	20% – 33 ¹ / ₃ %
Leasehold improvements	Over the shorter of lease term or 20%

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

Intangible assets

Intangible assets are stated at revalued amount less amortisation and accumulated impairment losses, if any.

Amortisation is provided to write off the revalued amount of intangible assets on the straight-line method over their estimated useful lives.

Investments

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

Investment securities, which are held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at revalued amount under another Statement of Standard Accounting Practice ("SSAP"), in which case the impairment loss is treated as revaluation decrease under that SSAP.

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, unless the relevant asset is carried at revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Assets held under finance leases and operating leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Share options

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account.

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5. TURNOVER

	2004	2003
	HK\$	HK\$
Brokerage and commission income	5,160,916	4,152,478
Dividend income from unlisted investments	–	8,814
Interest income	956,240	981,009
Management fees income	1,477,961	441,501
Net realised gain on disposal of other investments	–	12,000
	7,595,117	5,595,802

6. OTHER OPERATING INCOME

	2004	2003
	HK\$	HK\$
Allowance for bad debts written back	–	1,105,360
Insurance compensation	1,041,964	–
Miscellaneous income	712,125	833,229
	1,754,089	1,938,589

7. STAFF COSTS

	2004	2003
	HK\$	HK\$
Directors' remuneration (Note 8)		
– fees	–	–
– other emoluments	3,253,424	3,212,930
Salaries, allowances and commission	5,867,535	8,360,426
	9,120,959	11,573,356

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8. EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES

(a) Details of emoluments paid to the Directors are as follows:

	2004 HK\$	2003 HK\$
Fees	–	–
Other emoluments for executive directors		
– basic salaries and allowances	2,237,226	3,186,049
– provident fund contributions	8,500	26,881
	2,245,726	3,212,930
	2,245,726	3,212,930

(b) The emoluments of the directors by number of individuals are within the following bands:

	No. of directors	
	2004	2003
Nil – HK\$1,000,000	10	7
HK\$1,000,001 – HK\$1,500,000	1	1
	11	8

(c) All of the five individuals with the highest emoluments in the Group in 2004 and 2003, were Directors whose emoluments are included in the disclosures in notes 8(a) and (b) above.

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9. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a mandatory provident fund scheme established under the Mandatory Provident Fund Ordinance in December 2000. Contributions are made based on the lower of (i) a percentage of the employee's salaries and (ii) statutory ceiling, if any.

Contributions paid to retirement benefits schemes for Directors and staff are charged to the income statement for 2004 amounted to HK\$365,111 (2003: HK\$373,650). Any forfeited employer contributions in respect of employees who leave the ORSO Scheme prior to such contributions vesting fully will be used by the Group to reduce contributions. The forfeited contributions utilised by the Group in 2004 amounted to HK\$175,822 (2003: HK\$115,998).

10. OTHER OPERATING EXPENSES

	2004	2003
	HK\$	HK\$
Included in other operating expenses are:		
Auditors' remuneration	600,000	600,000
Loss on disposal of property, plant and equipment	276,517	1,696,615
Compensation for termination of a real estate project consultancy agreement	–	6,355,140
Consultancy fees	818,500	–
Rentals in respect of office premises	3,218,470	3,346,729
Net exchange (gain) loss	(43,657)	639,850

11. FINANCE COSTS

	2004	2003
	HK\$	HK\$
Interest on:		
Bank loans, overdrafts and other loans wholly repayable within five years	4,356,996	4,575,774
Finance lease	8,045	–
	4,365,041	4,575,774

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12. TAXATION

No provision for Hong Kong Profits Tax was made for both years as the Group either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by tax losses brought forward for the two years ended 31st December, 2004 and 2003.

The tax charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2004	2003
	HK\$	HK\$
Loss before taxation	(21,130,464)	(37,767,572)
Tax at domestic income tax rate of 17.5% (2003: 17.5%)	(3,697,831)	(6,609,325)
Tax effect of income not taxable for tax purpose	(67,093)	(23,726)
Tax effect of expenses not deductible for tax purpose	944,506	2,766,482
Tax effect of tax losses not recognised	2,762,006	2,655,557
Others	58,412	1,211,012
Tax charge for the year	-	-

At the balance sheet date, the Group has estimated unused tax losses of HK\$263 million (2003: HK\$247 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams, and no deferred tax liabilities in respect of accelerated depreciation allowance have been recognised as the amount involved is insignificant.

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13. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year of HK\$21,130,464 (2003: HK\$37,767,572) and the weighted average number of 1,391,412,542 (2003: 1,247,750,522) shares in issue during the year.

The computation of diluted loss per share does not assume the exercise of the Company's options because their exercise would reduce loss per share.

14. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into two main operating segments, namely financial services and investment holding. Financial services comprises securities broking, fund management, underwriting and share margin financing services.

Both financial services and investment holding are based in Hong Kong. The combined business and geographical segments are shown as follows:

Income statement for the year ended 31st December, 2004

	Hong Kong		Consolidated
	Financial services	Investment holding	
	HK\$'000	HK\$'000	HK\$'000
TURNOVER			
External sales	6,692	903	7,595
Total turnover	6,692	903	7,595
RESULT			
Segment loss	(2,767)	(15,357)	(18,124)
Other operating income			1,754
Loss from operations			(16,370)
Finance costs			(4,365)
Share of results of an associate			(395)
Loss before taxation			(21,130)
Taxation			-
Loss for the year			(21,130)

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14. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)**Balance sheet as at 31st December, 2004**

	Hong Kong		Consolidated
	Financial services	Investment holding	
	HK\$'000	HK\$'000	HK\$'000
ASSETS			
Segment assets	75,707	44,776	120,483
Interest in an associate	–	716	716
Consolidated total assets			<u>121,199</u>
LIABILITIES			
Segment liabilities	68,051	15,245	83,296
Unallocated corporate liabilities			<u>58,470</u>
Consolidated total liabilities			<u>141,766</u>

Other information for the year ended 31st December, 2004

	Hong Kong		Consolidated
	Financial services	Investment holding	
	HK\$'000	HK\$'000	HK\$'000
Additions to property, plant and equipment	–	2,288	2,288
Loss on disposal of property, plant and equipment	6	271	277
Allowance for doubtful loans and bad debts	440	–	440
Depreciation of property, plant and equipment	269	605	874
Amortisation of intangible assets	271	–	271

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14. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Income statement for the year ended 31st December, 2003

	Hong Kong		China	Consolidated HK\$'000
	Financial services HK\$'000	Investment holding HK\$'000	Property development (discontinued operations) HK\$'000	
TURNOVER				
External sales	5,591	5	–	5,596
Total turnover	5,591	5	–	5,596
RESULT				
Segment profit (loss)	2,816	(36,715)	–	(33,899)
Other operating income				1,939
Loss from operations				(31,960)
Finance costs				(4,576)
Share of profit of an associate				97
Loss on disposal of subsidiaries (discontinued operations)			(1,329)	(1,329)
Loss before taxation				(37,768)
Taxation				–
Loss for the year				(37,768)

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14. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Balance sheet as at 31st December, 2003

	Hong Kong		China	Consolidated HK\$'000
	Financial services HK\$'000	Investment holding HK\$'000	Property development (discontinued operations) HK\$'000	
ASSETS				
Segment assets	83,812	34,035	–	117,847
Interest in an associate	–	1,111	–	1,111
Consolidated total assets				<u>118,958</u>
LIABILITIES				
Segment liabilities	71,429	12,236	–	83,665
Unallocated corporate liabilities				<u>56,930</u>
Consolidated total liabilities				<u>140,595</u>

Other information for the year ended 31st December, 2003

	Hong Kong		China	Consolidated HK\$'000
	Financial services HK\$'000	Investment holding HK\$'000	Property development (discontinued operations) HK\$'000	
Additions to property, plant and equipment	–	17	–	17
Loss on disposal of property, plant and equipment	2	1,695	–	1,697
Allowance for bad debts written back	(1,105)	–	–	(1,105)
Depreciation of property, plant and equipment	624	1,328	–	1,952
Amortisation of intangible assets	271	–	–	271

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15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Computers	Office equipment and furniture	Leasehold improvements	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
THE GROUP					
COST					
At 1st January, 2004	922,348	6,176,928	4,434,508	1,043,795	12,577,579
Additions	660,698	15,700	395,235	1,216,000	2,287,633
Disposals/written off	(922,348)	(4,857,029)	(2,424,408)	(58,312)	(8,262,097)
At 31st December, 2004	660,698	1,335,599	2,405,335	2,201,483	6,603,115
DEPRECIATION					
At 1st January, 2004	922,348	4,981,864	4,216,456	1,038,283	11,158,951
Charge for the year	32,157	649,420	149,573	43,014	874,164
Eliminated on disposals/written off	(922,348)	(4,616,922)	(2,387,998)	(58,312)	(7,985,580)
At 31st December, 2004	32,157	1,014,362	1,978,031	1,022,985	4,047,535
NET BOOK VALUES					
At 31st December, 2004	628,541	321,237	427,304	1,178,498	2,555,580
At 31st December, 2003	-	1,195,064	218,052	5,512	1,418,628

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Motor vehicles HK\$	Computers HK\$	Office equipment and furniture HK\$	Leasehold improvements HK\$	Total HK\$
THE COMPANY					
COST					
At 1st January, 2004	922,348	4,750,475	2,262,382	56,850	7,992,055
Additions	660,698	15,700	395,235	1,216,000	2,287,633
Transfer from a subsidiary	-	22,980	13,414	-	36,394
Transfer to a subsidiary	-	(2,632,655)	(108,593)	(14,250)	(2,755,498)
Disposals/written off	(922,348)	(2,140,800)	(2,167,203)	(42,600)	(5,272,951)
At 31st December, 2004	660,698	15,700	395,235	1,216,000	2,287,633
DEPRECIATION					
At 1st January, 2004	922,348	3,875,159	2,219,397	51,338	7,068,242
Charge for the year	32,157	483,640	39,174	42,842	597,813
Transfer to a subsidiary	-	(2,462,133)	(93,513)	(11,114)	(2,566,760)
Eliminated on disposals/written off	(922,348)	(1,896,394)	(2,142,429)	(42,600)	(5,003,771)
At 31st December, 2004	32,157	272	22,629	40,466	95,524
NET BOOK VALUES					
At 31st December, 2004	628,541	15,428	372,606	1,175,534	2,192,109
At 31st December, 2003	-	875,316	42,985	5,512	923,813

The net book value of the Group's and the Company's motor vehicles of HK\$628,541 includes an amount of HK\$414,710 (2003: Nil) in respect of assets held under finance lease.

16. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$	2003 HK\$
Unlisted shares, at cost	42,011,227	42,007,020
Amounts due from subsidiaries	83,747,677	83,769,116
	125,758,904	125,776,136
Impairment loss recognised	(96,812,769)	(96,553,914)
	28,946,135	29,222,222

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16. INTEREST IN SUBSIDIARIES (Continued)

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, the amounts will not be repaid in the coming twelve months from the balance sheet date and accordingly, were classified as non-current.

The Directors consider that in the light of the recurring operating losses of certain subsidiaries and unfavourable market conditions, the recoverable amount of its interest in subsidiaries has been reduced to the estimated recoverable value of their identifiable net assets. Accordingly, total impairment losses of HK\$258,855 (2003: HK\$189,329) in respect of the Company's interest in subsidiaries have been recognised in the income statement for the year.

Details of the Company's subsidiaries principally affected the results or assets of the Group as at 31st December, 2004 are all operating in Hong Kong and are as follows:

Name of company	Place of incorporation	Paid up share capital	Class of share held	Percentage of nominal value of issued share capital held by the Company		Principal activities
				Directly %	Indirectly %	
Mansion House Securities (F.E.) Limited	Hong Kong	30,000,000 shares of HK\$1 each	Ordinary	100	–	Securities broking and margin financing
Mansion House Asset Management Limited	Hong Kong	1,000,000 shares of HK\$1 each	Ordinary	100	–	Unit trust management
Mansion House (Nominees) Limited	Hong Kong	100 shares of HK\$1 each	Ordinary	100	–	Nominee services and investment holding

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16. INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation	Paid up share capital	Class of share held	Percentage of nominal value of issued share capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
MHS Futures Limited	Hong Kong	6,000,000 shares of HK\$1 each	Ordinary	100	–	Investment holding

17. INTEREST IN AN ASSOCIATE

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Unlisted shares, at cost	–	–	1,000,000	1,000,000
Impairment loss recognised	–	–	(284,156)	–
Share of net assets	715,844	1,110,764	–	–
	715,844	1,110,764	715,844	1,000,000

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17. INTEREST IN AN ASSOCIATE (Continued)

Details of the Company's associate as at 31st December, 2004 are as follows:

Name of company	Place of incorporation	Paid up share capital	Class of share held	Percentage of nominal value of issued share capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
Gothic Mansion House Investment Management Limited	Hong Kong	2,000,000 shares of HK\$1 each	Ordinary	50	–	Inactive

The Group's share in the profits or losses of its associate is in proportion to its ownership interest.

18. INTANGIBLE ASSETS

	THE GROUP
	HK\$
VALUATION	
At 1st January, 2004 and 31st December, 2004	6,000,000
AMORTISATION AND IMPAIRMENT	
At 1st January, 2004	4,371,430
Provided for the year	271,430
At 31st December, 2004	4,642,860
NET BOOK VALUES	
At 31st December, 2004	1,357,140
At 31st December, 2003	1,628,570

Intangible assets represent trading rights in the exchanges in Hong Kong revaluated as at 31st December, 2001 and are amortised over 8 years since 2002.

Had the trading rights been carried at cost less accumulated amortisation, they would have been fully amortised as at 31st December, 2004 and 31st December, 2003.

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19. INVESTMENT SECURITIES

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Unlisted equity investments, at cost	-	52,351,500	-	52,350,000
Impairment loss	-	(52,351,500)	-	(52,350,000)
	-	-	-	-
Listed equity investments in Hong Kong, at cost	-	50,007	-	-
	-	50,007	-	-
Market value of listed equity investments	-	123,556	-	-

20. LOANS RECEIVABLE

	THE GROUP	
	2004 HK\$	2003 HK\$
Loans receivable	80,843,667	80,843,667
Less: Allowance for doubtful loans	(80,843,667)	(80,843,667)
	-	-

Details of loans receivable are set out in note 34(a).

21. ACCOUNTS RECEIVABLE

	THE GROUP	
	2004 HK\$	2003 HK\$
Margin clients	26,443,039	27,588,487
Cash clients	10,556,975	15,214,862
Brokers, dealers and clearing houses	6,885,685	2,585,993
	43,885,699	45,389,342
Less: Allowance for doubtful debts	(26,352,905)	(25,911,489)
	17,532,794	19,477,853

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21. ACCOUNTS RECEIVABLE (Continued)

The aged analysis of accounts receivable is as follows:

	THE GROUP	
	2004	2003
	HK\$	HK\$
Less than one month	17,450,552	17,626,722
Over one month but less than three months	26,501	584,274
Over three months	26,408,646	27,178,346
	43,885,699	45,389,342
Less: Allowance for doubtful debts	(26,352,905)	(25,911,489)
	17,532,794	19,477,853

The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities are two days after trade date.

Receivable from margin clients are secured by margin clients' pledged securities, repayable on demand and bear interest with reference to commercial rates.

22. AMOUNT DUE FROM A SHAREHOLDER**THE GROUP AND THE COMPANY**

The amount was unsecured, interest free and was fully settled during the year.

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23. ACCOUNTS PAYABLE

	THE GROUP	
	2004	2003
	HK\$	HK\$
Margin clients	1,969,320	2,632,616
Cash clients	64,809,464	68,337,050
Brokers, dealers and clearing houses	21,378	11,334
	66,800,162	70,981,000

There was no payable to Directors for transactions in securities as at 31st December, 2004. The payable to Directors for transactions in securities included in account payable to cash clients amounted to HK\$1,127 as at 31st December, 2003.

The age of accounts payable is less than one month.

24. LOANS PAYABLE

	THE GROUP AND THE COMPANY	
	2004	2003
	HK\$	HK\$
Loans payable	58,083,993	56,472,090
Less: portion due within one year	(58,083,993)	(11,000,000)
Non-current portion due over one year but less than two years	-	45,472,090

Loans payable are unsecured and bear interest at 7% per annum for both years.

25. AMOUNTS DUE TO AN ASSOCIATE/SUBSIDIARIES

The amount due to an associate of the Group and the Company is unsecured, non-interest bearing and have no fixed terms of repayment.

The amounts due to subsidiaries of the Company are unsecured, non-interest bearing and have no fixed terms of repayment.

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26. AMOUNTS DUE TO DIRECTORS

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

27. OBLIGATION UNDER FINANCE LEASE

	THE GROUP AND THE COMPANY			
	Minimum lease payments		Present Value of minimum lease payments	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Amount payable under finance lease				
Within one year	93,401	–	78,652	–
In the second to fifth year inclusive	365,113	–	307,457	–
	458,514	–		
Less: Future finance charges	(72,405)	–		
Present value of lease obligation	386,109	–	386,109	–
Less: Amount due for settlement within twelve months (shown under current liabilities)			(78,652)	–
Amount due for settlement after twelve months			307,457	–

It is the Group's policy to lease its motor vehicle under finance lease. The lease term is 5 years and the effective borrowing rate is 3.75%. Interest rate is fixed at the contract date. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

During the year, the Group entered into finance lease arrangement in respect of assets with a total capital value at the inception of the lease of HK\$429,010.

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28. SHARE CAPITAL

	Number of shares		Share capital	
	2004	2003	2004 HK\$	2003 HK\$
Ordinary shares of HK\$0.20 each				
Authorised:				
At the beginning and at the end of the year	2,000,000,000	2,000,000,000	400,000,000	400,000,000
Issued and fully paid:				
At the beginning of the year	1,346,527,296	1,226,369,481	269,305,459	245,273,896
Exercise of share options	111,000,000	-	22,200,000	-
Shares issued to set off against the debts owed to certain directors and creditors	-	24,957,815	-	4,991,563
Shares issued by private placements	-	95,200,000	-	19,040,000
At the end of the year	1,457,527,296	1,346,527,296	291,505,459	269,305,459

During the year, China United exercised its option granted by the Company on 6th August, 2002 and subscribed for 111,000,000 new shares at a subscription price of HK\$0.20 per share. The proceeds were used to provide working capital of the Group. The new shares rank pari passu with the existing shares in all respects.

For the Year ended 31st December, 2004

29. RESERVES

	Share premium account HK\$	Asset revaluation reserve HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
THE GROUP					
As at 1st January, 2003	758,000	2,650,000	2,363,890	(286,622,308)	(280,850,418)
Elimination of translation reserve on disposal of subsidiaries	-	-	(2,363,890)	-	(2,363,890)
Shares issued at premium	30,039,455	-	-	-	30,039,455
Loss for the year	-	-	-	(37,767,572)	(37,767,572)
As at 1st January, 2004	30,797,455	2,650,000	-	(324,389,880)	(290,942,425)
Loss for the year	-	-	-	(21,130,464)	(21,130,464)
As at 31st December, 2004	30,797,455	2,650,000	-	(345,520,344)	(312,072,889)

The accumulated losses of the Group include loss of HK\$284,156 (2003: profit of HK\$110,764) retained by the associates of the Group.

	Share premium account HK\$	Accumulated losses HK\$	Total HK\$
THE COMPANY			
As at 1st January, 2003	758,000	(288,907,557)	(288,149,557)
Shares issued at premium	30,039,455	-	30,039,455
Loss for the year	-	(38,245,817)	(38,245,817)
As at 1st January, 2004	30,797,455	(327,153,374)	(296,355,919)
Loss for the year	-	(19,066,500)	(19,066,500)
As at 31st December, 2004	30,797,455	(346,219,874)	(315,422,419)

For the Year ended 31st December, 2004

30. DISPOSAL OF SUBSIDIARIES

On 25th February, 2003, the Group disposed its subsidiaries, Mansion House Real Estate Limited and Guangdong Wanhua Real Estate Development Co., Ltd.. The Directors consider that the aggregate results of these subsidiaries for the period from 1st January, 2003 to 25th February, 2003 were not material to the Group. The aggregate net assets of these subsidiaries as at 31st December, 2002 were as follows:

	HK\$
NET ASSETS DISPOSED OF	
Property, plant and equipment	94,740
Properties held for development	44,300,000
Accounts receivable	6,544,686
Deposits and prepayments	1,150,311
Tax recoverable	1,265,226
Cash and bank balances	12,554,260
Accounts payable	(2,477,187)
Other payables and accrued charges	(15,399,598)
	<hr/> 48,032,438
Elimination of translation reserve	(2,363,890)
	<hr/> 45,668,548
Loss on disposal	(1,328,925)
	<hr/> 44,339,623
Total consideration	<hr/> 44,339,623
Satisfied by:	
Bank balances and cash	44,339,623
	<hr/>
Net cash inflow arising on disposal	
Cash consideration	44,339,623
Bank balances and cash disposed of	(12,554,260)
	<hr/> 31,785,363

For the Year ended 31st December, 2004

31. OPERATING LEASE COMMITMENT

At 31st December, 2004, the Group and the Company had total commitments for future minimum lease payment under non-cancellable operating leases in respect of office premises which fall due as follows:

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Within one year	3,251,016	–	1,855,008	–
In the second to fifth year inclusive	4,760,190	–	2,782,512	–

Operating lease payments represent rental payable by the Group for certain of its office premises. Leases are negotiated for an average term of three years.

32. CONTINGENT LIABILITIES

As at 31st December, 2003, a letter of indemnity for HK\$240,000 was provided by a subsidiary of the Company to a bank in respect of the bank guarantee given to the Hong Kong Securities Clearing Company Limited. The bank guarantee was not renewed and the letter of indemnity was released in 2004.

33. SHARE OPTION SCHEMES AND SHARE OPTIONS

A. The Company operates share option schemes under which eligible persons are entitled to benefit in respect of their services to the Group.

(a) 1998 Share Option Scheme

The major terms of the 1998 Share Option Scheme are summarised as follows:

- (i) The purpose is to provide incentives to the participants.
- (ii) The participants include any full-time employee (including full-time executive directors) of the Group.

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33. SHARE OPTION SCHEMES AND SHARE OPTIONS (Continued)

- A. (a) 1998 Share Option Scheme (Continued)
- (iii) The maximum number of shares of the Company (“Shares”) in respect of which options may be granted (together with Shares issued pursuant to options exercised and Shares in respect of which any option remains outstanding) under the 1998 Share Option Scheme and any other share option schemes of the Company remaining outstanding will not exceed 10% of the issued share capital of the Company from time to time, excluding any Shares issued pursuant to the 1998 Share Option Scheme.
 - (iv) No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued under all the options previously granted to him which have been exercised, and issuable under all the options previously granted to him which are for the time being subsisting and unexercised, would exceed 25% of the aggregate number of Shares for the time being issued and issuable under the 1998 Share Option Scheme.
 - (v) The option period shall be a period to be notified by the Board of Directors (the “Board”) to each grantee and shall not exceed a period of 5 years commencing on the expiry of 6 months after the date on which the option is accepted and beyond 3rd February, 2008. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised.
 - (vi) The acceptance of an offer to an option shall be made within 28 days from the date of grant together with a non-refundable payment of HK\$1.00 from the grantee.
 - (vii) The exercise price of an option must be the higher of:
 - a price being not less than 80% of the average closing price of the Share on the Stock Exchange for the 5 trading days immediately preceding the grant; and
 - the nominal value of the Share.
 - (viii) The duration of the 1998 Share Option Scheme was originally effective for 10 years until 3rd February, 2008. On 27th June, 2002, the shareholders of the Company resolved to terminate the 1998 Share Option Scheme. The options granted under the 1998 Share Option Scheme are still exercisable in accordance with the terms of the 1998 Share Option Scheme.

For the Year ended 31st December, 2004

33. SHARE OPTION SCHEMES AND SHARE OPTIONS (Continued)

A. (b) 2002 Share Option Scheme

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 27th June, 2002, the Company adopted the 2002 Share Option Scheme to replace the 1998 Share Option Scheme. All the options granted under the 1998 Share Option Scheme remain valid and unchanged and shall be treated in accordance with the terms under the 1998 Share Option Scheme. No option has been granted under the 2002 Share Option Scheme since its adoption on 27th June, 2002. The major terms of the 2002 Share Option Scheme are summarised as follows:

- (i) The purpose is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company as a whole.
- (ii) The participants include any employee, director or consultant of the Group, whether full time or otherwise.
- (iii) The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company as at the adoption date of the 2002 Share Option Scheme and such limit may be refreshed by shareholders of the Company in general meeting. However, the overall limit on the number of Shares which may be issued upon exercise of all options granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes must not exceed 30% of the Shares of the Company in issue from time to time.
- (iv) Unless approved by the shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted to a participant (including both exercised and outstanding options) in any 12 months period must not exceed 1% of the Shares in issue.

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33. SHARE OPTION SCHEMES AND SHARE OPTIONS (Continued)

A. (b) 2002 Share Option Scheme (Continued)

- (v) The option period shall be a period to be notified by the Board to each grantee at the time of making an offer subject to such conditions as the Board may think fit and which shall not expire later than 10 years from the date of grant.
- (vi) Acceptance of an option shall be made within 21 days from the date of grant together with a non-refundable payment of HK\$10.00 from the grantee.
- (vii) The exercise price of an option must be at least the highest of:
 - the closing price of the Share as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day;
 - the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and
 - the nominal value of the Share.
- (viii) The 2002 Share Option Scheme shall be valid and effective for 10 years from the date of adoption.

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33. SHARE OPTION SCHEMES AND SHARE OPTIONS (Continued)

A. (b) 2002 Share Option Scheme (Continued)

The following table discloses details of the Company's share options held by a director of the Company and the employees of the Group and movements in such holdings during the year.

Name of Scheme	Date of grant	Exercise period	Exercise price HK\$	Outstanding	Lapsed	Outstanding	Lapsed	Outstanding
				as at 1.1.2003	in 2003	as at 1.1.2004	in 2004	as at 31.12.2004
Director								
1998 Share Option	13.1.1999	13.7.1999 - 12.7.2004	0.49	1,000,000	-	1,000,000	(1,000,000)	-
Scheme	13.1.1999	13.7.2001 - 12.7.2004	0.49	1,000,000	-	1,000,000	(1,000,000)	-
				2,000,000	-	2,000,000	(2,000,000)	-
Employees								
1998 Share Option	11.1.1999	11.7.2001 - 10.7.2004	0.49	350,000	-	350,000	(350,000)	-
Scheme	1.3.2001	1.9.2001 - 31.8.2006	0.38	1,000,000	(100,000)	900,000	(300,000)	600,000
				1,350,000	(100,000)	1,250,000	(650,000)	600,000
				3,350,000	(100,000)	3,250,000	(2,650,000)	600,000

- B. Other than the aforementioned share option scheme, on 6th August, 2002, the Company granted options to the substantial shareholders, China United and Mr. Evans Carrera LOWE to subscribe for 150,000,000 and 50,000,000 shares, respectively, at a subscription price of HK\$0.20 per share and such options are exercisable within a period of 2 years from the date of grant. On 7th October, 2002 and 6th August, 2004, China United exercised its option and subscribed for 27,000,000 shares and 111,000,000 shares respectively. All outstanding options were lapsed on 6th August, 2004.

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34. RELATED PARTY TRANSACTIONS

The following summarises the significant related party transactions.

- (a) The Group has granted the following related-party loans on 20th October, 1998 to enable the borrowers to reduce the outstanding balances in their margin accounts. These loans are approved by shareholders in the extraordinary general meeting held on 23rd July, 1999 as required by the Listing Rules.

Borrower:	Dynamic Assets Limited and Pharmatech Management Limited	Noblesse Ventures Inc.
Relationship:	Companies controlled by Mr. SO Shu Ching, Jason, brother of an ex-director, Ms. SO Wai Yin, Irene	Company controlled by Ms. SO Wai Kwan, Sheila, sister of an ex-director, Ms. SO Wai Yin, Irene
Lender:	A wholly owned subsidiary, Mansion House Capital Limited	A wholly owned subsidiary, Mansion House Capital Limited
Terms of the loan:		
– interest rate	Prime rate plus 1%	Prime rate plus 1%
– security	Partially secured by marketable securities and unlisted shares	Partially secured by marketable securities and unlisted shares
– repayment terms	By 14 equal instalments payable semi-annually with the last instalment due in May 2006	By 14 equal instalments payable semi-annually with the last instalment due in May 2006
Balance at 31st		
December, 2004	HK\$73,769,288	HK\$7,074,379
Balance at 31st		
December, 2003	HK\$73,769,288	HK\$7,074,379
Allowance at 31st		
December, 2004	HK\$73,769,288	HK\$7,074,379

These loans were rescheduled in 1999 with the last instalment due in May, 2006. However, the loans have been in default since 2000 and a total allowance of HK\$80,843,667 (2003: HK\$80,843,667) has been made.

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34. RELATED PARTY TRANSACTIONS (Continued)

(b) The Group has also provided margin financing to the following related parties:

Borrower:	Dynamic Assets Limited and Pharmatech Management Limited	Noblesse Ventures Inc.
Relationship:	Companies controlled by Mr. SO Shu Ching, Jason, brother of an ex-director, Ms. SO Wai Yin, Irene	Company controlled by Ms. SO Wai Kwan, Sheila, sister of an ex-director, Ms. SO Wai Yin, Irene
Lender:	A wholly owned subsidiary, Mansion House Securities (F.E.) Limited	A wholly owned subsidiary, Mansion House Securities (F.E.) Limited
Terms of the loan:		
– interest rate	Prime rate plus 1%	Prime rate plus 1%
– security	Marketable securities	Marketable securities
Balance at 31st		
December, 2004	HK\$8,795,445	HK\$8,411,913
Balance at 31st		
December, 2003	HK\$8,795,445	HK\$8,735,667
Allowance at 31st		
December, 2004	HK\$8,795,445	HK\$8,358,549

The loans are in default and a total allowance of HK\$17,153,994 (2003: HK\$17,028,762) has been made.